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ABOUT CNLU

In the State of Bihar, where the seeds of the earliest republic were sown and the crop of democracy cultivated, a need was felt by the government for a university which would provide quality legal education and strive to raise national legal standards to competitive international- al level and promote legal awareness in the community, which will lead to the realization of goals embodied in the Constitution of India. Thus, on July 15th, 2006 came into being Chanakya National Law University at Patna un- der the able guidance of its Vice - Chancellor/ Pro - Chancellor, Prof. Dr. A. Lakshminath, former Dean and Registrar, NALSAR University of Law, Hyderabad. CNLU was established under the Chanakya National Law University Act, 2006 (Bihar Act No. 24 of 2006) and included in section 2(f) & 12(B) of the U.G.C. Act, 1956. No Educational Institution is complete without adequate facilities to its Students, Faculties & Employees.

CNLU provides wide range of facilities on its campus. A well-managed residential accommodation with modern facility provided to students. Mess & Canteen facilities on campus provide everything from a simple coffee and sandwich to a full meal. University provides a full range of medical services for students & for employees who register as patients. In addition to general practice services, CNLU provides a range of specialist clinics and visiting practitioners. University organized regular careers fairs, training workshops, and one-to-one guidance for students. Counselling Service aims to enable students to achieve their academic and person- al goals by providing confidential counselling and support for any difficulties encountered while at CNLU. University provides a wide range of IT services including campus internet access via a wireless network and in student residences. Number of retired Judges of the Supreme Court, High Courts and lower Judiciary as well as Senior Advocates & Educationalist have offered to assist the CNLU in its teaching and re- search programme making education at CNLU a rare and exciting experience to the student body. CNLU admired example of maintaining financial autonomy along with greater accountability. It is equipped with the state-of-art infra- structure for successful imparting of legal education of the highest standards. The faculty at CNLU comprises highly acclaimed and experienced academicians who are proactively involved in grooming the younger generation to take CNLU to greater heights. The construction work of the university spread on 18 acres of land at Nyaya Nagar, Mithapur near Mithapur Busstand, Jakkanpur Police Station, Patna. A sprawling lawn with various types of palm trees has adds beauty to the landscape.



ABOUT CIRF-in-IPHD

Innovation is an imaginative initiative to resolve socio-economic –cultural –scientific-technological problems of everyday life. Wherever we are, innovation is required for advancement-progress- prosperity. Innovation motivates for research – searching the solution to a problem. The intellectual property is a creation of mind. It is in the form of copyright, patents, Trademarks, design, integrated circuit lay out design, trade secret, and geographical indications, bio-technological inventions, traditional knowledge, inventions related to plant varieties, farmers', and plant breeders' rights. Every types of intellectual creation is socio-economic oriented. But there is requirement of protection to the creators for their economic and moral rights involved in it. At the same time, the dissemination of intellectual property knowledge among the society is essential. The industry also requires connection and involvement. IPR is a subject interconnected with almost all walks of human life today. The requirements of innovation in MSME cannot be denied which furthers employment in organized as well as unorganized sector. Likewise, the sports sector is closely connected with intellectual properties: patents, copyrights, design, trademarks, and traditional knowledge, etc.

The tourism has become a mega source of commerce and employment, where in the innovation is every time a challenge. The National policy on IPR deals with the creation of Human capital with the same spirit that Human Rights tries to protect the Humanity. Hence, the Chanakya National Law University aims to encourage research and innovation in IP and interconnected areas, i.e. Entrepreneurship, Sports, Tourism and Human Rights, through this Centre. The Centre will strive for the cause of economic development of the people of Bihar and all the persons/ innovators in general in IP and inter-connected areas –entrepreneurship, sports, tourism, and ultimately Human development by protecting Human Rights.

OBJECTIVES	
<i>Institutional Activities</i>	<i>Collaborative Activities</i>
<ul style="list-style-type: none"> □ Awareness towards intellectual property Rights through seminar /Conference/ Workshop/Symposium and Innovation March. □ Institutional project research from government Institutions/Research organisations in India/Abroad. □ □ Inter-University Collaboration for research in the field of Intellectual property. □ Facilitation Centre for registration and commercialisation related activities. □ Consultancy facility from expert. □ Publication of 'Research Journal in IP' and 'Inter-disciplinary journal' and 'Books' □ Organising Professional development program and Certificate courses. □ Setting up Student IPR Club. 	<ul style="list-style-type: none"> • IP and Sports industry • IP and Tourism • Global Trade in IP and Human rights • IP and entrepreneurship. • IP, Corporate and Competition. • IP and Information security. • IP, Humanities and Human Development • Community IP, Benefit Sharing and Economic development • Collaboration with Universities, NIPER, and RESEARCH CEN- TRES. • Industry –University collaboration,

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VICE-CHANCELLOR, CNLU, PATNA

Email: vc@cnlu.ac.in

CO- PATRON

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Mob: +917667074426

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EDITORIAL

The I.P. BULLETIN (Intellectual Property Bulletin) is a publication of the Centre for Innovation Research and Facilitation in Intellectual Property for Humanity and Development (CIRF-in- IPHD). It is a Magazine, ISSN..... (To be obtained as per rules.)

It carries news, column, case reports, essay writings events and activities, research in the domain of Intellectual Property Rights. It has to carry the application of intellectual creation which are of commercial significance. Intellectual property is a creation of mind. Why does it require protection? Whether all of us are aware of the Intellectual Property? Whether Intellectual property can speed up industrialization, commercialization and generate employment? Whether Intellectual Property can boost up 'Make in India: Made in India; 'Stand up India: Start up India' Program? Whether Intellectual Creation have potency of making 'Self-Reliant Bharat' (Atma-Nirbhar). The Government of India has formulated 'National I P R Policy' in 2016 with a slogan 'Creative India: Innovative India'. It aims to IPR Awareness: Outreach and Promotion, to stimulate the generation of IPR, Legal and Legislative Framework To have strong and effective IPR laws, which balances the interests of rights owners with larger public interest, Administration and Management - To modernize and strengthen service oriented IPR administration, Commercialization of IPR - Get value for IPRs through commercialization, Enforcement and Adjudication - To strengthen the enforcement and adjudicatory mechanisms for combating IPR infringements, Human Capital Development - To strengthen and expand human resources, institutions and capacities for teaching, training, research and skill building in IPR.

The I P BULLETIN is another venture of the Centre with respect to the National IPR Policy 2016, innovation policy 2019 and science and technology policy 2020, to work for MSME. They have been working towards the propagation of creativity, innovation, industrialization and commercialization of intellectual property. This Bulletin has features like events, columns, news, research information, case review, essays etc. The first Half Yearly Vol. V January-June Issue I of January 2024 is hereby submitted before the learned scholars, policy makers, entrepreneurs, MSME, Businessman, administrators, agriculturists and all the concerned stake holders.

Prof. Dr. S. C. Roy,
*Dean- Research & Development;
Director- CIRF-in- IPHD
DPIIT-IPR Chair Professor*



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PATENT REGISTRATION CRITERIA FOR AI INVENTIONS: A CRITICAL ANALYSIS OF EVOLVING STANDARDS

Aranya Nath¹

ABSTRACT

Artificial intelligence is essential in every field. Artificial intelligence plays an essential part in all industries. Very intricately linked with the rapid advancement of Artificial Intelligence presents unique challenges and opportunities for the patent system. The author of this research paper contemplates the fast advancement of artificial intelligence has culminated in revolutionary changes throughout several industries, requiring a rethinking of patent registration criteria it helps in exploring the ever-evolving patent law related to AI concepts, looking at how traditional criteria like originality, inventive step, and industrial application are being questioned and reinterpreted. The next trend that the author is going to interpret is the legality of AI.

Artificial Intelligence has become increasingly prominent in this tech era, transforming machines into creative work-generating systems as AI has no legal structure hence comparative analysis of other countries will provide a significant inception. Lastly while concluding the chapter, the author has taken the liberty to gauge the feasibility and accuracy of patent protection for AI inventions. The author, in his final note, raises a necessary question for valued readers to consider, about the mentioned "Patent Protection ownership is to be provided to the invention or the inventor" which is, subtly but impactfully, taking the patentability criteria of registration to an altogether different level with time.

KEYWORDS: Artificial Intelligence, Novelty, Non-obviousness, Inventorship, Information Technology Law, Patent Law.

¹ Ph.D. Scholar, Damodaram Sanjivayya National Law University, BSc. LLB KIIT Bhubaneswar at DSNLU- KIIT
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INTRODUCTION

With the advancement of technology, observed keenly that artificial intelligence has become one of the most efficient tools with numerous advantages in various industries. According to many scientists, by 2030, AI technologies will entirely replace the old human ways. Numerous advances have improved within the past four to five years, making AI a safer tool than humans. Coming to intellectual property, observed by the annual reports of WIPO meta versions of various social networking sites are booming like Facebook, Instagram, etc. With a lot of advancement of AI in various sectors, the prime issue that arises in patent laws of India is - Who'll be the owner of AI inventions?

Moreover, the patentability criteria possess various intricacies about the inventorship of AI inventions, whether novelty and non-obviousness/ inventiveness are there in the AI inventions. As there's an exponential growth of AI, the main aim in performing the research by the researchers is to provide a significant inception about the know-how of AI inventions and the scope of patentability. Secondly, the researchers are going to discuss the legality of patent protection in various international jurisdictions & challenges/ loopholes of the patentability of AI inventions. The research conducted by the researcher is doctrinal, the researcher dealt with various IPR journals, periodicals, etc. The research is divided into four chapters:- Firstly, the authors would like to contemplate the scope and development of AI inventions with the significant inception of the Indian Patent regime. Second chapter will focus on the instances of AI machines that create various innovations highlighted for Patent protection. Assessment of Novelty and Inventive steps has come into the limelight on whether the AI machines will be made eligible to become creators of inventions through ownership. Third chapter deals with the comparative analysis of the legality of Patent protections for AI innovations in various jurisdictions like UK, South Africa, and USA. Lastly, the authors will discuss the challenges faced by AI inventions and Patent protection. How much the criteria for Patent protection in India is beneficial has been contemplated. Lastly, the authors will suggest some recommendations for readers to gain significant inception for future perspectives.

ARTIFICIAL INTELLIGENCE & ITS INCEPTION

AI encompasses a wide range of disciplines such as reasoning, information representation, robotics, natural language processing, and neural networks.² It is challenging to define AI in a few words due to its dynamic nature. However, several definitions provide a comprehensive understanding of the concept. Initially, machines were used for computations, but advancements

² Ana Ramalho, *Patentability of AI-Generated Inventions: Is a Reform of the Patent System Needed?*, SSRN JOURNAL (2018), <https://www.ssrn.com/abstract=3168703> (last visited Oct 25, 2023).

in AI have transformed them into problem-solving devices similar to the human brain.

John McCarthy introduced the concept of AI in 1956, defining it as the science and technology of developing intelligent machines.³ Elaine Rich defines AI as the study of making computers perform tasks that humans do better. The application of the Turing Test is crucial in AI, as it determines whether a machine possesses intelligence. Intelligence refers to the cognitive ability to learn, reason, remember, and cope with daily living.⁴ AI aims to create machines that exhibit intelligent behaviour. The Turing Test⁵ involves a human inquisitor interacting with a machine and a human, to identify which is which. If the machine successfully confuses the questioner, it passes the Turing Test and is considered intelligent. Alternative proposals, such as the Face Model and Idea Model, have been suggested to address the limitations of the Turing Test⁶. The Face Model focuses on computational creativity in AI inventions, demonstrating that machines can produce art. The Idea Model aims to quantify artistic endeavours by considering software development, execution, and appreciation cycles. It goes beyond traditional AI concepts and emphasizes the software's ability to establish its standards. These models provide new perspectives on evaluating AI performance.

i. *Inventiveness of AI*

Advances in artificial intelligence have elevated computers from being creative tools to major contributors to creation. Microsoft is developing a computer named 'Hanover' to store data connected to cancer therapies, anticipating the most profitable blend of medicines per every patient diagnosis. Innovative AI robots, such as Dr. Stephen Thaler's "Creativity Machine," have contributed to innovative innovations without little or no human involvement. Thaler's system features a computerized neural network that links to create software without human interaction, detecting useful and useless data. The machine created 11,000 novel tunes and the visual appearance of the Oral-B cross-action toothbrushes. Another example is IBM's Watson, which in 2011 frustrated previous Sleuth! Champions Ken Jennings and Brad Rutter. Watson can store 200 million pages of material and analyze queries using more than 100 algorithms. It assesses the best potential replies using millions of logic rules after identifying possible solutions. Such imaginative artificially intelligent robots have

³ The True Father of Artificial Intelligence | OpenMind, <https://www.bbvaopenmind.com/en/technology/artificial-intelligence/the-true-father-of-artificial-intelligence/> (last visited Oct 25, 2023).

⁴ STEPHEN LUCCI & DANNY KOPEC, ARTIFICIAL INTELLIGENCE IN THE 21ST CENTURY: A LIVING INTRODUCTION (Second edition ed. 2016), <http://www.books24x7.com/marc.asp?bookid=94346> (last visited Oct 25, 2023).

⁵ STUART J. RUSSELL & PETER NORVIG, ARTIFICIAL INTELLIGENCE: A MODERN APPROACH (1995).

⁶ Simon Colton, John Charnley & Alison Pease, *Computational Creativity Theory: The FACE and IDEA Descriptive Models*, PROCEEDINGS OF THE 2ND INTERNATIONAL CONFERENCE ON COMPUTATIONAL CREATIVITY, ICCO 2011 (2012).

significantly aided the medical sector and facilitated the creation of novel technologies.

ii. *Implications of Artificial Intelligence & Intellectual Property Laws*

The patentability of AI inventions raises several issues that need further analysis and discussion. It is important to address the various patent-related issues brought about by new technology.

Artificial intelligence development and inventorship are closely related. The patent system grants exclusivity rights to the creator of an invention. If the creator remains unidentified, the patent may be considered invalid. The challenge with AI is determining whether a machine can be considered an “inventor” and who owns the patent rights⁷. The definition of an inventor varies in different jurisdictions, but it commonly refers to a person. The court case of “Diamond v. Chakrabarty⁸” expanded the subject matter criteria for inventions in the United States, making everything produced by a human patentable. This approach aims to keep the concept in the hands of the individual rather than a formal entity like a company.

Ownership of patent rights in AI inventions is a complex issue because AI is not recognized as a legal person. AI cannot own or execute rights independently.⁹ Therefore, ownership should be delegated to a human person capable of effectively exercising those rights. Alternatively, the machine can be designated as a co-inventor, and ownership can be vested in a person with a mutual connection. Prior art, which refers to publicly accessible knowledge before the registration of a claimed invention, is crucial in verifying the novelty of an invention. However, AI-generated claims pose challenges due to the vast amount of data generated by AI. It becomes difficult to establish what constitutes significant prior art. Defensive publishing, where breakthroughs are made public to prevent competitors from patenting the same concept, may be a result of the volume of information generated by AI. Reducing the threshold for novelty could lead to patenting existing knowledge in the public domain, which goes against the principles of patent law. Prioritizing the quality of AI-generated information over quantity and enhancing access to data can improve the standard of prior art knowledge. Liability issues arise as autonomous AI systems can create innovative products without much human assistance. The emergence of “inventive

⁷ 35 U.S. Code § 100 - Definitions, LII / LEGAL INFORMATION INSTITUTE, <https://www.law.cornell.edu/uscode/text/35/100> (last visited Oct 27, 2023).

⁸ *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), JUSTIA LAW, <https://supreme.justia.com/cases/federal/us/447/303/> (last visited Oct 27, 2023).

⁹ James Daily & F. Kieff, *Anything Under the Sun Made by Humans: Patent Law Doctrines As Endogenous Institutions for Commercializing Innovation*, 62 EMORY LAW JOURNAL 967 (2013).

machines” raises the question of who should be held liable for patent infringement. The current patent system does not consider non-human entities as possible infringers, so the owner or user of the AI system would likely be held accountable. This concept of “absolute liability” holds the owner responsible for AI infringement. While it may address the issue of accountability, it can also impede innovation and investment in AI technology, potentially leading to a societal revolution. Identifying the violator is crucial to protecting both the patent holder's rights and society at large.¹⁰ In summary, AI's implications on intellectual property laws require careful consideration. The patentability of AI inventions, the ownership of patent rights, the challenges of prior art in AI inventions, and liability issues are critical areas that need further analysis and discussion to adapt the existing legal frameworks to the advancements in AI technology.¹¹

INTERCONNECTION OF ARTIFICIAL INTELLIGENCE AND INTELLECTUAL PROPERTY LAWS

AI technology is rapidly evolving, impacting various industries including intellectual property. The European Parliament has recognized the need to address intellectual property protection in the context of AI and has called for new laws to identify smart robots as independent devices with the ability to generate copyrighted works. However, challenges arise in determining ownership of AI inventions under patent law, especially if all ideas are generated by automated systems. This issue is currently before national courts.¹²

The collaboration between patent laws and AI is increasing, as AI is used to simplify processes and reduce human involvement. While AI-enabled systems may appear similar to calculators, they operate in a more complex manner and can carry out activities based on critical insights. This presents novel legal challenges, particularly about patent law.¹³

Patents grant exclusive rights to inventions, which are defined as unique solutions to technological challenges. AI-enabled systems can generate ideas and products that may qualify as patentable inventions. However, the definition of an “inventor” in patent law needs to be reconsidered in light of the importance of AI in innovation.

¹⁰ Ben Hattenbach & Joshua Glucoft, *PATENTS IN AN ERA OF INFINITE MONKEYS AND ARTIFICIAL INTELLIGENCE*, 19.

¹¹ Tyagi - 2019 - PATENTABILITY OF Artificial.pdf, https://www.dehradunlawreview.com/wp-content/uploads/2020/02/8_Patentability_of_Artificial_Intelligence_Creations-79-87.pdf (last visited Oct 25, 2023).

¹² European Parliament, EUROPEAN PARLIAMENT, <https://www.europarl.europa.eu/portal> (last visited Oct 28, 2023).

¹³ Artificial Intelligence in Society | en | OECD, <https://www.oecd.org/publications/artificial-intelligence-in-society-eedfee77-en.htm> (last visited Oct 26, 2023).

The European Union is encouraging countries to broaden copyright laws to include works created by AI as “own intellectual production.” This recognition of AI's uniqueness in generating artistic works is a positive step. Patent protection should also be considered for AI and robot innovations, as they possess a high level of autonomy and can perform tasks without human support. However, protecting AI-created concepts through patents can be challenging, as they need to pass the three-step test of novelty, distinctiveness, and industrial applicability.

Further research and clarification of existing legislation and regulations are needed to address patentability and other concerns related to AI-based concepts.

JUDICIAL TRENDS OF EU & OTHER JURISDICTION ON THE ISSUE OF AI PATENTABILITY

i. Patent Law in Europe

Patent law includes worldwide, European, EU, and national legislation. The current study concentrates on the patentability of AI inventions in Europe, hence worldwide regulation will be briefly discussed. International legislation has influenced the creation and interpretation of legislation in several nations, making it an important factor to consider in the research.

The EPC currently consists of 38 Contracting States. Article 2(1) in the EPC refers to¹⁴ patents were given to the EPC as European Patents. European Patents do not provide a single patent that protects the invention in all Contracting States. European patents generally have the same impact and terms as national patents granted in the Contracting States. Yet, European patents can be requested for several Contracting States. The EPO awarded European patents under Article 4 in the EPC. The EPC covers general and institutional rules, substantive patent law, European patent applications, various processes, and their influence on national law¹⁵.

ii. The High Court's AI patent decisions: a watershed moment in terms of patenting of AI?

A recently issued decision by the UK High Court ended with a highly favourable identification for AI developers, potentially changing the influence of how the patenting of AI-related ideas is determined in the UK. In “Emotional Perception, AI Ltd v Comptroller- General of Patents, Designs, and Trade Marks, [2023] EWHC 2948 (Ch), the

¹⁴ Guidelines for Examination in the European Patent Office.

¹⁵ Article 2 – European patent, <https://www.epo.org/en/legal/epc/2020/a2.html> (last visited Jan 18, 2024).

High Court ruled that the UKIPO was incorrect in rejecting Emotional Perception's patent application because it was not patentable.¹⁶

If the decision is followed, it indicates that the UK Intellectual Property Office (UKIPO) represents a more beneficial destination to obtain patents for AI-related creations compared to the European Patent Office (EPO), and may widen the door over patent protection for the subject matter that might have before have been eliminated¹⁷.

a. Background of the case

The rise in AI usage and research has increased patent applications for AI-related technologies. Many AI-related ideas are patentable, yet getting protection from the UKIPO and the EPO is difficult due to European patentability exclusions. The EPO and UKIPO consider AI training and implementation to be mathematical techniques carried out by computer programs, which are not patentable under legislation. While not all AI ideas are unpatentable, they must have a significant technical impact, either by adding to a technological challenge outside of the computer or by taking special care of the underlying technology. It makes it challenging for many high-profile AI developments to get patent protection at the UKIPO and EPO.

b. Applicability of the case

Emotional Perception's patent application focuses on the use of artificial neural networks (ANNs) to detect semantically related material, such as subjective semantic representations in music files. The ANN is trained on a set of file pairings, creating two types of distances: semantic (semantic) distances and property (property). The ANN is taught to provide second distances that converge with the initial distances. Once trained, the ANN computes output distances concerning a database of reference files, determining semantic similarity between the new and reference files. It assists in identifying reference tracks in the database and recommending related music to users.

c. Judgement

The UKIPO rejected an application for patenting as it emphasized a computer program, claiming that learning or installing an Artificial Neural Network (ANN) had no

¹⁶ AI Update in the UK: UKIPO to Appeal Emotional Perception AI Decision - Pearl Cohen, <https://www.pearlcohen.com/ai-update-in-the-uk-ukipo-to-appeal-emotional-perception-ai-decision/> (last visited Jun 24, 2024).

¹⁷ HGF Ltd-Nick King, *High Court's AI Patent Ruling: A Turning Point for the Patentability of AI?*, LEXOLOGY (2023), <https://www.lexology.com/library/detail.aspx?g=076c001b-dc9e-4f8c-ad5c-c3fef365cafe> (last visited Jan 18, 2024).

technological advances effect. The High Court disapproved, holding that an ANN is not a computer program, despite being implemented as software, and functions at a different level than the machine's underlying software. The court also determined that a software emulation of an ANN is equal to an ANN implemented in specific hardware, that was claimed not to be a computer that can be programmed and hence not subject to the constitutional limitation of computer programs.

The High Court also assessed whether the innovation might be regarded to offer a technical contribution, and disagreed with the UKIPO. The court ruled that the ANN recognized a file as semantically similar to a target file and that delivering a file taken by the trained ANN had a technical impact outside of the computer, regardless of whether the user getting the file listening to it. The High Court's opinion underlined that an ANN functions based on what it has learned itself rather than code provided by a human.

d. Rationale

The UKIPO has made a decision that has the potential to revolutionize the review process for AI-related creativity within the UK. The decision implies that an ANN taught using machine learning functions at a different level than the underlying computer program, possibly opening up patentability for a wide variety of subject matter. The notion that a trained ANN is a technical entity due to its weights and biases applies similarly to any model learned via machine learning. The decision also indicates that the patent claim includes applications for video, audio, picture, and text files.

The semantic evaluation of text files, which was previously classified as a non-technical purpose by the UKIPO, is now patentable under this ruling. The Emotional Perception patent application, on which the judgment is based, has also been submitted in other jurisdictions, especially before the European Patent Office (EPO), where it encountered substantial opposition. If the verdict is upheld, the UKIPO may become a more appealing venue for patenting AI-based technologies.

PRESENTLY LEGAL SYSTEMS FOR AI INNOVATION PATENTING

A patent is defined as the exclusive right to an innovation. This 'innovation' has been defined as any product or procedure that provides people with a novel way of achieving an objective, even those that offer a fresh approach to existing technological difficulties.¹⁸ The owner of such a right has a legal obligation to prevent others from creating, selling, or even using the patented inventiveness during a limited period. As such, the license given in such a case legitimizes the development of a dominant position for the benefit of the person who created it.

Novelty

Novelty is a crucial factor in the creation of AI inventions, as stated by renowned jurist Judge Rich. He emphasized that a good monopoly provides the public with something new and unique, while a bad monopoly takes away what the public already has. In intellectual property laws, novelty is the requirement that only new inventions at the time of patent application can be granted a patent. For an invention to be considered patentable, it needs to be creative, nonobvious, and have practical application. In India, patents are not granted for innovations that were disclosed before the filing of a patent application. The term "state of the art" refers to the condition where an invention was not made public before the application date. The Indian Patents Act of 1970 lacks clarification on what constitutes state-of-the-art. If an innovation has been utilized, patented, or disclosed by someone before the applicant's application, it does not meet the requirement of novelty. AI systems face challenges in recognizing novelty and making decisions regarding it. This makes their creative step more difficult. Software programs are often denied patentability due to their technical nature. However, countries like India are relaxing their requirements for computer programs in connection with new hardware, allowing AI-enabled systems to develop software that can be used on generic computers. Nevertheless, existing laws and processes need to be simplified for AI-generated ideas to be eligible for patents.¹⁹

The concept of prior art or state of prior art is important in determining novelty. An invention must be innovative or novel, meaning it does not already exist in previous art. To establish novelty, inventors must thoroughly investigate existing inventions of the same or similar kind during the creation stage. This requires a comprehensive reading and evaluation of prior art. Only after this process can the inventor claim their creation as a novelty, which is a fundamental requirement for obtaining a patent. Machine learning has access to pre-existing art, must be autonomous in its decision-making process, and capable of considering fresh and unique aspects. This autonomy is

¹⁸ Biswanath Prasad Radhey Shyam vs Hindustan Metal Industries on 13 December, 1978, <https://indiankanoon.org/doc/1905157/> (last visited Oct 31, 2023).

¹⁹ Patent Protection and the Novelty Requirement - Gottlieb, Rackman & Reisman, P.C., <https://grr.com/publications/patent-protection-novelty-requirement/> (last visited Oct 30, 2023).

essential for ensuring true novelty in AI inventions.²⁰

Non-obviousness

The non-obviousness doctrine, also known as the inventive step doctrine, is crucial in determining the patentability of AI innovations. It plays a significant role in the realm of technology, as it is considered the ultimate condition for patentability. The concept of the “true and first inventor” is important in understanding the roles of inventors in these innovations. Under the Indian Patents Act, an application for a patent can only be filed by the true and first inventor or those designated by them. However, the act excludes the first immigrant of an invention into India or someone to whom the invention is first passed on outside India from being considered a “true and first inventor.” While AI can be explored as an inventor, it is widely recognized that the true and first inventor is a natural human. It will be interesting to see how the legislation develops regarding this issue, particularly when the designated “true and first inventor²¹” on a patent application is not an actual individual. In the context of An “inventor” is defined as an individual or a group of individuals who developed or discovered the subject matter of the invention under US Patent Law, “Townsend v. Smith²²” stated that for something to qualify as considered a genuine product of an invention, it must first go through the stage of conceptualization. AI-enabled technologies provide chances to enhance and augment human cognitive abilities while also enriching people's lives and work.

ANALYSIS FOR NOVELTY AND NON-OBVIOUSNESS/ INVENTIVE STEPS

While the concept of computers or robots having creative or imaginative intelligence may sound far-fetched, certain researchers believe it isn't too distant. In his book *Everything is Obvious*, Professor Ryan Abbott outlines the transition from a human-based inventive phase to a completely AI-dominated inventive phase in which “inventive machines” can generate inventive or innovative results towards a point where no human intervention is required. However, the concept of a future with solely 'independent' AIs that does not require human intervention in the procedure of inventing or producing distinctive and innovative outputs has been criticized. While we may see AI working together with human creative minds within the near future, “autonomy (which must be distinguished from 'automation')” AI-powered machinery remains a utopia. Nevertheless,

²⁰ Riya Manuja, *Research Paper: Patenting Artificial Intelligence- Legal Implications*, PAPERBACKANDINK (Jun. 17, 2019), <https://paperbackandink.wordpress.com/2019/06/17/patenting-artificial-intelligence-legal-implications/> (last visited Oct 29, 2023).

²¹ Faizanur Rahman & Mohd Amir, *Exploring the Interfaces between Artificial Intelligence and Intellectual Property Rights*, 12 31955 (2021).

²² *Townsend v. Smith*, 36 F.2d 292 | Casetext Search + Citator, <https://casetext.com/case/townsend-v-smith> (last visited Oct 30, 2023).

the use of AI in the context of innovation raises serious challenges in the realm of patent law. Although issues such as AI-generated invention ownership, patentability, and so on constitute vital subjects in the discipline of patent law, this post focuses on the difficulty of finding the 'nonobvious' criteria in such circumstances.

iii. Non-Obviousness & Assessing Inventiveness

The Indian Patents Act, of 1970 specifies innovative step as an element of an invention which includes advancements in technology, financial value, and either of which renders the creation unclear to someone with expertise. The existing law restricts the evaluation of creativity to an impartial review of the innovation against the extent of relevant art to the akin prior art and relies on this for defense against a combination suspected of making claims evident. The Indian Patents Act does not define the term “inventor,” but it does allow an individual alleging as the real and original inventor, in addition to the assignee of such a person, to file an application for a patent. Judicial explanations, including “VB Mohammed Ibrahim v Alfred Schafranek & Ors²³” and “Shining Industries v Sri Krishna Industries,²⁴” were used for clarification inventorship²⁵. In short, the Indian Patents Act does not explicitly define the term “inventor” and fails to take into consideration the true or real conditions under which an invention was made, including the amount of time and assets used by the true inventor or if an innovation was created by a human using AI technology or autonomously by AI.

iv. Judicial Trends in the analysis of Non- obviousness/ inventive Steps and Novelty

Judicial trends in the analysis of non-obviousness and inventive steps have been observed in both American and Indian patent laws. In American patent law, the concept of obviousness was embraced in the landmark case of “Hotchkiss v. Greenwood²⁶” in 1851. The court stated that unless an invention required more inventiveness and skill than a common mechanic familiar in the field, it lacked the necessary competence and inventiveness. This test of obviousness was fully codified in Section 103 of the 1952 Patent Act. The Supreme Court later strengthened the evaluation of obviousness in “Graham v.

²³ V.B. Mohammed Ibrahim vs Alfred Schafranek And Ors. on 4 June, 1958, <https://indiankanoon.org/doc/1632880/> (last visited Oct 30, 2023).

²⁴ Shining Industries And Anr. vs Shri Krishna Industries on 3 May, 1974, <https://indiankanoon.org/doc/1663997/> (last visited Oct 30, 2023).

²⁵ Benjie, *Assessing Inventiveness and Ownership of AI-Related Inventions*, LAW.ASIA (Aug. 22, 2022), <https://law.asia/assessing-inventiveness-ownership-ai-related-inventions/> (last visited Oct 30, 2023).

²⁶ Hotchkiss v. Greenwood, 52 U.S. 248 (1850), JUSTIA LAW, <https://supreme.justia.com/cases/federal/us/52/248/> (last visited Oct 31, 2023).

John Deere Co.²⁷” by emphasizing that inquiries into the obviousness of the subject matter are a prerequisite to patentability.

In Indian patent law, the concept of obviousness was incorporated in the 1970 Patents Act. An “invention” is defined as a new product or process involving an inventive step and capable of industrial application. The Indian Supreme Court, in the case of “Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries²⁸,” stated that “obvious” is equivalent to “inventive step” and must be strictly and objectively judged. The court relied on previous judgments to determine that an invention should not naturally suggest itself based on what is already known. The High Court of Madras, in the case of “Bajaj v TVS,²⁹” further clarified that an inventive step to be eligible for a patent must pertain to an innovation that includes technological growth or monetary value. The invention mustn't be obvious to a person skilled in the art. The court explained that even though the Patents Act does not define “obvious,” it can be understood as a circumstance where a person with experience in the subject matter while reviewing the specification, would complete the product. Overall, both American and Indian patent laws emphasize the importance of non-obviousness and inventive steps in determining the patentability of an invention. The courts consider factors such as prior art, conventional competency, differences from prior art, and unbiased proof of non-obviousness to assess whether an invention meets these criteria.³⁰

v. Judicial Interpretation of TVS Motor Vs. Bajaj Case

The Supreme Court case of TVS Motor Company Limited v/s Bajaj Auto Limited in 2009 involved two cases. Bajaj Auto Limited filed a complaint under Section 108 of the Patents Act, 1970, seeking a permanent injunction against TVS Motor Company's use of a patented technology in their motorcycles. TVS Motor Company filed a lawsuit under Section 106 claiming that the threats made by Bajaj Auto Limited were unfounded. The court determined that TVS Motor Company did not infringe on the patented technology because they made advancements and used a different valve system. The court also emphasized the significance of intellectual property rights and ordered all tribunals and

²⁷ *Graham v. John Deere Co. of Kansas City*, 383 US 1, Supreme Court 1966, (BitLaw), <https://www.bitlaw.com/source/cases/patent/Graham-v-John-Deere.html> (last visited Oct 31, 2023).

²⁸ *Biswanath Prasad Radhey Shyam vs Hindustan Metal Industries* on 13 December, 1978, *supra* note 17.

²⁹ *Bajaj Auto Ltd., State Of ... vs Tvs Motor Company Ltd.* on 16 February, 2008, <https://indiankanoon.org/doc/1058259/> (last visited Oct 31, 2023).

³⁰ *RADO V. JOHN TYE AND SON LIMITED* | Reports of Patent, Design and Trade Mark Cases | Oxford Academic, <https://academic.oup.com/rpc/article/84/11/297/1601136> (last visited Oct 31, 2023).

lower courts to resolve intellectual property cases within two to three months. The court ruled that if a combination or technique differs from the original procedure and produces the same outcome, it is not considered infringement. The court also highlighted the importance of interpreting patent claims with their purpose in mind rather than a literal meaning. Future trends in AI and patent laws have presented challenges, and there have been calls for a re-evaluation of current patent laws. One potential solution is to differentiate between patents granted for AI-assisted inventions and those developed solely by human inventors. However, there is a lack of technology expertise among Indian courts dealing with patent law, which complicates the assessment of AI technology and its impact on obviousness. The recent ruling in the Bajaj case has added to this issue.³¹ The proposed draft bill to abolish the Intellectual Property Appellate Board (IPAB) further exacerbates the situation. The use of AI in inventions could prompt a re-examination of the core principles of patent law to ensure fairness and equity in the patent system.

Comparative Analysis of Novelty & Non-obviousness for AI Patent

The researchers conducted a comparative analysis of patentability standards for AI in various countries, examining the background, advancement, patent law structure, and patentability criteria for AI-based innovations. They discussed similarities and shifts in each country's approaches and discussed case studies of patent applications and recognition for AI-based creativity. The study highlighted the potential impact of AI on innovation, patenting, technological access, and market rivalry. AI is rapidly changing our lives, and its legal and ethical implications for patenting are crucial. The analysis provides an exhaustive overview of AI's growth from expert systems to advanced machine learning techniques. It also investigates the role of AI in the innovation process and its potential influence on patentability. The dissertation also reviews patent law frameworks in India, the United States, the United Kingdom, South Africa, and Australia, emphasizing the patentability criteria and barriers related to AI innovations.

The analysis presents a comprehensive investigation of the patentability of AI-based ideas in India, the United Kingdom, Australia, South Africa, and the United States. The report emphasizes the need for equitable innovation and intellectual property protection regimes in the era of fast-growing AI technologies. It recommends clear guidelines and norms to

³¹ Analysis of the Test of Obviousness under Indian Patent Law in light of Artificial Intelligence – NLIU Cell for Studies in Intellectual Property Rights, (Jul. 14, 2021), <https://csipr.nliu.ac.in/patent/analysis-of-the-test-of-obviousness-under-indian-patent-law-in-light-of-artificial-intelligence/> (last visited Oct 31, 2023).

evaluate AI-based ideas and recommends additional studies into AI's role in the invention process and its influence on patentability.

United Kingdom

The UK “Patent Act (PA) and the European Patent Convention (EPC) both require a person or persons” to be chosen as the inventor in a patent application. Hence AI cannot be considered an inventor. Its antiquated technique came into existence during the period when it was considered unthinkable for anybody other than a human to become an innovator.” As society adapts and advances, the law must evolve adequate protection for AI investments. The author is concerned that if the existing system designs before AI was developed and considered, it should be changed or modified now. When nothing shifts, the future of invention is founded on uncertainty and lies, with AI owners assuming responsibility for work that isn't theirs just because they possess it. In 2018, five regions, which account for 80% of all patent applications globally, required an inventor to be a person.³²

The UK government has argued that not all AI-generated ideas would be patentable, as reaffirmed in the DABUS case³³. Dr. Stephen Thaler built an artificial intelligence computer called the Device for the Autonomous Bootstrapping of Unified Sentience (DABUS).³⁴ Dr. Thaler submitted two patents for DABUS's initiatives to the UK's Intellectual Property Office (IPO) and the European Patent Office (EPO). The UK IPO dismissed the applications, arguing that designating the computer as an inventor violated the Patents Act 1977. Dr. Thaler appealed the judgment, claiming that DABUS created a patentable invention and could file for the patent on the AI's behalf. This decision has sparked debate, with other governments, including South Africa and Australia, initially opposing the ruling. AI advocates argue that AI-generated ideas should be patentable to stimulate investment and innovation. Patentability requirements for AI include novelty, inventive step, and industrial capability. AI systems are not yet capable of improving their technical ability or understanding algorithms independently, making them unlikely to qualify for patent protection.³⁵

³² Patent pending: the law on AI inventorship, *JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE* (2021), <https://doi.org/10.1093/jiplp/jpab002> (last visited Jan 21, 2024).

³³ AI cannot be named as an “inventor,” top UK court says in patent dispute, <https://www.cnn.com/2023/12/20/ai-cannot-be-named-as-an-inventor-top-uk-court-says-in-patent-dispute.html> (last visited Jan 21, 2024).

³⁴ Patentability of inventions created by AI—the DABUS claims from an Indian perspective | *Journal of Intellectual Property Law & Practice* | Oxford Academic, <https://academic.oup.com/jiplp/article-abstract/15/11/879/5948823> (last visited Jan 21, 2024).

³⁵ Emilia David, *UK Supreme Court Rules AI Is Not an Inventor*, *THE VERGE* (2023), <https://www.theverge.com/2023/12/20/24009524/uk-supreme-court-ai-inventor-copyright-patent> (last visited Jan 21, 2024).

United States

In the US, patentable subjects include methods, devices, manufactures, and compositions of matter. However, the Supreme Court has ruled that natural laws, physical facts, and abstract ideas are not patentable under Section 101. *“The issue of AI-generated intellectual property patenting emerged in August 2019, when DABUS applications raised questions about how uncontrolled AI-generated intellectual property should be granted legal protection.”* In 2020, the USPTO announced that an artificial system does not qualify as a scientist and that only “natural persons” can be credited as patent inventors. *“In 2021, the US District Court for the Eastern District of Virginia declared that an artificial intelligence system cannot be regarded as an inventor under the US Patent and Trademark Act. The dispute over AI inventorship and patentability is ongoing, and Congress needs to take action to clarify the law.”*³⁶

India

The Indian Patent Act of 1970 regulates the validity of patents for artificial intelligence-based creativity in India. However, reviewing AI-based patent applications can be challenging due to examiners identifying the technical features of the invention and whether it fits the statutory standards. Section 3(p) of the Act specifically stipulates that techniques of “performing mental acts” aren't patentable, which is an important factor for AI innovations in India. This has raised questions about whether AI-based innovations incorporating cognitive functions, such as making choices algorithms, are patentable in India.

In 2019, the Indian Patent Office established rules for examining computer-related innovations, particularly those based on artificial intelligence. These rules provide a structure for patent officers to analyze the patentability of computer-related innovations, including AI-based inventions, while also addressing specific patentability difficulties in this area.

Ferid Allani, a Tunisian citizen, established a concept and submitted a provisional patent application for it in France on 30.12.1999, with the number 99/16704. The PCT petition was submitted on December 29th. Ferid Allani sought to receive an invention patent for a “method and device for accessing information sources and services on the internet”. The claims in the patent include both method and device claims.³⁷

³⁶ Patentability of inventions created by AI—the DABUS claims from an Indian perspective | Journal of Intellectual Property Law & Practice | Oxford Academic, *supra* note 33.

³⁷ critical analysis of NOVELTY AND INVENTIVENESS IN PATENTING AI INVENTIONS IN INDIA - Google Search, https://www.google.com/search?q=critical+analysis+of+NOVELTY+AND+INVENTIVENESS+IN+PATENTING+AI+INVENTIONS+IN+INDIA&oq=critical+analysis+of+NOVELTY+AND+INVENTIVENESS+IN+PATENTING+AI+INVENTIONS+IN+INDIA&gs_lcrp=EgZjaHJvbWUyBggAEEUYOdIBCTE0Njg3ajBqN6gCALACAA&sourceid=chrome&ie=UTF-8#ip=1 (last visited Nov 6, 2023).

During the proceedings, the petitioner argued that Section 3(k) prohibits computer programs in general, but the innovation delivered an improvement or a technical effect, so it cannot be rejected patent under Section 3(k) of the Act. The respondent contended that the Hon'ble High Court lacked jurisdiction to consider the current case under Article 227 of the Constitution.³⁸

The Hon'ble Court accepted the petitioner's views and determined that Section 3(k) interprets connection with the CRI recommendations for optimal implementation. The court also stressed the importance of computer-related innovations, ruling that omitting them would undermine the Act's goal and imperil inventors' efforts. The court referred the application to the Patent Office for reconsideration based on the circumstances of the case and the Court's views on the technical effect of the claims.

Ferid Allani received a patent from IPAB on July 20, 2020, after a 19-year legal fight. The ruling clarifies that there is no absolute bar to issuing patents for computer-related inventions and provides a fresh direction for the patent office's approach in confronting novel applications for computer-related invention assertions in the future.

South Africa

In July 2021, the South African Patent Office (SAPO) issued a patent application for a food container based on fractal shapes, designating an AI system named “DABUS” as the inventor. This was the world's first AI system recognized as an inventor. South Africa's patent laws, unlike US patent law, do not identify an “inventor” as someone's or joint innovation. The DABUS patent was granted at the “Companies and Intellectual Property Commission (CIPC)” under a patent application submitted under the “Patent Cooperation Treaty (PCT),” a treaty to which South Africa is a party. “Sections 43A through 43F of the Patent Law govern such applications, with Section 43F exempting provisions 30 (1), 30 (5), 30 (6), and 30 (6) from jurisdiction.”³⁹

The DABUS patent application was authorized by the CIPC, naming DABUS as the inventor and Dr. Thaler as the patent owner. The absence of an “inventor” term under South African patent law and the structure of the local patent framework contributed to the grant. The patent's validity has become susceptible to applications filed challenging it in a South African court. Any outsider may petition the Court of the Commissioner of Patents to withdraw the patent, which could be withdrawn for reasons such as lack of ingenuity, uniqueness, and Dr. Thaler's ineligibility to file

³⁸ Diva Rai, *Patentability of Computer-Related Inventions (CRI) in India: An Analysis of Ferid Allani v Union of India and Ors*, IPLEADERS (Dec. 31, 2020), <https://blog.ipleaders.in/patentability-computer-related-inventions-cri-india-analysis-ferid-allani-v-union-india-ors/> (last visited Jan 21, 2024).

³⁹ AI as a Patent Inventor – an Update from South Africa and Australia, MORRISON FOERSTER, <https://www.mofo.com/resources/insights/210910-ai-patent-inventor> (last visited Jan 22, 2024).

for it.⁴⁰

Australia

Artificial intelligence (AI) and machine learning are increasingly being used in the life sciences for research and medication discovery. These technologies aid in finding biological targets, identifying hits or leads, drug repurposing, designing new chemicals, developing vaccines, establishing protein structures, and conducting clinical trials. However, the increasing use of AI and machine learning raises concerns about patentability, which is critical for safeguarding and rewarding investments in new drug applicants, therapies, and medical devices.

In the DABUS case, the Australian Patents Office (IPA) denied the applicant's request to designate a natural person inventor, stating that AI systems cannot be considered inventors under regulation 3.2C(2)(aa) as it contradicts the Patent Act. The Deputy Commissioner, Dr. S.D Barker, determined that the ordinary meaning of “inventor” as assessed today cannot include a machine. Justice Beach, however, determined that “there is no specific provision in the Patents Act that expressly refutes the proposition that an artificial intelligence system can be an inventor, and so AI can be an inventor.”⁴¹ The debate arose when Justice Beach stated that “*Dr. Thaler might bring himself within section 15(1)(b), which deals with a future conditional and does not require the presence of an inventor. He also stated that Dr. Thaler came under this clause since he obtained rights to the invention through DABUS.*”

PATENTING ISSUES AS AN OUTCOME OF ARTIFICIAL INTELLIGENCE

AI is rapidly being used in R&D, with various stages and levels involved. These stages can be divided into three categories: as a tool to aid human inventors, as an intervening stage, and as computer outputs that may be patentable innovations. Projects like 'AllPriorArt' establish patent claims via autonomous technology, raising concerns about uniqueness and creativity. AI is also used to create imaginative machines such as Google's DeepMind and IBM's Watson. Artificial Neural Networks, a type of artificial intelligence that uses binary switches to excite biological brain neurons, have shown to be an effective tool for generating new ideas.⁴²

As AI can be invented due to its learning ability, some patent regimes require the inventor to be a human rather than a machine. Knowing the inventor is vital for determining responsibility and

⁴⁰ Artificial Intelligence system as inventor in South African patent application: The case of DABUS - The IPKat, <https://ipkitten.blogspot.com/2021/08/artificial-intelligence-system-as.html> (last visited Nov 1, 2023).

⁴¹ Australian Court determines that an Artificial Intelligence system can be an inventor for the purposes of patent law, DLA PIPER, <https://www.dlapiper.com/en/insights/publications/2021/08/australian-court-determines-ai-system-an-inventor-for-purposes-of-patent-law> (last visited Jan 22, 2024).

⁴² DeepMind's new protein-folding A.I. is already in the fight against the coronavirus | Fortune, <https://fortune.com/2020/11/30/covid-protein-folding-deepmind-ai/> (last visited Jun 1, 2022).

other legal repercussions. Governments must address this issue, as the current patent legislation in India is inadequate to address AI inventorship and create barriers to patenting AI-driven advancements.

*The “TVS vs. Bajaj case provided key decisions in the field of patent law, notably involving inventive steps. It underlined the importance of a non-obvious and technically sophisticated innovation to be eligible for patent protection, emphasizing the importance of originality, distinctiveness, and significant deviations from previous art for granting patent protection.”*⁴³

AI-GENERATED OUTPUTS AND INVENTORSHIP

The concept of AI as an inventor raises significant legal and ethical questions, as traditional patent law assumes human inventors. This section delves into the legal frameworks surrounding inventorship, the challenges posed by AI-generated inventions, and the ethical implications of recognizing AI as an inventor.⁴⁴ It also presents case studies of AI-generated inventions, examining how patent offices and courts have addressed these cases. The chapter reviews patent office policies on AI-generated outputs, comparing how different jurisdictions approach the issue of AI-generated inventions and the recognition of AI as an inventor.⁴⁵ The analysis assesses the effectiveness and implications of these policies for the future of AI and patent law. The future of AI and inventorship in patent law is explored, considering the evolving nature of AI technology and its impact on traditional concepts of inventorship and patentability.⁴⁶

ETHICAL AND PRACTICAL IMPLICATIONS OF AI PATENTS

The study explores ethical issues in AI patenting, such as fairness, accessibility, and potential monopolistic behaviours. It also looks at the larger socioeconomic implications of patenting AI technologies. AI patents can have a substantial influence on innovation and competitiveness, particularly among small and medium-sized businesses (SMEs) and startups. Balancing invention protection with access to AI technology is difficult, but techniques such as open innovation models, licensing frameworks, and regulatory interventions can assist achieve it. The paper makes policy ideas for enhancing the patent system for AI inventions, as well as future approaches for legal and regulatory frameworks that would better fit the unique characteristics of AI technology while encouraging innovation and resolving ethical issues. The goal is to guarantee that patent

⁴³ Bajaj Auto Ltd., State Of ... vs Tvs Motor Company Ltd. on 16 February, 2008, *supra* note 28.

⁴⁴ Patent pending, *supra* note 31.

⁴⁵ Artificial intelligence | EPO.org, <https://www.epo.org/en/news-events/in-focus/ict/artificial-intelligence> (last visited Nov 1, 2023).

⁴⁶ Artificial Intelligence as an Inventor: A brief Exploration of South African Intellectual Property Law - Inventa, <https://inventa.com/en/news/article/921/artificial-intelligence-as-an-inventor-a-brief-exploration-of-south-african-intellectual-property-law> (last visited Jun 23, 2024).

regimes promote both technological innovation and its equitable distribution.

CONCLUSION

Patent law is exceptional because it overcomes the disparity across science and law. It depicts a harmonious combination of science and law. Still, in the modern era of artificial intelligence, the patent system is currently going through growing pains. Given the rapid advancement of science and technology, it has become essential for the patent system in the world to rethink the conventional tenets of the system of patents. It becomes an evident reality that AI-generated concepts will become increasingly prominent in the forthcoming decades, which will cause increasing difficulties facing the patent system. There is an urgent requirement for an internationally concerted effort to address the challenges that arise from AI and to equip international agreements such as the TRIPS to give an integrated approach to tackle the issue of cutting-edge AI. In contrast to the European, US, and UK patent offices, the Indian Patent Office has not created any guidelines for examining AI technology, and examiners are frequently unsure of the technique they must employ. When it comes to AI techniques and practical uses, they rely primarily on subject matter exclusions of software programs, mathematical methods/algorithms, and company operations, yet they are not specifically accurate about extending such exceptions to AI ideas.



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DATA EXCLUSIVITY AND RIGHT TO HEALTH: AN ANALYTICAL STUDY

Supriya Malviya⁴⁷

ABSTRACT

This analytical study explores the intersection between data exclusivity and the right to health, focusing on the legal complexities, gaps, and challenges posed by intellectual property frameworks. While data exclusivity is designed to incentivize innovation, it can also hinder access to affordable medicines, raising concerns about the right to health, particularly in developing countries. The study examines international agreements such as TRIPS, FTAs, and national laws to identify how data exclusivity provisions are structured and their impact on public health. The conflict between commercial interests and human rights obligations is at the heart of this debate. Gaps in the current legal framework include the absence of uniformity in the application of data exclusivity, insufficient safeguards for public health emergencies, and inadequate attention to the specific needs of low-income populations. Additionally, many legal systems lack effective mechanisms to reconcile data exclusivity with their obligations to protect the right to health. The scope of this study extends to a comparative analysis of various jurisdictions to highlight best practices and suggest reforms that could strike a fair balance between promoting pharmaceutical innovation and safeguarding the right to health.

KEYWORDS: *Data exclusivity, right to health, intellectual property, TRIPS, public health, human rights*

⁴⁷ B.A.LL.B.(Hons.), Maharashtra National Law University Nagpur, Village Waranga, Borkhedi, Maharashtra
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INTRODUCTION

Data exclusivity is a protection instrument for pharmaceutical companies' independent of any other form of intellectual property.⁴⁸ Unlike market exclusivity, it does not directly prevent from launching a drug on the market, but prevents a drug agency from approving an application of subsequent applicants (generic companies) based on the data submitted by a first applicant (innovator company).⁴⁹ Companies involved in research and development (R&D) spend a considerable amount of time and money on the discovery of new products. It is estimated that around \$897USD are required for the development of a new molecule and major share of research and development expenditure is on generation of pre-clinical and clinical trial data for approval of new drug.⁵⁰ The data thus generated is submitted to Drug Regulatory Authorities as a prerequisite for marketing approval of the (NCE). This analytical study explores the complex interplay between data exclusivity and the right to health, examining the legal, ethical, and economic dimensions of the issue. The study critically analyzes how data exclusivity can limit the availability of generic medicines, affecting affordability and accessibility of essential drugs. It argues that while data exclusivity is justified as a means to recoup the substantial costs associated with drug development, it must be balanced against the fundamental right to health, which mandates access to life-saving medications.⁵¹ The study also examines the legal frameworks governing data exclusivity in various jurisdictions and how these frameworks align—or conflict—with international human rights obligations. It concludes that a nuanced understanding of both the economic and human rights aspects is essential for developing a fair and just system that promotes innovation without compromising public health.

DATA EXCLUSIVITY: AN OVERVIEW

Data exclusivity refers to the legal protection given to pharmaceutical companies to prevent the registration of generic versions of their drugs for a certain period of time, usually 5-10 years, after the drug is approved by regulatory agencies.⁵² The purpose is to incentivize R&D of new drugs by providing a temporary monopoly to the company that invested in the R&D of the drug.

⁴⁸ S. R. Ludwig, "The Medicine Chest: Data Exclusivity – A Necessary Form of Intellectual Property" (2007) 17 *Intellectual Property Today* 12.

⁴⁹ Katarzyna Zbierska, "Distinctions between the European Union and the United States on Data Exclusivity" (2015), Abstract of LLM Thesis, *Munich Intellectual Property Law Centre*.

⁵⁰ Pugatch Meir Perez, "Intellectual property and pharmaceutical data exclusivity in the context of innovation and market access", *University of Haifa ICTSD-UNCTAD Dialogue on Ensuring Policy Options for Affordable Access to Essential Medicines Bellagio* (2008), available at http://www.iprsonline.org/unctadictsd818/bellagio/docs9/Pugatch_Bellagio43.pdf (last visited on April 19, 2024).

⁵¹ Shamnad Basheer "India's Tryst with TRIPS: The Patents (Amendment) Act 2005," *Indian Journal of Law and Technology*, vol. 1, no. 1, 2005, pp. 15-46.

⁵² Jaya Bhatnagar and Vidisha Garg, "India: Data Exclusivity", *Mondaq* (2009), available at <https://www.mondaq.com/india/information-&security--risk-management/779418/98data-exclusivity> (last visited on May 11, 2024).

However, it has been a subject of controversy, particularly in relation to the right to health. Critics argue that data exclusivity can prevent access to affordable medicines, particularly in developing countries, where people often have limited access to healthcare and cannot afford expensive drugs. Thus, it is a distinct IPR that shouldn't be confused with the protection offered by other types of intellectual property rights, particularly, patents.⁵³

Clinical trial data and other test data are the proprietary data resulting from scientific discovery and development conducted by the originator with investment of time and cost, to demonstrate the efficacy and safety of new chemical entities, formulations, and their new uses.⁵⁴ However, it does not prevent third parties from generating their own data. Second entrants may apply for their formulations or products, but always must obtain authorization from the originator's data and prove bioequivalence according to international standards.⁵⁵ Otherwise, by merely referring to the originator's submitted data, they obtain an undue advantage.

Therefore, data exclusivity ensures that:

- a. The originator is granted market exclusivity for a designated period, allowing them to recoup the costs associated with obtaining marketing approval;
- b. During this, the regulatory agency is prohibited from using the originator's data, without their consent, when evaluating an application from a subsequent entrant seeking approval for a similar product.

Generic manufacturers may also seek marketing approval by conducting their own tests to demonstrate the efficacy and safety of their product.⁵⁶ Without a data exclusivity period, secondary applicants could introduce generic versions to the market based solely on bioequivalence tests, bypassing the extensive and costly trials.⁵⁷ This would ultimately disadvantage the originator, who has made significant investments in their research.

⁵³Jean-Calude Champagne, "Data Exclusivity: The Dilemma", *who.int.*, (2004), available at https://www.who.int/intellectual7*property/65topics0/ip/en/DataExclusivity23_2000.pdf (last visited on May 11, 2024).

⁵⁴ Ibid.

⁵⁵ A. Kapczynski, "The Access to Knowledge Mobilization and the New Politics of Intellectual Property" (2008) 117 *Yale Law Journal* 804.

⁵⁶ Supra note 3.

⁵⁷ Ibid.

Article 39.3 of TRIPS Agreement: The Implication

Article 39.3, TRIPS⁵⁸ aims to safeguard pharmaceutical registration test data which is submitted to regulatory authorities for marketing approval of new medicine. However, the ambiguous nature of the provision has created confusion w.r.t. the interpretation of ‘Data Exclusivity’. *Correa*⁵⁹ has identified five points w.r.t. the said provision. In his analysis Correa has stated that the inclusion of test data in the TRIPS Agreement as a category of ‘IP’ doesn’t determine the nature of the protection conferred, Conditions for protection are: Data Necessary for Marketing Approval. The first sentence of the provision states “*Members, when requiring, as...*” means the obligation of data protection arises only when the regulatory authorities of member countries require submission of test data for market approval of new drug molecule or new chemical entity. Data submitted voluntarily or in excess by the innovator does not fall under the provision. These ‘*other data*’ may include manufacturing, conservation and packaging methods and conditions but to the extent that submission of this information is necessary for marketing approval of new drug. Undisclosed Data to qualify for protection u/A39.3, the pertinent information must be ‘undisclosed.’

Information that is already in the public domain is not protected u/A39.3. A significant portion of the data on tests related to the safety and efficacy of approved drugs becomes publicly accessible, either through publication in scientific journals or disclosure by health authorities. However, the Agreement does not define what constitutes ‘new’. It remains unclear whether ‘newness’ should be interpreted as absolute (global) or relative (local), meaning whether ‘new’ refers to the first application worldwide or the first application within the Member country where it was filed. The Agreement is also ambiguous regarding the nature of the effort required (whether technical, economic, etc.) and the scale of effort necessary to be considered ‘considerable.’

Data Exclusivity for Developing Countries

“*Dhar and Gopakumar*”⁶⁰ argue that protecting data from “unfair commercial use” is not a way to prevent governments or their agencies from relying on the originator’s data to grant subsequent marketing approvals. Hence, it can be inferred that such reliance by the government cannot be considered commercial use, let alone unfair commercial use, as it serves the public interest by

⁵⁸ Carlos María Correa, “Protection of data submitted for the registration of pharmaceuticals: Implementing the Standards of the TRIPS Agreement”, *The South Centre Publications* (2008), available at <http://www.southcentre.org/publications/protection/protection.pdf> (last visited on May 11, 2024).

⁵⁹ Bishwajit Dhar & K. M. Gopakumar, “Data Exclusivity in Pharmaceuticals: Little Basis, False Claims” (2006) 41(21) *Economic and Political Weekly* 5075.

⁶⁰ Krishna Ravi Srinivas, “Test Data Protection, Data Exclusivity and TRIPS: What Options for India?”, *SSRN Publications* (2008), available at http://papers.ssrn.com/sol3/papers.cfm?abstract3_id=935847 (last visited on May 11, 2024).

ensuring access to safe and high-quality medicines. They further contend that the introduction of data exclusivity could promote the “evergreening” of patents. Data exclusivity means that the data submitted for market authorization of a new product or compound should not be used or relied upon by any other party or third parties for a limited period.⁶¹ However, a position paper by the *European Generic Association in July 2000*⁶² stated that no part of “Article 39”, including “Article 39.3”, creates a ‘property’ in information or grants ‘exclusive rights’ as is the case under EU and U.S. data exclusivity laws. Instead, “Article 39.3” requires that the data submitted is protected either against disclosure or against ‘unfair commercial use’. The TRIPS Agreement allows member countries flexibility to enact and enforce appropriate laws to protect test data. The Doha Declaration on the TRIPS Agreement and Public Health emphasized⁶³ that TRIPS should be interpreted and implemented in a way that supports WTO members’ rights to protect public health and promote access to medicines for all.⁶⁴

Another line of argument could be that data exclusivity provisions offer little benefit to countries with minimal or no innovative research activity. In such countries, data exclusivity would not stimulate R&D or provide other advantages to companies, as any potential boost to R&D incentives would be minor due to the limited market potential in most developing nations. Conversely, *Grabowski*⁶⁵ argues that without a period of data exclusivity, there would be little incentive to invest in the development and marketing of new product candidates. Therefore, since pharmaceutical firms typically have some years of “patent protection” after the approval, they can recover the costs of drug development. *Karin Timmermans* of the WHO has expressed⁶⁶ concern that data exclusivity, which grants commercial companies exclusive rights wrt “clinical and preclinical trial data”, could hinder the production of generic versions of life-saving medicines and negatively impact public health. This highlights the ongoing debate over data exclusivity, with the global community divided on the issue. It could be inferred w.r.r. developed countries that granting data exclusivity is consistent with “A.39.3”, while developing countries contend that the

⁶¹ EGA Position Paper, “TRIPS Article 39.3 does not require data exclusivity provisions - A critical issue for access to medicines,” *International Law Journal* (2000) 5518.

⁶² World Trade Organization, *Doha Development Agenda* (n.d.), available at: http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm, last accessed on Oct 19, 2024.

⁶³ Clift C, “Data Protection and Data Exclusivity in Pharmaceuticals and Agrochemicals, in *Intellectual Property Management in Health and Agricultural Innovation*”, *A Handbook of Best Practices edited by A Krattiger, R T Mahoney, L Nelsen, et al.* (MIHR: Oxford, UK and PIPRA, Davis, USA) p 434 (2014).

⁶⁴ Grabowski H, “Data exclusivity for New Biologicals”, *Duke University, Department of Economics Working Paper*, 3-9 (2007).

⁶⁵ Adebare Alfred, “Data Exclusivity: The implications for India”, 299 (2005), *International Journal of Law*, available at www.articlealley.com/89/article_166562_184.html (last visited on May 12, 2024).

⁶⁶ Nair Minisha Singh, “Data Exclusivity – The Indian Perspective”, *Mondaq* 55-59 (2004), available at <http://www.mondaq.com/article52.asp?articleimd=28531> (last visited on May 12, 2024).

provision is not mandatory but rather demands protection of data against ‘unfair commercial use’.

Data Exclusivity and Patents

Data exclusivity and patents function independently and are not interconnected. A patent provides the holder with the exclusive right to prevent others from making, using, selling, or importing the patented product. In contrast, data exclusivity is governed by two key principles: the protection of test data from disclosure and the prohibition of its use by regulatory authorities.⁶⁷ Although both are essential in pharmaceutical intellectual property protection, they are separate mechanisms. Patent protection typically lasts up to 20 years, while data exclusivity can sometimes be indefinite. Additionally, patents cover a wide range of rights, whereas data exclusivity specifically safeguards test data.⁶⁸

“Satwant Reddy Report” on Data Protection Provisions under Article 39.3, TRIPS Agreement

After extensive deliberations, the “*Satwant Reddy Committee*” submitted its report on “*regulatory data protection*” under “Article 39.3” on May 31, 2007.⁶⁹ The report concluded that the provision does not mandate ‘*data exclusivity*’ and argued that granting such exclusivity for pharmaceutical drug data may not align with India’s national interests. The committee supported this interpretation by referencing “paragraph 4, Doha Declaration”, emphasizing that TRIPS Agreement gives nations certain level of flexibility to ascertain appropriate methods for protecting test data, also noted significant differences between the data requirements for registering agrochemicals and pharmaceuticals.

RECOMMENDATIONS OF THE COMMITTEE

Agrochemicals and Traditional Medicines: suggested a fixed data protection time upto 3 years for agrochemicals and 5 years for traditional medicines. During these periods, the Drug Regulatory Authority would be prohibited from relying on the originator’s data when granting marketing approvals for subsequent applications.⁷⁰

⁶⁷D. Kiruthika, “Data Exclusivity and Indian Law” (2017) 2(1) *International Journal of Legal Studies* 45-60, available at <http://journal.lawmantra.co.in/wpcontent/upl0ads/2015/89/45.pdf> (last visited on May 12, 2024).

⁶⁸ “Encouragement of New Clinical Drug Development: The Role of Data Exclusivity, International Federation of Pharmaceutical Manufacturers Association”, *IFPMA Publications*, 3 (2000), available at <http://www.ifpma.org/documents7@NR783/DataExclusivity93221.pdf> (last visited on May 12, 2024).

⁶⁹“Report on Steps to be taken by GOI in the context of Data Protection Provisions of Art.39.3 of TRIPS Agreement, *Satwant Reddy*,” (2007), available at <https://chemicals.nic.in.org/sites/default/98files/DDBooklet.pdf> (last visited on May 12, 2024).

⁷⁰ Ibid.

Pharmaceuticals: it proposed a phased approach, starting with a transitional period aimed at improving the system of data management within the Drug Regulatory Authorities to prevent unauthorized data disclosure.⁷¹ This would be followed by a post-transition period offering 5 years of data protection, during which Drug Regulatory Authority would not rely on the originator's data when granting marketing approvals for subsequent applications. Additionally, implementing safeguards to protect public health in cases of health emergencies.

Current Status: report is currently under review by government authorities. It remains unclear whether the government will implement the Report's recommendations and enforce data exclusivity provisions. The Indian pharmaceutical industry has responded negatively to the report's recommendations and has been advocating for a "no data exclusivity" policy.⁷²

RIGHT TO HEALTH AS FUNDAMENTAL RIGHT

It is important to recognize that "**Article 21**" of the Constitution of India provides for "the right to life," which encompasses "the right to good health". Judicial pronouncements have affirmed that the right to life includes the right to health and access to medical treatment.⁷³ The government has a duty to ensure that life-saving drugs are accessible to all citizens, as it is constitutionally obligated to protect the fundamental rights of every individual.⁷⁴ Therefore, when crafting patent legislation, it is crucial to strike a balance between public health and the economic interests of the pharmaceutical industry⁷⁵ and it is pertinent to understand this right w.r.t. the arguments in question. The "**Ayyangar Committee Report**"⁷⁶, highlighted that, India faces the risk that granting patents could lead to monopolistic rights, which would deny a large portion of the population access to essential medicines. Consequently, policies that confer monopolistic rights violate the Preamble and FRs guaranteed u/A21. As former Prime Minister Indira Gandhi stated at the World Health Assembly in 1982, "*The idea of a better-ordered world is one in which medical discoveries will be free of patents, and there will be no profiteering from life and*

⁷¹ Supra note 20.

⁷² Manthan D Janodia and Ajay Chauhan. "Data Exclusivity Provisions in India: Impact on Public Health", Vol 13 Issue II *Journal of Intellectual Property Rights* 422-446 (2008).

⁷³ L.M. Singhvi and Jagadish Swarup, "*Constitution of India*", Vol. I 2nd ed., *Modern Law Publications*, p.1100 (2006).

⁷⁴ *All India Drug Action Network v. UOI*, (2011) 14 SCC 479.

⁷⁵ *People's Union for Democratic Rights v. UOI*, (1982) 3 SCC 235.

⁷⁶ "Report on the revision of the patent law, Rajagopal Ayyangar Committee", September 1959, available at <http://nopr.niscair.res.in/bitstream/1234566789.2027/1/JIPR%2013%285%28%423.pdf> (last visited on May 15, 2024).

death.”⁷⁷, emphasized that while affluent societies invest heavily in the search for new medical products and processes, the result has been the emergence of a powerful pharmaceutical industry. In author’s vision, data exclusivity, like patents, extends monopolies and delays generic competition, keeping drug prices high and inaccessible to many. In this envisioned world, medical innovations would serve humanity, not corporate interests, ensuring that no individual’s life hinges on the unaffordability of essential medicines, particularly during public health crises.

The Link between Data Exclusivity and Right to Health

The right to health is a fundamental human right enshrined in international law, including the UDHR⁷⁸, ICESCR⁷⁹, and CRC.⁸⁰ This right encompasses access to essential medicines, which are those that address the critical health needs of the population. While data exclusivity can drive innovation and the development of new drugs, ultimately benefiting health by offering more effective treatments for various diseases, it can also hinder the availability of generic drugs.⁸¹ Therefore, it is crucial to balance the interests of pharmaceutical companies with the right to health.⁸² Although data exclusivity can be a valuable incentive for innovation, it should not obstruct access to affordable medicines, especially in regions with limited healthcare access.⁸³

These two are critical but interconnected issues that must be carefully balanced to ensure access to affordable medicines while fostering innovation and research for new drugs. It is essential for governments, civil society organizations, and international bodies to collaborate in finding a solution that respects the interests of all parties involved.⁸⁴

Critics contend that data exclusivity can result in monopolies within the pharmaceutical industry, potentially driving up drug prices and restricting access to medications.⁸⁵ They also point out that data exclusivity can delay the introduction of generic drugs, further limiting access to affordable

⁷⁷ Speech at World Health Assembly (1982), Indira Gandhi, in Gopakumar G. Nair, *Intellectual Property Rights: Pharma Industry Perspective* (Pharmaceutical Patent Analyst, 2014) 121.

⁷⁸ United Nations General Assembly, *Universal Declaration of Human Rights* (10 December 1948) Article 25.

⁷⁹ United Nations General Assembly, *International Covenant on Civil and Political Rights* (16 December 1966) Article 19.

⁸⁰ United Nations General Assembly, *Convention on the Rights of the Child* (20 November 1989) Article 24.

⁸¹ Alexander GC, O’Connor AB, Stafford RS, “Enhancing prescription drug innovation and adoption”, *Ann Intern Med*, Vol I Issue 2, 99 (2011), available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4049188/> (last visited on May 12, 2024).

⁸² Akshay Anurag, “Pharmaceutical Patents and Healthcare: A Legal Conundrum”, *SCC Online* (2019), available at <https://www.sconline.com/blog/post/2019/089/803/pharmaceutical-patents-and-56healthcare-a-legal-&conundrum/> (last visited on May 12, 2024).

⁸³ Ibid.

⁸⁴ Office of the United Nations High Commissioner for Human Rights, *Report on Access to Medicines* (2017), available at: <https://www.ohchr.org/en/issues/health/pages/medicines.aspx>, last accessed on October 19, 2024.

⁸⁵Dhar, Biswajit, and K. M. Gopakumar. “Data Exclusivity in Pharmaceuticals: Little Basis, False Claims.” *Economic and Political Weekly*, vol. 41, no. 49, 2006, pp. 5073–79. *JSTOR*, <http://www.jstor.org/stable/4419006>.”

treatments. Whereas, proponents argue that data exclusivity is crucial for motivating innovation and encouraging investment in drug development,⁸⁶ believing it represents a fair compromise of the interests of those companies & public health needs.⁸⁷ Thus, the relationship between is complex and multifaceted.⁸⁸ Policymakers need to find a balance between fostering innovation and ensuring that affordable medicines are available to everyone.

Impact of Data Exclusivity on Right to Health

Data exclusivity can significantly impact the right to health, particularly by restricting access to affordable medicines, especially in developing countries. As a form of IP protection, data exclusivity prevents generic drug manufacturers from using the data submitted by the originator company to gain regulatory approval for similar products.⁸⁹ Essentially, it grants the originator company a period of exclusive market protection, during which no generic versions of the drug can be marketed, even if the patent has expired. This market exclusivity can hinder generic manufacturers from entering the market, keeping drug prices high and limiting patients' access to affordable medicines. In some cases, this may result in patients being unable to obtain essential medicines or having to pay exorbitant prices.⁹⁰ Moreover, data exclusivity can stifle innovation in the pharmaceutical industry. With the originator company holding exclusive rights to the data used for regulatory approval. This lack of competition can lead to higher prices and reduced innovation.⁹¹ Therefore, data exclusivity can profoundly affect the right to health, particularly in low-income countries.⁹² It is essential to find a balance between protecting IP and ensuring everyone has access to essential medicines.

The “*Doha Declaration*” on Public Health, articulated in “**Doha Ministerial Declaration of November 14, 2001**”, underscores the importance of interpreting and implementing the TRIPS⁹³ in a manner that supports public health by facilitating both access to existing medicines and the development of new ones, without hindering R&D. The Declaration highlights that TRIPS should not prevent nations from enacting legislation tailored to their socio-economic conditions, granting

⁸⁶ Ibid.

⁸⁷ Srividhya Ragavan, “The Significance of the Data Exclusivity and Its Impact on Generic Drugs, Texas A&M University School of Law, 2017, available at <https://scholarship.law.tamu.edu/cgi/viewcontent.cgi?article=1816&context=facscholar>”

⁸⁸ Ibid.

⁸⁹ Supra note 23.

⁹⁰ Status of Pharma Companies, “How Pharma Companies Game the System to Keep Drugs Expensive” (2017), available at: <https://hbr8.org/2017/04/how-pharma-companies-game-the9-system-to-keep0-drugs-expensive>, last accessed on October 16, 2024.

⁹¹ Diependaele L, Cockbain J, Sterckx S., “Raising the Barriers to Access to Medicines in the Developing World - The Relentless Push for Data Exclusivity”, *Dev World Bioeth*, 17 (2017) .

⁹² Ibid.

⁹³ “Health Security and National Strategy Under the Patents Regime: Issues and Concern”, CNLU LJ (6) 80 (2016).

them the freedom to act in the interest of public health. The TRIPS has been perceived as a significant challenge for developing nations, particularly regarding its potential to hinder measures aimed at promoting access to affordable medicines for public health. While acknowledging the essential role of IP protection in the development of new medicines, the Declaration specifically recognizes concerns about its impact on drug prices.⁹⁴ It asserts that public health must take precedence over private patent rights and reaffirms the rights of governments to utilize WTO public health safeguards and other measures to secure access to affordable medicines.⁹⁵ TRIPS and Doha Declaration represent an international effort to strike a delicate balance between incentivizing R&D and protecting public health by ensuring access to medicines. However, despite these mechanisms, the challenges faced by developing countries remain unresolved. Many developing nations hesitate to exercise these flexibilities, fearing that it could be seen as disregard for IPR, potentially weakening trade relations and deterring investors.⁹⁶ It is well-known that developing countries, with their stringent patent regimes, are more flexible in granting compulsory licenses due to minimal incentives, whereas developed countries have little motivation to issue compulsory licenses for exports. These barriers render the flexibilities provided by TRIPS difficult for developing nations to access.

CASES RELATED TO DATA EXCLUSIVITY AND RIGHT TO HEALTH

There have been several cases related to data exclusivity and right to health, particularly in relation to the registration and marketing approval of pharmaceutical products. Some notable cases include:

- **Novartis AG v. UOI⁹⁷**: “Novartis” challenged the constitutionality of “*Section 3(d), Indian Patents Act*”, this relates to the patentability of incremental alterations to existing products. However, the Apex Court upheld the provision, asserting that it served the public interest by preventing companies from securing patents for minor alterations to existing drugs, which could hinder the availability of generic versions and make them less affordable. The court emphasized the need to prioritize public health over commercial interests, particularly in the context of a developing country like India, where the problem related to accessibility of medicines is rampant.
- **Bayer Corporation v. UOI⁹⁸**: Bayer challenged the validity of “*Section 84, Patents Act*”, which allows for the grant of compulsory licenses for pharmaceutical products under certain

⁹⁴ Ibid.

⁹⁵ Oxfam International, “**US Bullying on Drug Patents: One Year after Doha**” (Oxfam International Briefing Paper, 2002) 6619, available at: <https://www.oxfam.org/en/research/us-bullying-drug-patents-one-year-after-doha>, last accessed on October 16, 2024.

⁹⁶ World Trade Organization, *Declaration on the TRIPS Agreement and Public Health* (14 November 2001) S.5(d).

⁹⁷ *Novartis AG v. UOI*, (2013) 6 SCC 1.

⁹⁸ *Bayer Corporation v. UOI*, (2014) SCC OnLine Bom 963.

circumstances, including public health emergencies. The court upheld the provision, stating that it was necessary to safeguard affordable medicines and right to health, reaffirming the principle that while IPRs are important for encouraging innovation, they should not come at the cost of public health.

- **Roche Products (India) Pvt. Ltd. v. Drug Controller General of India**⁹⁹: In this case, Roche challenged the approval of a biosimilar version of its cancer drug, “trastuzumab”, by the DCGI. Roche argued that version had not undergone adequate clinical trials and should not have been approved. The court rejected Roche’s arguments, stating version had undergone sufficient testing and that the approval was in the public interest, as it would make the drug more affordable and accessible. The court did not fully endorse Roche’s stance on data exclusivity. The Delhi HC emphasized that Indian law, particularly “*Drugs and Cosmetics Act, 1940*”, didn’t specifically recognize data exclusivity as an independent right. The court observed that while the protection of confidential data is important, it must be balanced with public health considerations & the need for access to affordable medicines.
- **Eli Lilly and Co. v. Government of Canada**¹⁰⁰
This case involved the challenge by Eli Lilly under NAFTA’s investment provisions after Canadian courts invalidated patents for two of its drugs, arguing the invalidation amounted to an expropriation of IPR. The tribunal ruled in favor of Canada, affirming country’s right to define its patent standards to balance IP protection and public interest. Similarly, in **Merck Sharp & Dohme Corp. v. Ministry of Health**,¹⁰¹ CJEU ruled on scope of data exclusivity protection under EU law, concluding- generics companies can rely on the results of clinical trials submitted by original manufacturers after the exclusivity period expires, it reinforced the balance between innovation incentives and access to generics. Moreover, in **Pharmaceutical Research and Manufacturers of America v. Walsh**,¹⁰² court examined the legality of Maine’s Rx Program, which aimed to lower drug costs for uninsured residents by offering discounts on medications. PhRMA challenged the law, arguing it interfered with federal Medicaid rules. The court upheld program, emphasizing: states could take reasonable steps to ensure public health access while complying with federal law.
- **Pfizer’s Lipitor**: In 2016, the Indian Patent Office rejected Pfizer’s application for a patent on its cholesterol-lowering drug Lipitor, citing the lack of novelty and inventiveness. This decision was seen as a win for the right to public health, as it allowed Indian generic drug manufacturers to continue producing and selling affordable versions of the drug to patients in need.¹⁰³ The situation with Pfizer’s Lipitor underscores the ongoing challenge to balance IPR protections with “right to

⁹⁹ *Roche Products (India) Pvt. Ltd. v. Drug Controller General of India*, 2015 Del HC.

¹⁰⁰ *Eli Lilly and Co. v. Government of Canada*, NAFTA Tribunal Case No. UNCT/14/2, (2017).

¹⁰¹ *Merck Sharp & Dohme Corp. v. Ministry of Health*, Case C-567/16, (2018) ECLI:EU:C:2018:353.

¹⁰² *Pharmaceutical Research and Manufacturers of America v. Walsh*, 538 U.S. 644 (2003).

¹⁰³ William J. Bennett, Indian Pharmaceutical Patent Law, and the Effects of Novartis AG v. UOI, Washington University Global Studies Law Review, Vol 13 Issue 3 (2014) available at https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1500&context=law_globalstudies

health”. It illustrates how data exclusivity can have significant implications for drug pricing and access, particularly in the case of essential medicines. Policymakers are thus urged to consider public health needs when crafting IP laws, ensuring, they do not disproportionately favour pharmaceutical companies at the expense of patients’ access to affordable treatment.

- **Brazil and Fight Against HIV/AIDS (2000-2010)**

Brazil is often cited as a case study for successfully leveraging flexibilities in IP law, particularly CL, to combat HIV/AIDS.¹⁰⁴ By prioritizing right to health over data exclusivity claims by multinational pharmaceutical companies, Brazil was able to produce affordable generic antiretroviral drugs, saving millions of lives.

- **Data Exclusivity and Clinical Trials (2019):** In 2019, Indian government proposed a new policy that would introduce data exclusivity for clinical trial data submitted by pharmaceutical companies. However, certain public health advocates criticized this move arguing that it would limit access to affordable generic medicines and delay the availability of new drugs. However, supporters of the policy argued that it would encourage innovation and investment in Indian pharmaceutical industry. Similarly, **Data Exclusivity in EU and Public Health Implications** grants a period of data exclusivity for new drugs, but this protection has been scrutinized for delaying the entry of generic drugs into the market,¹⁰⁵ especially in lower-income states.¹⁰⁶ Case studies from countries like Romania, Bulgaria show the adverse effect on access to affordable medicines during health crises, raising concerns about the balancing of public health needs with IP rights.¹⁰⁷

SUGGESTIONS

Balancing data exclusivity with the right to health is a critical challenge that requires thoughtful policy approaches to ensure that both innovation and public health needs are adequately addressed.

A few such suggestions are enlisted below:

- **Implement Compulsory Licensing Provisions:** Governments should strengthen and utilize compulsory licensing mechanisms that allow generic drug production even during periods of data exclusivity, especially in public health emergencies or when essential medicines are unaffordable. Clear guidelines on when and how CL can be issued would help ensure that data exclusivity does

¹⁰⁴ J.M. Flynn, “Brazil’s Fight Against AIDS and Access to Medicines: A Global Model for Promoting Public Health” (2008) 36 **University of Miami Inter-American Law Review** 391, 410.

¹⁰⁵ *Hestermeyer H.P., Human Rights and the WTO: The Case of Patents and Access to Medicines*, (Oxford University Press, 2007).

¹⁰⁶ European Commission, **Pharmaceutical Sector Inquiry Report** (Final Report, 2009), available at: <https://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/index.html>, last accessed on October 19, 2024.

¹⁰⁷ V. Săndulescu & P. Ivanov, “Impact of Data Exclusivity on Access to Medicines in Eastern Europe: The Cases of Romania and Bulgaria” in J. Love & M. Rimmer (eds.), **Intellectual Property, Medicine and Health: Current Debates** (Oxford University Press, 2017), p. 156-175 (2017).

not unduly restrict access to affordable medicines. The flexibilities of CL should be effectively utilized in developing, least developed countries. A streamlined process should be established for granting CL.

- **Promote Data Sharing in Public Interest:** Encourage policies that allow for the sharing of clinical trial data for public health purposes, particularly for drugs that address critical health needs by establishing public databases where such data can be accessed by generic manufacturers under specific conditions.¹⁰⁸ Parallel importation of certain essential life-saving drugs should be allowed to envision a future where people emerge from the shadow of incurable diseases, joyfully walking through green meadows, refreshing woods, or along breezy beaches, with smiles on their faces. This approach can help ensure that data exclusivity does not become a barrier to the production of generic drugs for life-saving treatments also by moulding patent regulations to improve access to medicines.
- **Define Limited and Flexible Data Exclusivity Periods:** Data exclusivity periods should be reasonable and aligned with the specific healthcare needs of a country, e.g., developing countries could implement shorter data exclusivity periods to facilitate quicker access to generics.¹⁰⁹ Flexibility in these periods can be built in based on the therapeutic importance of the drug, ensuring that life-saving medicines become more accessible sooner.
- **Encourage Public-Private Partnerships for Drug Development:** Governments can foster partnerships between public health institutions and pharmaceutical companies to co-develop drugs, with an agreement on making data from such collaborations publicly accessible after a set period.
- **Adopt Tiered Pricing Models:** Implement tiered pricing models where pharmaceutical companies charge different prices based on the economic status of the country, allows for affordable access in low-income countries while still providing returns on investment in wealthier markets & can reduce the adverse effect of the concept in question on drug affordability in poorer regions.¹¹⁰
- **Strengthen National Regulatory Frameworks:** Government should ensure that their regulatory frameworks are robust enough to prevent abuse of data exclusivity provisions, like “evergreening,” where minor modifications to existing drugs extend exclusivity periods. Regulatory bodies should be empowered to challenge & review the necessity of data exclusivity w.r.t. public health needs, including epidemic crisis. There should be a framework for pharmaceutical patenting, especially regulating the accessibility of life saving drugs. Government should provide incentives and support for local pharmaceutical companies to invest in the development of generic drugs to ensure that they can compete effectively even within the

¹⁰⁸ Ho C.M., *Access to Medicine in the Global Economy: International Agreements on Patents and Related Rights*, (Oxford University Press, 2011).

¹⁰⁹ Correa C.M., *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, 2nd ed., (Oxford University Press, 2020).

¹¹⁰ Gervais D.J., *The TRIPS Agreement: Drafting History and Analysis*, 5th ed., (Sweet & Maxwell, 2021).

constraints of data exclusivity. Building capacity in the local pharmaceutical sector can reduce dependency on foreign drug manufacturers and improve access to affordable medicines.

- **Enhance Transparency and Accountability:** Governments should ensure that stakeholders, including public health advocates and patients, are involved in these decisions. Regular audits and reviews of data exclusivity's impact on drug prices, access to medicines should be conducted to ensure that public health is not compromised.
- **Strengthen International Legal Frameworks:** agreements should include explicit provisions that prioritize public health over IPR when the two are in conflict. This could involve revising the TRIPS to incorporate stronger protections for right to health, ensuring that while data exclusivity is respected, it doesn't become an insurmountable barrier to accessing affordable medicines in developing countries.

ANALYSIS

While Data Exclusivity aims to protect the investments made in drug development, this protection can create significant barriers to accessing affordable medicines, particularly in developing countries where generic competition is essential for public health.¹¹¹ However, data exclusivity often delays the introduction of cheaper generic drugs, forcing countries to choose between adhering to international trade agreements, like the TRIPS, and fulfilling their human rights obligations.¹¹² Nevertheless, many developed countries impose data exclusivity through national laws or bilateral trade agreements, creating a legal framework that favours pharmaceutical companies' market control.¹¹³ In developing countries, where healthcare budgets are limited, the delayed entry of generics exacerbates health crises, particularly in the treatment of widespread diseases like HIV/AIDS, cancer. The conflict between IPR and public health is exemplified in cases cited earlier where courts prioritized public health over corporate interests by rejecting patents, allowing generic competition. Therefore, this analysis argues that a balance must be struck between incentivizing innovation through data exclusivity and protecting the right to health. Governments should leverage flexibilities in the TRIPS, like CL, to ensure access to life-saving medicines, while policymakers should carefully craft laws that prioritize public health over prolonged monopolies.

CONCLUSION

The concept of data exclusivity is a lucrative initiative for the originator and also accelerate drug

¹¹¹ Abbott, Frederick M. "The Doha Declaration on the TRIPS Agreement and Public Health: Lighting a Dark Corner at the WTO," *Journal of International Economic Law*, vol. 5, no. 2, 2002, pp. 469-505 (2002).

¹¹² Sundaram, Aparna, "Data Exclusivity and Public Health: An Indian Perspective," *Journal of Intellectual Property Rights*, vol. 15, no. 5, 2010, pp. 321-329 (2010).

¹¹³ Sell, Susan K. "TRIPS and the Access to Medicines Campaign," *Wisconsin International Law Journal*, vol. 20, no. 2, pp. 481-522 (2002).

and agrochemicals development at large. In case of developing countries, particularly India this concept should be introduced but at no stage it should affect the public health. In developing countries, the way healthcare is organized has created condition for the gross violation of FRs.¹¹⁴ The principal of justice is being violated when majority of the population do not have access to basic minimum healthcare. Doha Declaration on TRIPS& Public Health has ascertained the rights of member countries to enact legislations that help them to protect public health. This study highlights the complex relationship between data exclusivity and the right to health, underscoring the tension between protecting pharmaceutical innovation and ensuring access to affordable medicines. Data exclusivity can inadvertently limit access to life-saving drugs, particularly in low- and middle-income countries where affordability is crucial. To strike a balance between these competing interests, it is essential to adopt a nuanced approach. Governments should consider implementing shorter periods of data exclusivity for essential medicines, especially those addressing public health emergencies.

Additionally, CL & other TRIPS flexibilities should be leveraged to prevent monopolies, ensuring that generics can enter the market in a timely manner. International cooperation is also critical. Developing countries should work together to negotiate more favorable terms within trade agreements, ensuring that data exclusivity provisions don't undermine their ability to protect public health. Innovation and patent are two sides of the same coin. Innovations should be for serving the humanity especially in the field of medicine and patents should not have only one objective to amass profit. Moreover, a global framework that prioritizes public health over commercial interests should be established, with clear guidelines on how it should be applied in a way that supports both innovation and access to medicines. By adopting these measures, it is possible to create a more equitable system that respects the right to health while still encouraging the development of new and innovative treatments.

¹¹⁴ ShubharKhanna, "TRIPS, Pharmaceutical Patents and Health Care for the Poor in India", *ILI LAW REVIEW* pp. 71-95 (2016).



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INTELLECTUAL PROPERTY MANAGEMENT IN MERGERS AND ACQUISITIONS

- Vaibhav Sharma & Bharat Rakesh Bhardwaj¹¹⁵

ABSTRACT

This research paper explores the multifaceted realm of Intellectual Property (IP) management within the framework of mergers and acquisitions (M&A). In an era characterized by heightened global transactions and technological advancements, businesses increasingly engage in M&A activities to bolster their market presence. However, the integration of IP assets presents unique challenges, necessitating a comprehensive understanding of the legal and strategic intricacies involved.

This paper commences by elucidating the foundational principles of intellectual property, delineating various forms of IP assets, and highlighting their critical role in contemporary business landscapes. It then delves into the significance of robust IP due diligence in M&A transactions, emphasizing its role in risk identification, valuation, and informed decision-making. The paper also outlines best practices and strategies for effective IP management during the M&A process, offering practical guidance on negotiation tactics, contractual frameworks, and post-transaction integration strategies. It explores the delicate balance between safeguarding proprietary rights and fostering collaborative innovation within merged entities.

This research contributes valuable insights to the existing body of knowledge by providing a thorough analysis of Intellectual Property management in the dynamic context of mergers and acquisitions. By navigating the legal intricacies and strategic considerations surrounding IP, businesses and legal practitioners can adeptly address challenges and optimize the value derived from M&A transactions.

¹¹⁵ Vaibhav Sharma & Bharat Rakesh Bhardwaj hold LL.M. degree in IPR Laws from National Law University, Jodhpur in 2023. Authors are currently Advocates at Rajasthan High Court and can be reached at adv.vaibhavrajan@gmail.com and bharatrbhardwaj@gmail.com.

KEYWORDS: IP due Diligence, Merger & Acquisitions, Intellectual Property, IP Asset & Management, IP Valuation

INTRODUCTION

Due to the prevalence of advanced technology, significant market control, intense competition, and corporate scandals, companies are under immense pressure to demonstrate efficient and effective operations in today's competitive corporate world. This burden is particularly challenging for small businesses, as it can lead to their extinction or difficult survival. To cope with these challenges, companies around the world utilize Merger & Acquisition (M&A) transactions, which enable them to work effectively under pressure and reduce the risk of extinction. M&A also provides companies with the means to address the inevitable situations that occur in the corporate space. The foundation of mergers was established in the late 1990s, and the 21st century has seen a substantial increase in corporate restructuring, with mergers, acquisitions, and amalgamations becoming common in the economy. M&A has become a driving force for organizational stability and potential ability worldwide. Corporate restructuring occurs when a corporation's growth strategies fail in a competitive market. The rise of globalization has intensified M&A activity in the current era.¹¹⁶

M&A has become a go-to growth strategy in the corporate world and has resulted in an increase in both creativity and productivity. This approach involves joining forces with companies that share similar interests, enabling swift acquisition of skills and competencies, expanding customer bases, securing funding, overcoming competition, and enhancing profitability.¹¹⁷ As such, M&A serves a critical role in two ways: Firstly, it enhances multinational companies, and secondly, it provides a viable survival plan for Micro, Small, and Medium Enterprises to generate profits.

A merger is when one or more companies come together to form a new company in order to gain advantages such as economies of scale, market access, increased profits, and survival. According to the Companies Act of 2013¹¹⁸, a merger is defined as the combining of two or more entities into a single entity and merging their assets and liabilities. In a merger, the entities that are merging cease to exist and instead operate under a new entity, known as the anchor entity. Amalgamation is often used interchangeably with a merger, but it differs in that it can occur through absorption. On the other hand, an acquisition is the process of gaining control over another company's assets

¹¹⁶ Kumar, D.N.S. (2007) “*Strategic Acquisition through Value-Based Management: A Case Analysis*”, Vol. XXIV, No. 4, Abhigyan, 42.

¹¹⁷ Jawa, R. (2019), *Mergers, Acquisitions and Corporate Restructuring in India: Procedure and Case Studies*, New Century Publications, New Delhi.

¹¹⁸ See Chapter XV of Companies Act, 2013

or management without merging the two companies.¹¹⁹

IP DUE DILIGENCE AND MERGERS & ACQUISITIONS

It's important to note that in the current era, intellectual property (IP) assets are a crucial component of every M&A deal between companies. Therefore, companies consider their IP assets to be valuable assets that must be carefully evaluated before making any strategic decisions related to M&A, in order to avoid potential audits, penalties, or even litigation in the future. Since IP assets are non-physical assets, laws have been put in place to protect them from any unauthorized use. Behind every physical a company may have in market, there lies plethora of underlying IPs wherein the real value of the product and company as an aggregate, exists. Various acts such as the Patents Act of 1970 and the Copyright Act of 1957 have been enacted to govern transactions, IP holder rights, registration, and also provide remedies and damages to protect against infringement of the laws.¹²⁰

In one of recent cases relating to IP rights being classified as assets of a company, the supreme court in *Canara Bank v. N.G. Subbaraya Setty & Anr*¹²¹, noted that it was possible for an IP right (in this case trademark) to be kept as a collateral in lieu of a loan.

It's impossible to deny that every company possesses intangible assets, such as creating designs, utilizing computer software, owning copyrights, possessing trademarks, inventing new product lines, and most importantly, utilizing technology and operating their R&D cells. Therefore, it's crucial to assess the value of a company's or a target firm's assets, earnings, and intellectual property to gain a complete understanding of their worth.

Technology can be divided into two categories based on its assistance: Upstream Technology, that helps in reducing transactional costs while Downstream Technology which aids in the development of new products and services. However, transferring technology knowledge during M&A deals can lead to issues related to Know-how, Know-what, and Know-who.¹²²

This is because transferring IP rights is different from transferring physical products, as:

- Knowledge that is exchanged cannot be easily overturned.

¹¹⁹ Singh Mandavi (2009), “*Intellectual Property: The Dominant Force in Future Commercial Transactions Comprising Mergers and Acquisitions*”, INJIIP Law 11.

¹²⁰ Nishith Desai, *Mergers & Acquisitions in India*, (May 2021)

http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/Mergers_Acquisitions_in_India.pdf

¹²¹ (2018) 16 SCC 228

¹²² *Supra* note 3

- Accumulating the vital components of knowledge to develop future IPs can be a challenging task.¹²³

Mergers enable companies to gain access to pools of intellectual property (IP) assets, which can help in reducing the cost and complexity of litigation. A good example is IBM's acquisition of Daksh eServices in 2004.¹²⁴ Daksh eServices was the third-largest Indian call center and back-office service provider, with revenues of \$60 million. IBM acquired the company for \$150 million, which not only helped them in gaining greater competency but also provided them access to Daksh's copyrighted software and other related intellectual property.

Conducting intellectual property due diligence during any M&A transaction typically offers essential insights into the future benefits, lifespan, ownership rights, and any limitations of the assets, all of which influence their ultimate value.

ISSUES IN CONDUCTING DUE DILIGENCE

The biggest challenge associated with due diligence that precedes any M&A transaction is determining the worth of intellectual property assets, which is more complex than assessing the value of physical assets like real estate. The difficulty lies in valuing intangible objects like IP, which has become increasingly important as intangible assets have grown in significance relative to tangible assets.

To begin with, intangible assets encompass not only traditional IP assets, but also other types of capital such as distributed networks, R&D capabilities, skilled workforce, manufacturing practices, and more. Therefore, these assets should be distinguished and categorized into two types: IP assets and additional intangible capital. IP assets grant their owners the legal right to reap benefits from them, and if an individual IP asset exists, it can be bought and sold separately from the company.

Conversely, additional intangible capital does not provide its owners with a legally enforceable right and cannot be separated from the company. It is argued that additional intangible capital provides a competitive advantage, but assessing its value can be difficult in M&A transactions.

Valuing intellectual property assets can be challenging because their true worth may not be immediately obvious. The value of an IP asset may not be fully reflected in the company's income. In fact, a significant portion of an IP asset's value often lies in its negative rights, such as the ability

¹²³ Bambhulkar, S. (2018) Intellectual Property Issues in Mergers and Acquisitions, ipleaders (2018)

<https://blog.ipleaders.in/ip-issues-in-ma/>

¹²⁴ The Story of Daksh Buyout, TOI, 9 April 2004, accessible at:

<https://timesofindia.indiatimes.com/business/india-business/the-story-of-daksh-buyout/articleshow/608084.cms>

to prevent others from engaging in actions they would otherwise be allowed to take. Consequently, the full value is rarely captured solely through income generation.

Valuing an intellectual property asset is further complicated by the fact that its value is typically not static. Instead, the value tends to fluctuate over time. Therefore, companies should regularly re-evaluate the worth of their IP assets, ideally on an annual basis.

Furthermore, the fact that there are multiple ways to value IP assets poses a significant challenge. However, there is a dearth of a standardized approach that can convert a firm's IP holdings into concrete economic terms. The central issue is selecting the appropriate method, and it remains unclear how to evaluate the outcomes obtained from various methods and compare them.

Moreover, the point is to consider the practical aspect of this assessment, which includes taking into account expenses like the amount of time and money that will be required hence the valuation of IP and the method selection for it can be and is often an arduous task.

METHODS OF IP VALUATION

Schedule III of the Companies Act, 2013 classifies intangible assets as following-

- Goodwill
- Trademarks
- Computer Software
- Mining Rights
- Mastheads and publishing titles
- Copyrights, Patents and other IP Rights
- Recipes, formulae, models, designs and prototypes
- Licence and franchise
- Others

However, it is an imperative fact that any of the above mentioned IP (right) does not exist in isolation and even though it is an intangible asset, it is always attached with a tangible product. For instance, a patent on a drug would be presented in the form of the medicine and similarly a copyright would vest in a book.

Hence, the methods of valuation for both tangible and intangible are same in nature (i.e., how the valuation is derived), and ICAI Valuation Standard 302 of 2018¹²⁵ provides specific guidelines and principles for valuing intangible assets that are not addressed by other standards. It offers detailed guidance on the valuation of intangible assets such as goodwill, brand value, and licenses.

¹²⁵ The Institute of Chartered Accountants of India (ICAI) introduced the ICAI Valuation Standards 2018 as a reference point for valuation practices that Chartered Accountants are expected to follow.
Accessible at: <https://resource.cdn.icai.org/51432vsb41162.pdf>

These assets are defined as identifiable, non-monetary items without physical substance. The standard outlines key factors for valuing intangible assets, such as determining the purpose of the valuation, assessing the legal rights associated with the asset, and considering its highest and best use. It also highlights the relationship between goodwill and other intangible assets, emphasizing their distinct characteristics.

Following three are the most renowned methods¹²⁶ discussed and provided under ICAI Standards-

Income-based Method¹²⁷

The income-based method is one of the most commonly used methods for intellectual property (IP) valuation. This method estimates the value of the IP asset based on its expected future cash flows. The income-based method is best suited for IP assets that have a history of generating revenue, such as established patents, trademarks, and copyrights.

The income-based method involves estimating the future cash flows that the IP asset is expected to generate over its economic life. The cash flows are then discounted to their present value using a discount rate that reflects the time value of money and the risk associated with the cash flows. The discount rate used in the income-based method reflects the opportunity cost of investing in an alternative investment with a similar level of risk.

The estimation of future cash flows is based on various factors, such as the current market demand for the product or service associated with the IP asset, the competition in the market, the expected life cycle of the product or service, and the costs associated with maintaining and protecting the IP asset. These factors are used to estimate the expected revenue that the IP asset will generate over its economic life.

Once the expected cash flows have been estimated, they are discounted to their present value using a discount rate. The discounted cash flows are then summed up to arrive at the net present value (NPV) of the IP asset. The NPV represents the total value of the IP asset based on the estimated future cash flows, discounted to their present value.

One of the main advantages of the income-based method is that it takes into account the potential future revenue generated by the IP asset, which is not considered in the cost-based method. This method is also flexible and can be used to value a wide range of IP assets, including patents, trademarks, copyrights, and trade secrets.

However, the income-based method also has some limitations. It requires accurate and reliable

¹²⁶ Caulder, I. (2007), Intellectual Property Due Diligence. Conducting Effective Corporate Due Diligence, available at: www.bereskinparr.com/French/publications/pdf/Other-Diligence-Caulder.pdf

¹²⁷ Pradeep, K.R. (2019), INTELLECTUAL PROPERTY RIGHTS: A CASE FOR MONETIZATION, Singh & Singh Law Firm LLP and Confederation of Indian Industry (CII).

Accessible at: <https://www.ciiipr.in/pdf/CII-Singh-%26-Singh-Report-IPR-A-Case-for-Monetization-2019.pdf>

data on future cash flows, which can be challenging to obtain for some IP assets. Additionally, the accuracy of the valuation depends on the quality of the assumptions and estimates used in the analysis. Therefore, it is often used in conjunction with other methods to arrive at a more accurate valuation of the IP asset.

Cost-based Method¹²⁸

The cost-based method is one of the methods used for intellectual property (IP) valuation. It is primarily based on the estimation of the costs incurred in developing, registering, and protecting an IP asset. The cost-based method is best suited for newly developed or registered IP assets that do not have any history of sales or licensing.

The cost-based method involves identifying all the direct and indirect costs associated with creating and maintaining the IP asset. Direct costs include expenses such as research and development costs, patent filing fees, legal fees, and marketing costs. Indirect costs include overhead costs such as salaries, rent, utilities, and depreciation of equipment.

After determining the total cost of developing and maintaining the IP asset, the next step is to estimate the economic life of the IP asset. This is the period during which the IP asset is expected to generate revenue. The economic life of an IP asset depends on various factors, such as the technology involved, the competition in the market, and the expected life cycle of the product or service that the IP asset is associated with.

Once the economic life of the IP asset has been estimated, the total cost is divided by the number of years of the economic life to arrive at the annual cost of the IP asset. This annual cost can be used as the basis for calculating the value of the IP asset using a discounted cash flow method.

One of the main advantages of the cost-based method is that it is relatively simple to apply and can provide a reasonable estimate of the value of the IP asset, especially for newly developed or registered IP assets. However, this method has some limitations, such as not considering the market demand for the IP asset or the potential revenue that the IP asset can generate. Therefore, it is often used in conjunction with other methods to arrive at a more accurate valuation of the IP asset.

Market-based Method¹²⁹

The market-based method is one of the commonly used methods for intellectual property (IP) valuation. This method involves comparing the IP asset with similar assets in the market to estimate its value. The market-based method is best suited for IP assets that have a market with

¹²⁸ Ibid. Page 21

¹²⁹ Ibid

active transactions, such as patents and trademarks.

The market-based method involves collecting data on recent transactions involving similar IP assets. This data is used to determine the fair market value of the IP asset by comparing it with the prices paid for similar IP assets in the market. The fair market value is the price that a willing buyer would pay to a willing seller for the IP asset in an open market.

To use the market-based method, it is essential to identify comparable IP assets that are similar to the asset being valued. Comparable IP assets should have similar technology, market demand, and other relevant characteristics. This data can be collected through various sources, such as databases, public records, and industry reports.

Once comparable IP assets have been identified, the next step is to analyze the transactions involving those assets. This analysis involves examining the terms of the transaction, such as the licensing fees, royalty rates, and other financial terms. This data is used to estimate the fair market value of the IP asset being valued.

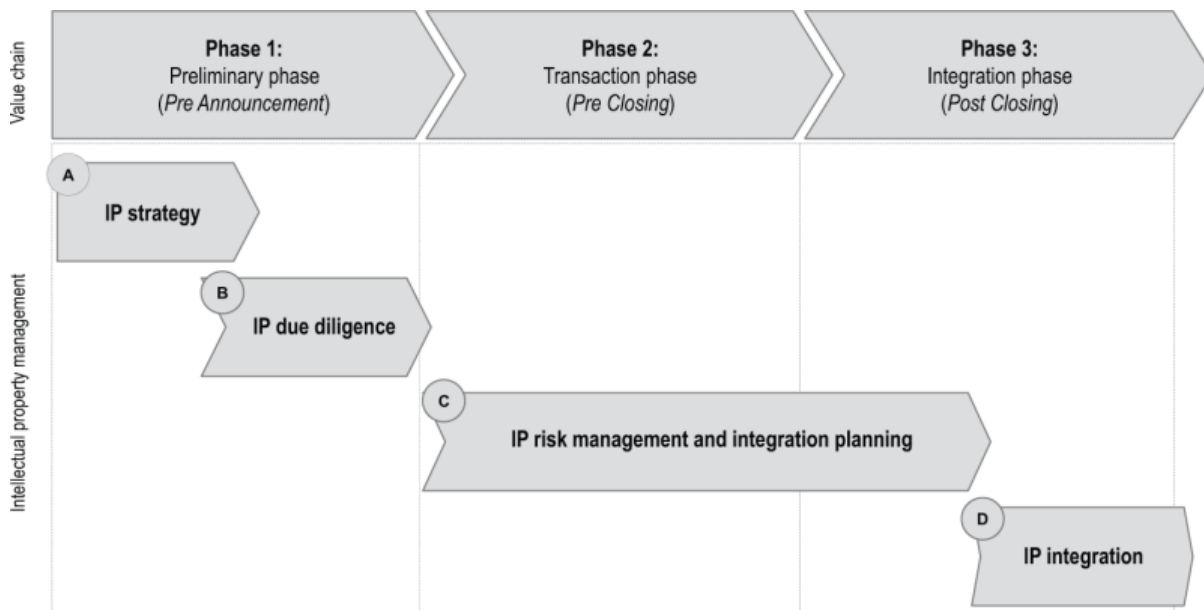
The market-based method has several advantages. It is based on actual market transactions, which makes it a reliable method for valuing IP assets. It is also relatively easy to apply, and the data required is readily available in the market.

However, the market-based method also has some limitations. The method may not be suitable for valuing unique or specialized IP assets that do not have comparable assets in the market. Additionally, the analysis may be subjective and depend on the quality of the data and the assumptions used in the analysis. Therefore, it is often used in conjunction with other methods to arrive at a more accurate valuation of the IP asset.

IP DUE DILIGENCE

IP due diligence is a crucial part of the mergers and acquisition (M&A) process. In an M&A transaction, the acquiring company or investor is interested in acquiring the target company's IP assets as part of the deal¹³⁰. IP due diligence helps the acquirer to assess the value and risks associated with the target company's IP assets before the transaction.

¹³⁰ Combs, S.B. and Yates, J.C. (2007), "Due diligence of intellectual property in mergers and acquisitions: integrating information technology policies and procedures", *The Computer and Internet Lawyer*, Vol. 24 No. 6.



IP ... Intellectual property

Chart-I: Stages of Transaction of Merger and Acquisition¹³¹

The IP due diligence process in M&A typically involves several steps:

- **Identification of IP assets:** The first step is to identify all the IP assets owned by the target company. This includes patents, trademarks, copyrights, trade secrets, and other IP assets.
- **Assessment of ownership:** The second step is to assess the ownership of the IP assets and to ensure that the target company has the right to use, license, or sell these assets. This involves reviewing the IP registrations, licensing agreements, employment contracts, and other legal documents related to the IP assets.
- **Evaluation of validity:** The third step is to evaluate the validity of the IP assets and to ensure that they are enforceable. This involves reviewing the IP registrations, assessing the strength of the IP assets, and evaluating any potential infringement claims.
- **Assessment of infringement risks:** The fourth step is to assess the potential infringement risks associated with the IP assets. This involves reviewing the target company's products, services, and marketing materials to ensure that they do not infringe on the IP rights of others.
- **Valuation of IP assets:** The final step is to assess the value of the IP assets and to determine their potential contribution to the overall value of the target company. This involves

¹³¹ Meilmann, E.A. and Brady, J.W. (2003), "Due diligence in business transactions involving intellectual property assets", Intellectual Property Today, Morin & Oshinsky LLP, pp. 20-5, available at: www.dicksteinshapiro.com/files/Publication/b8c05365-d318-4926-a75f-e5467ad44f41/Presentation/PublicationAttachment/b3bb2383-5702-4a69-a449-e78fde6e79e3/iptoday.pdf

assessing the market demand for the IP assets, evaluating the potential revenue streams associated with the IP assets, and assessing the competitive landscape.

The results of the IP due diligence process are used to determine the final price of the M&A transaction, to assess any potential risks associated with the IP assets, and to develop a strategy for managing the IP assets after the transaction. The acquirer may decide to restructure the target company's IP portfolio or to license or sell certain IP assets to mitigate any potential risks.

Overall, IP due diligence is a critical process in the M&A process that helps the acquiring company to assess the value and risks associated with the target company's IP assets and to develop a strategy for managing these assets after the transaction.

An infamous case highlighting the need of IP due diligence is that of Rolls-Royce¹³². In 1998, Volkswagen AG bought Rolls-Royce Ltd. from Vickers PLC, but the deal was completed without proper IP due diligence. Later on, Volkswagen AG discovered that the trademarks of Rolls-Royce were owned by Rolls-Royce PLC, the aircraft-engine arm, and not Rolls-Royce, Ltd. Volkswagen AG had acquired the factory and equipment owned by Rolls-Royce Ltd. but did not have the rights to use the Rolls-Royce trademarks. So even though Volkswagen spent 900 millions USD for this transaction, they were still unable to make and sell cars in the brand name of Rolls-Royce. This case highlights the significance of involving IP specialists to carry out IP due diligence to ensure that the desired assets are indeed acquired.

To prevent such situations, businesses must conduct comprehensive due diligence. In the case of Austin Nichols And Co. And Seagram India v. Arvind Behl, Director, Jagatjit¹³³, the Delhi High court very early in Indian law jurisprudence highlighted the need to conduct of performing due diligence before proceeding with M&A transactions.

Same notion was also echoed by supreme court in case of of Nirma Industries and Anr v. Securities Exchange Board of India,¹³⁴ it was revealed that Nirma Industries, despite knowing about multiple legal proceedings against the target company, went ahead with the merger without addressing the associated risks. The court ruled that an investor company is obligated to perform proper due

¹³² Buerkle, Tom (1998); "BMW Wrests Rolls-Royce Name Away From VW"; available from <http://www.nytimes.com/1998/07/29/news/29iht-rolls.t.html>; and

Liberian, A. (2003); "IP issues in mergers and acquisitions; available from http://www.wipo.int/export/sites/www/sme/en/activities/meetings/singapore_03/singapore_liberian_10.pdf

¹³³ 2006 (32) PTC 133 (DEL)

¹³⁴ 2013 AIR SCW 3489

diligence on a target company prior to investment, as mandated by Regulation 27(d) of the Securities and Exchange Board of India (SEBI) regulations of 1997.

	A	B	C	D
	IP strategy	IP due diligence	IP risk management IP integration planning	IP integration
Process	Identify strategic growth options on the basis of intellectual property	Collect information on target's IP assets and identify risks	Eliminate risks and plan the integration of IP assets after closing	Successfully implement the integration plan and monitor the integration progress
Objective	<ul style="list-style-type: none"> Identify essential IP assets as growth options and evaluate of the rationale of the impending transaction Implement an initial plan for managing activities in subsequent phases <ul style="list-style-type: none"> External and internal communication Timing and costs Responsibilities Identify relevant expert groups and team members 	<ul style="list-style-type: none"> Obtain information about the IP assets in the target's data room IP DD questions to the target IP DD answers from the target Evaluate and verify the data and answers regarding IP assets, i.e. detailed lists of applications, IT processes and policies, non-registered trademarks, patents, copyrights, chain of title and external agreements Follow-up reviews and interviews on-site at the target Identify IP risks and their strategic importance for the transaction and the competition 	<ul style="list-style-type: none"> Develop IP risk management strategies Consult on measures with the relevant departments (purchasing, procurement, IT, legal, M&A) Plan the integration Integration project management Resolve IP problems before day one: <ul style="list-style-type: none"> Corporate structure Data protection conflicts IP agreements IP transfers Vendor warranties, representations and guarantees 	<ul style="list-style-type: none"> Determine staffing requirements for post-closing IP management Develop and introduce IP policies to the new post-deal organization Design and hold IP compliance training Safeguard physical and logical security Seamless monitoring of IP compliance after closing
Tasks	<ul style="list-style-type: none"> Identified strategic growth options on the basis of intellectual property 	<ul style="list-style-type: none"> List of IP DD questions List of IP DD answers IPDD risk assessment and on-site interview report Initial plan for IP integration 	<ul style="list-style-type: none"> IP integration plan Consents Notices of assignment License agreements Amendments to agreements Warranties and representations 	<ul style="list-style-type: none"> Organizational charts Post-merger policies Training programs Security policies and guidelines
Results	7-15 days; depending on the size of the transaction	15-30 days; depending on the size of the transaction. The questions and answers are particularly time-consuming	15-30 days; interaction with external software manufacturers and reseller companies is particularly time-consuming	90+ days; potentially longer in a limited integration (preservation, i.e. target stays independent)
Timing				

Chart-II: Stages of IP Due Diligence¹³⁵

¹³⁵ Supra Note 9.

Participants In Due Diligence Process

The IP due diligence process typically involves several participants with different roles and responsibilities. Here are some of the key participants in the IP due diligence process:

- **Acquirer:** The acquirer is the company or individual seeking to acquire the target company or its IP assets. The acquirer is responsible for conducting the due diligence process and ensuring that all relevant IP assets are identified, evaluated, and properly integrated into the acquirer's existing IP portfolio.
- **Target company:** The target company is the company being acquired, and is responsible for providing all relevant information and documentation related to its IP assets.
- **IP lawyers:** IP lawyers are responsible for evaluating the legal and regulatory aspects of the target company's IP assets, including ownership, validity, and potential infringement risks. They also advise the acquirer on strategies for mitigating legal and regulatory risks associated with the IP assets.
- **IP specialists:** IP specialists are responsible for evaluating the technical aspects of the target company's IP assets, including the value and potential risks associated with the assets. They may conduct technical assessments and provide advice on strategies for managing IP risks and maximizing the value of the assets.
- **Financial advisors:** Financial advisors are responsible for evaluating the financial aspects of the target company's IP assets, including the value of the assets and the potential return on investment. They may provide advice on pricing and negotiation strategies, as well as on the financial implications of the IP assets for the overall M&A transaction.
- **Due diligence team:** The due diligence team is responsible for coordinating the due diligence process, including identifying and engaging the appropriate participants, conducting the necessary assessments and evaluations, and communicating findings and recommendations to the acquirer. The team may include representatives from the acquirer, target company, IP lawyers, IP specialists, financial advisors, and other relevant parties.

Effective collaboration among these participants is essential for conducting a thorough and effective IP due diligence process. By working together, they can identify and mitigate potential risks, ensure the value of the IP assets is accurately assessed, and help ensure a successful M&A transaction.

BENEFITS AND SHORTCOMINGS OF IP DUE DILIGENCE

IP due diligence can provide several benefits for companies involved in mergers and acquisitions or other transactions involving IP assets. Here are some of the key benefits¹³⁶:

- **Risk mitigation:** IP due diligence helps identify potential risks associated with the target company's IP assets, including risks related to ownership, validity, infringement, and licensing. By identifying and assessing these risks, companies can develop strategies to mitigate them and reduce their overall exposure.
- **Value assessment:** IP due diligence helps determine the value of the target company's IP assets, including their market value, potential for future revenue, and potential for use in the acquirer's existing IP portfolio. This information can help inform pricing and negotiation strategies, as well as decisions about the overall financial feasibility of the transaction.
- **Integration planning:** IP due diligence provides valuable information for planning the integration of the target company's IP assets into the acquirer's existing portfolio. By understanding the strengths and weaknesses of the target company's IP assets, companies can develop effective integration strategies that maximize value and minimize disruption.
- **Legal and regulatory compliance:** IP due diligence helps ensure that the acquirer is aware of and compliant with relevant legal and regulatory requirements related to the target company's IP assets. This can help avoid legal and financial penalties associated with non-compliance.
- **Reputation protection:** IP due diligence helps protect the acquirer's reputation by ensuring that the target company's IP assets are not associated with any unethical or illegal practices. This can help maintain the acquirer's brand reputation and avoid damage to its public image.

There are several problems that can arise in the IP due diligence process. The most common ones are:

- **Lack of transparency:** The target company may not have clear documentation or records regarding its IP assets, making it difficult to assess their ownership, validity, and potential risks.
- **Complex IP portfolios:** The target company may have a large and complex portfolio of IP assets, including patents, trademarks, copyrights, and trade secrets, making it difficult to identify and evaluate all the assets.

¹³⁶ Bruner, R.F. (2004), *Applied Mergers & Acquisitions*, 1st ed., John Wiley & Sons, Hoboken, NJ, pp. 218-25.

- **Incomplete or inaccurate information:** The target company may not provide complete or accurate information regarding its IP assets, which can lead to incorrect assessments of the value and risks associated with the assets.
- **Time constraints:** The IP due diligence process can be time-consuming, and there may be time constraints associated with the M&A transaction that make it difficult to complete a thorough assessment of the IP assets.
- **Legal and regulatory risks:** There may be legal or regulatory risks associated with the IP assets, such as potential infringement claims or compliance with industry-specific regulations, that can be difficult to assess and mitigate.
- **Integration challenges:** After the M&A transaction is completed, the acquirer may face challenges integrating the target company's IP assets with its existing portfolio, which can impact the overall value of the IP assets.

To overcome these problems, it is essential to conduct a thorough and comprehensive IP due diligence process that includes identifying all the IP assets, verifying ownership and validity, assessing potential risks and infringement issues, and determining the value of the assets. It is also important to work closely with legal and IP experts to ensure that all legal and regulatory risks are identified and mitigated.

CONCLUSION

When negotiating M&A deals, intellectual property questions are crucial and mishandling them can have negative consequences. Even if past IP strategies do not seem to have any immediate impact on the deal, they may lead to expensive legal disputes with third parties or between the buyer and seller in the future.

Therefore, it is essential to establish policies that identify, protect, manage, use, and enforce the company's own IP and IPRs and thoroughly document contracts related to IPR acquisition, transfer, amendment, restriction, and sale. Properly shaping the IP chapter of an M&A transaction is not only about transferring IPRs but also ensuring that the company's operations continue without unnecessary limitations after the transfer and that the buyer has access to the IP that remains with the seller for a defined period to implement and use the acquired IP. Doing so will save time, money, and hassle during M&A preparations.

In summary, IP due diligence provides valuable information and insights that can help companies

make informed decisions about mergers and acquisitions or other transactions involving IP assets. By identifying potential risks and opportunities, companies can minimize their exposure to risk and maximize the value of their IP portfolios.

Although factors like time, cost, and industry expertise are sometimes used to justify skipping the due diligence process, its long-term advantages far surpass these concerns. Therefore, businesses should view due diligence as a crucial step to secure the success and sustainability of their mergers and acquisitions, safeguarding the interests of all stakeholders involved.



IP BULLETIN

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COCA-COLA COMPANY VS. BISLERI INTERNATIONAL PVT. LTD (2009) 164 DLT 59

Aahana Acharya¹³⁷

ABSTRACT

A landmark legal battle, known as the “Maaza War,” ensued over the coveted “Maaza” trademark, pitting prominent beverage giants against each other. Initially, Bisleri held the rights to the “Maaza” name, but they were later transferred to Coca-Cola. Despite this, Bisleri continued to sell “Maaza” branded drinks in Turkey, prompting Coca-Cola to take legal action against them for trademark infringement. The central issue in the dispute was whether Bisleri’s use of the “Maaza” name outside of India violated the terms of their agreements and assignment deeds. The Delhi High Court ultimately ruled in favor of Coca-Cola, finding that Bisleri had indeed breached Coca-Cola’s trademark rights. As a result, Bisleri was prohibited from using the “Maaza” mark within India via an injunction. However, they were permitted to continue producing “Maaza” for export purposes. This historic case has significant implications for trademark and intellectual property rights in India, unequivocally establishing Coca-Cola as the sole owner of the trademark rights and prohibiting Bisleri from using the mark in any capacity.

KEYWORDS: Maaza, Trademark, Bisleri, Rights, Coca-Cola, Trademark Infringement.

¹³⁷ 5th year student pursuing BALLB, University/Institution: Agnel school of law affiliated to Mumbai University

INTRODUCTION

In a landmark Intellectual Property Rights ruling, the Delhi High Court in 2009 deliberated on a contentious case involving beverage giants Coca-Cola Company and Bisleri International Pvt. Ltd. & Ors. On October 15, 2009, the court heard arguments from Coca-Cola, a multinational corporation, and Bisleri International, a prominent Indian company renowned for its bottled water and beverages. The central issue revolved around the ownership rights of “Maaza,” a popular mango-flavored drink initially owned by Bisleri but subsequently sold to Coca-Cola. Despite the sale, Bisleri continued to manufacture and market “Maaza” in Turkey, prompting Coca-Cola to initiate legal proceedings for trademark infringement. The lawsuit primarily centered on allegations of trademark violation and the interpretation of the contract signed by both parties, giving rise to critical questions about jurisdiction, trademark ownership, and the scope of intellectual property agreements.¹³⁸

FACTS

In a significant intellectual property dispute, the Coca-Cola Company and Bisleri International Pvt. Ltd. & Ors. clashed in 2009 over the rightful ownership of the “Maaza” trademark, a popular mango-flavored beverage. Initially, Bisleri held exclusive rights to the brand, but in 1993, they entered into a Master Agreement with Coca-Cola, transferring the trademark, production rights, proprietary information, patent rights, and associated goodwill.¹³⁹

However, despite this transfer, Bisleri continued to manufacture and distribute “Maaza” in Turkey. In 2008, Coca-Cola attempted to register the trademark in Turkey, prompting Bisleri to serve a legal notice terminating the agreement, citing Coca-Cola's alleged loss of rights to the brand.

The central issue in this dispute was whether Bisleri's use of the “Maaza” trademark outside of India constituted infringement and whether the assignment deed permitted Bisleri to continue using the trademark beyond Indian borders. Coca-Cola sought legal recourse, demanding a permanent injunction to prohibit Bisleri from further using the “Maaza” trademark.

The Delhi High Court was tasked with resolving this dispute, determining whether Bisleri's actions breached the assignment deed and whether Coca-Cola's rights to the “Maaza” trademark

¹³⁸ “Coca-Cola Company v. Bisleri International Pvt. Ltd. & Others” 2 Journal of Legal Research and Juridical Sciences 533 (2023).

¹³⁹ Krishna Raj Sharma, “Case Analysis: Coca-Cola Company v. Bisleri International Pvt. Ltd. & Ors. (2009) | Trademark Infringement”, Legal Bites, Dec. 07, 2023, available at: <https://www.legalbites.in/category-intellectual-property-rights/case-analysis-coca-cola-v-bisleri-2009-979310> (last visited on July 22, 2024).

were being violated by Bisleri's ongoing use of the brand outside of India.¹⁴⁰

ISSUES RAISED

- **Jurisdiction:** Whether the Delhi High Court had the jurisdiction to entertain the case, given that the alleged trademark infringement occurred outside India.
- **Trademark Infringement:** Whether Bisleri's continued use of the "Maaza" trademark in Turkey constituted trademark infringement, despite the assignment deed transferring all rights to Coca-Cola.
- **Permanent Injunction:** Whether Coca-Cola was entitled to a permanent injunction to prevent Bisleri from using the "Maaza" trademark in India and potentially other jurisdictions.
- **Export and Infringement:** Whether the export of products bearing the "Maaza" trademark by Bisleri constituted trademark infringement in the exporting nation, considering the assignment deed's terms.¹⁴¹

ARGUMENTS

Coca-Cola's Claims:

Coca-Cola asserts its exclusive ownership of the "Maaza" trademark, encompassing all intellectual property rights, recipe secrets, proprietary knowledge, and brand reputation. The company alleges that Bisleri's continued use of the "Maaza" trademark in Turkey constitutes a breach of their agreement, thereby infringing on Coca-Cola's rights.¹⁴²

Coca-Cola is seeking a court order to halt Bisleri's use of the "Maaza" trademark in India and other countries, citing potential consumer confusion and harm to its brand reputation. Furthermore, Coca-Cola accuses Bisleri of violating the agreement by exporting products bearing

¹⁴⁰ "Coca-Cola Company V/S Bisleri International Pvt. Ltd. & Others", Lextechsuite, Oct. 20, 2009, available at: <https://lextechsuite.com/Coca-Cola-Company-Versus-Bisleri-International-Pvt-Ltd-and-Others-2009-10-20> (last visited on July 22, 2024).

¹⁴¹ "The Battle Between the Coca Cola Company v. Bisleri International Pvt. Ltd for Trademark Infringement", Compliance Calender, available at: <https://www.compliancecalendar.in/learn/coca-cola-v-bisleri-trademark-infringement-conflict> (last visited on July 23, 2024).

¹⁴² Legal Lock Admin, "The Coca-Cola Company v. Bisleri International Pvt. Ltd.", The Legal Lock, Nov. 13, 2021, available at: <https://thelegallock.com/the-coca-cola-company-vs-bisleri-international-pvt-ltd/> (last visited on July 24, 2024).

the “Maaza” trademark, which is not permitted for international purposes.¹⁴³

Bisleri’s Counterarguments:

Bisleri contests the Delhi High Court's jurisdiction, arguing that the alleged infringement occurred outside India, specifically in Turkey, and therefore falls outside the court’s authority. Bisleri claims that the assignment deed granting them the right to use the “Maaza” trademark does not impose geographical limitations, allowing them to use it globally.

Moreover, Bisleri asserts that Coca-Cola’s filing for the “Maaza” trademark in Turkey constitutes a breach of the agreement, thereby justifying the termination of the licensing deal and Bisleri’s continued use of the trademark.¹⁴⁴

DECISION

In the seminal case of Coca-Cola Company v. Bisleri International Pvt. Ltd. & Ors. (2009), presided over by Justice Manmohan Singh of the Delhi High Court, a landmark judgment was delivered on October 15, 2009. The court ruled in favor of Coca-Cola Company, issuing a permanent injunction against Bisleri International Pvt. Ltd. & Ors. for their continued use of the “Maaza” trademark in Turkey, despite a transfer deed that had legally assigned all rights of the “Maaza” brand to Coca-Cola.

The court held that Bisleri’s actions constituted a violation of Coca-Cola's trademark rights, as the transfer deed was comprehensive and covered all intellectual property rights, formulation rights, know-how, and goodwill associated with the “Maaza” brand. The court's decision underscored several critical issues, including jurisdiction, trademark infringement, permanent injunction, and export and infringement.¹⁴⁵

Notably, the court affirmed its authority to hear the case, as the infringement had an impact on India, given the execution of the transfer deed in the country. The court also found that Bisleri’s ongoing use of the “Maaza” trademark in Turkey amounted to trademark infringement, as the transfer deed explicitly granted all rights to Coca-Cola. Furthermore, the court issued a permanent injunction, prohibiting Bisleri from using the “Maaza” trademark within India, to safeguard Coca-Cola's exclusive rights to the trademark and prevent further unauthorized use.

¹⁴³ Shreyak Patnaik, “Coca Cola v. Bisleri International Pvt. Ltd. & Ors.: Case Study”, Law Essentials, Apr. 06, 2022, available at: <https://lawessential.com/ip-case-laws/f/coca-cola-v-bisleri-international-pvt-ltd-ors-case-study> (last visited on July 24, 2024).

¹⁴⁴ Anumay Sethi, “Coca-Cola Company v. Bisleri International Pvt. Ltd. & Others” 2 Journal of Legal Research and Juridical Sciences 535-536 (2023).

¹⁴⁵ Shrutika Garg, “The Coca Cola Company Vs. Bisleri International Pvt. Ltd and Ors”, Lexquest, available at: <https://www.lexquest.in/wp-content/uploads/2016/01/COCA-COLA-CASE.pdf> (last visited on July 24, 2024).

The court's ruling also addressed the issue of export, deeming Bisleri's export of products bearing the "Maaza" trademark to be trademark infringement. The court clarified that the transfer deed explicitly prohibited the use of the trademark for export purposes, and such actions were in breach of the agreement.

This verdict highlights the importance of well-defined and comprehensive trademark agreements, as well as the need for strict adherence to the terms of such agreements. The court's decision sets a significant precedent in the field of intellectual property rights in India, establishing a guideline for future cases involving trademark assignments and defining the scope of rights transferred. Moreover, it serves as a warning to businesses to ensure their trademark agreements are carefully drafted and adhered to, in order to avoid similar legal challenges.¹⁴⁶

ANALYSIS

The landmark case of *The Coca-Cola Company v. Bisleri International Pvt. Ltd. & Ors.* (2009) offers a pivotal examination of trademark law and intellectual property rights enforcement in India. The Delhi High Court's decision in this matter underscores the significance of precise contractual agreements and the protection of trademark rights across different jurisdictions.

The court's ruling was heavily influenced by the comprehensive assignment agreement between Coca-Cola and Bisleri, which transferred not only the trademarks but also the rights to the "Maaza" brand, including its formulation, know-how, and goodwill. This assignment was deemed broad and left no room for Bisleri to continue using the trademark, either within India or abroad. This interpretation aligns with the primary objective of trademark law, which is to prevent consumer confusion and safeguard the brand's goodwill.

A crucial aspect of the case was whether the Delhi High Court had jurisdiction to deal with a case involving trademark use in Turkey. The court affirmed its authority, citing that the assignment deed was signed in India and the alleged infringement occurred in India, thereby granting it the power to rule on the matter. This decision highlights the court's willingness to assert its authority in situations where the terms of the contract and the actions of the parties are closely linked to India.

The court determined that Bisleri's continued sale of products under the "Maaza" trademark in Turkey constituted trademark infringement. By violating the conditions of the assignment deed, Bisleri breached the agreement that had transferred all rights to Coca-Cola. This determination reinforces the principle that once trademark rights are assigned, the assignor cannot use the

¹⁴⁶ Vidit Singh, "Case Study: Coca-Cola Company Vs. Bisleri International Pvt. Ltd.", *Desi Kaanoon*, May 11, 2021, available at: <https://desikaanoon.in/case-analysis-on-the-coca-cola-company-vs-bisleri-international-pvt-ltd-2009-164-dlt-59/> (last visited on July 24, 2024).

trademark for any purpose, including export.

The court granted a permanent injunction, prohibiting Bisleri from using the “Maaza” trademark in India. This injunction was crucial to protecting Coca-Cola’s exclusive rights to the trademark and preventing further unauthorized use by Bisleri. The decision to grant a permanent injunction underscores the court’s commitment to upholding trademark rights and preventing ongoing infringement.

The court also addressed the issue of export, ruling that Bisleri’s export of goods bearing the “Maaza” trademark was trademark infringement. The court clarified that the assignment deed did not permit Bisleri to use the trademark for export purposes, and doing so was a violation of the agreement. This aspect of the decision highlights the importance of clear contractual terms regarding the extent of trademark rights and the permissible uses of a trademark after assignment. This judgment is a landmark decision in the realm of intellectual property rights in India, establishing a precedent for similar cases concerning trademark assignments and the extent of rights transferred. The decision serves as a warning to businesses to ensure their trademark agreements are carefully drafted and followed to prevent similar legal issues. Furthermore, it emphasizes the importance of businesses adhering to the territorial scope of trademark rights and the necessity of clear contractual terms to avoid misunderstandings and legal disputes.

The legal dispute between Coca Cola Co. and Bisleri International Pvt. Ltd. bears striking similarities to two landmark cases: *Tata Iron & Steel Co. Ltd. v. Mahavir Steels & Ors.* and *J.N. Nichols (Vimto) Ltd. v. Rose and Thistle and Anr.*

In *Tata Iron & Steel Co. Ltd. v. Mahavir Steels & Ors*¹⁴⁷, the Delhi High Court was faced with the question of whether it had the jurisdiction to hear the case, given that the alleged infringement had not occurred within its territorial boundaries. However, the court ruled in favor of Tata Iron & Steel, citing the phonetic similarity between “TISCO” and “FISCO” and the potential for consumer confusion. Similarly, in the *Coca Cola Co. vs. Bisleri International Pvt. Ltd.* case, the Delhi High Court asserted its jurisdiction, as the trademark registration and alleged infringement had taken place within its territorial boundaries.

The *Tata Iron & Steel* case also centered on trademark infringement, with the court ruling that the defendants’ use of “FISCO” was deceptively similar to “TISCO”. In a similar vein, the *Coca Cola Co. vs. Bisleri International Pvt. Ltd.* case involved the unauthorized use of the “Maaza”

¹⁴⁷ *Tata Iron v. Mahavir Steels*, 47(1992) DLT 412

trademark in Turkey, which constituted trademark infringement.

The *J.N. Nichols (Vimto) Ltd. v. Rose and Thistle and Anr.*¹⁴⁸ case, on the other hand, revolved around the unauthorized application of the “Vinto” trademark. The court ruled that the trademark should be struck off the register due to non-use and lack of intent to utilize it. In contrast, the *Coca Cola Co. vs. Bisleri International Pvt. Ltd.* case highlighted the importance of protecting trademark rights and preventing unauthorized use.

While these cases share similarities, they also have distinct differences. The type of violation varied, with the *Tata Iron & Steel* case involving phonetic similarity, the *Coca Cola Co. vs. Bisleri International Pvt. Ltd.* case involving unlawful application of a trademark abroad, and the *J.N. Nichols* case focusing on non-use and intended use of a trademark. The outcomes of the cases also differed, with the *Tata Iron & Steel* case resulting in a temporary restraining order, the *Coca Cola Co. vs. Bisleri International Pvt. Ltd.* case resulting in a final restraining order, and the *J.N. Nichols* case leading to the trademark being struck off the register.

These comparisons underscore the complexities of trademark regulations and the significance of legal issues related to geographic jurisdiction in intellectual property disputes.

CONCLUSION

The landmark case of *The Coca-Cola Company v. Bisleri International Pvt. Ltd. & Ors.* (2009) has left an indelible mark on India’s intellectual property rights landscape. The Delhi High Court’s ruling, which permanently barred Bisleri from utilizing the “Maaza” trademark, underscores the imperative of meticulous and comprehensive trademark agreements.

This pivotal judgment sheds light on various crucial aspects of trademark law and its enforcement. Notably, the court’s assertion of jurisdiction over the case, despite the infringement occurring outside India, sets a significant precedent. This move demonstrates the court’s willingness to establish jurisdiction in instances where substantial ties to India exist, providing a legal framework for multinational corporations to protect their intellectual property rights globally.

The court’s interpretation of the assignment deed was instrumental in determining the extent of rights transferred, including trademarks, formulations, know-how, and the intangible value of the “Maaza” brand. This ruling serves as a cautionary tale for companies to ensure that their trademark agreements are precise, detailed, and strictly adhered to, lest they face legal repercussions.

The court’s injunction, prohibiting Bisleri from using the “Maaza” trademark in India, safeguarded Coca-Cola’s exclusive rights over the mark. This ruling reinforces the court’s

¹⁴⁸ *M/S. J.N. Nichols (Vimto) Limited v. Rose*, AIR1994CAL43

commitment to upholding trademark rights and preventing continued infringement.

Furthermore, the decision regarding the use of the “Maaza” trademark in export transactions emphasizes the importance of clear contractual provisions outlining the scope of trademark rights and permissible uses post-assignment. This aspect of the judgment highlights the need for businesses to respect territorial limits of trademark rights and to draft precise contractual provisions to avoid misunderstandings and legal disputes.

In essence, *The Coca-Cola Company v. Bisleri International Pvt. Ltd. & Ors.* (2009) case emphasizes the critical importance of meticulous and exhaustive trademark agreements in the realm of intellectual property rights. The Delhi High Court’s verdict not only reinforces the principles of trademark law but also provides valuable insights into the application of trademark rights across different jurisdictions, setting a precedent for future cases involving trademark assignments and the range of rights conferred.¹⁴⁹

¹⁴⁹ Admin Lawnn, “IPR Case- the Coca Cola Company v. Bisleri International Pvt. Ltd”, Lawnn, Nov. 19, 2018, available at: <https://www.lawnn.com/ipr-case-the-coca-cola-company-v-bisleri-international-pvt-ltd/> (last visited on July 24, 2024).



IP BULLETIN

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LEGAL CHALLENGES: TRADEMARK INFRINGEMENT IN THE WORLD OF CRYPTOCURRENCY

Tisha Sachdeva¹⁵⁰

ABSTRACT

The advent of cryptocurrency and blockchain technology has revolutionized the financial landscape, offering decentralized and secure ways to conduct transactions. However, this innovation has brought forth significant legal challenges, particularly in the realm of trademark infringement. "Legal Challenges: Trademark Infringement in the World of Cryptocurrency" explores these complexities by examining how traditional trademark laws are being tested and adapted in the digital currency arena.

Cryptocurrencies, underpinned by blockchain technology, promise transparency, security, and decentralization. Despite these benefits, the legality of cryptocurrency varies globally, with countries adopting different regulatory frameworks. As the use of digital currencies expands, so too do concerns over the protection of intellectual property (IP). Trademarks, essential for distinguishing goods and services, are increasingly at the center of legal disputes within this new financial ecosystem.

The article delves into the intersection of trademark law and cryptocurrency, highlighting how courts address these issues. Key cases are analyzed to demonstrate how trademark infringement claims are handled, considering factors like the likelihood of consumer confusion and the distinctiveness of the involved marks. The decentralized and borderless nature of cryptocurrencies poses unique challenges for enforcing trademark rights, complicating the legal landscape.

Trademark law's application in cryptocurrency cases is scrutinized, focusing on the strategies used to protect brand identity in a decentralized market. The importance of conducting thorough trademark searches, securing registrations in relevant jurisdictions, and actively monitoring for potential infringements is emphasized. The article provides insights into the proactive measures businesses can take to safeguard their trademarks and navigate legal disputes effectively.

¹⁵⁰ Fourth year, Pravin Gandhi College of Law

Furthermore, the article addresses broader questions of intellectual property within the cryptocurrency sector, considering how traditional IP concepts are evolving to meet the demands of digital innovation. Legal practitioners and businesses are offered practical guidance on managing IP in this dynamic environment.

"Legal Challenges: Trademark Infringement in the World of Cryptocurrency" offers a thorough analysis of the current state of trademark law as it pertains to cryptocurrencies. It aims to inform and guide stakeholders through the intricate legal challenges, ensuring that intellectual property rights are upheld while fostering technological progress. This article underscores the delicate balance between legal protection and innovation in the rapidly evolving world of digital currencies.

KEYWORDS: Cryptocurrency, Trademark Infringement, Blockchain, Decentralised, Digital Currency

INTRODUCTION

The advent of cryptocurrencies and blockchain technology marked the beginning of a new digital revolution that changed traditional concepts of money and gave industries a new dimension. In this decentralized arena, the role of IPR is inclusively very important. With the growing prominence of cryptocurrencies and blockchain technologies, the question of protecting intellectual property, including trademarks, becomes very important. Trademarks are important for indicating the origin of goods and services, and for securing consumer trust—all topics of relevance to a successful cryptocurrency project and associated services. However, where cryptocurrencies meet trademark infringement, there exist specific problems and possibilities. This fast-moving environment requires walking a fine line between innovation, on the one hand, and rigorous protection for trademarks on the other. It is within this intersection that the need to solve a raft of complicated legal problems stemming from the characteristics of blockchain technologies arises: fully decentralized and sometimes anonymous, while at the same time retaining the rights of good-faith trademark holders against abuse and infringement. For continued growth in the cryptocurrency market, therefore, it would have to be the case that these challenges associated with trademarks can be taken cognizance of, and dealt with, by the various stakeholders so that integrity or public trust in the new digital economy is sustained.

CRYPTOCURRENCY AND BLOCKCHAIN

Cryptocurrency and blockchain technology have propelled changes in how we view and treat digital property and decentralized ledger systems. The simplest explanation for cryptocurrency would be that it is basically a digital or virtual version of money backing advanced cryptographic techniques to secure fiscal transactions, regulate the formation of extra units, and confirm a shift in ownership. The first cryptocurrency, Bitcoin, was created in 2009 by Satoshi Nakamoto. This opened the way to an explosion of alternative digital currencies that came with different features and applications.¹⁵¹

The basic innovation behind Cryptocurrencies is blockchain technology. It is a type of ledger system that is decentralized and transparent. A blockchain essentially is a kind of distributed database, managed by a group of computers, usually nodes in a network, recording any transaction chronologically and making it immutable. This decentralized nature removes the need for any middlemen, like banks, to create a trustless environment for one to conduct transactions directly between parties. Not all cryptocurrencies and blockchains are equal, though. Some examples include that some of these use a centralized ledger controlled by a single company, while others are decentralized. Security in blockchains is derived from consensus mechanisms wherein nodes agree upon the validity of a transaction through cryptographic protocols.

LEGALITY OF CRYPTOCURRENCY

Bitcoin is a decentralized digital currency. The risks associated with trading cryptocurrencies have been hotly debated by Indian lawmakers for the past few years as they test a government-backed digital currency. The Indian government is considering a new bill entitled the *Cryptocurrency and Official Digital Currency Regulation 2021*¹⁵² (the "New Bill"). It seeks not only to restrain private cryptocurrencies but also to promote the basic technology and transactions of virtual currency in India and provide a base for an official digital currency that would be issued by RBI. The other critical proposal of the New Bill pertains to setting up a framework for creating an official digital currency for India. But India now proposes to sponsor legislation to outlaw the trading of any digital currency not approved by the government.

Earlier, the government, through the RBI, tried to prohibit banking transactions with persons or entities holding/trading bitcoins to kill the vehicle. In November 2017, a high-level inter-ministerial committee was arranged to finalize studies on different issues associated with virtual

¹⁵¹ Growing influence of cryptocurrencies: Challenges ahead of trademark law (2022) Lexology. Available at: <https://www.lexology.com/library/detail.aspx?g=359bf598-0fd8-4cc3-af6d-6b5b457f85df> (Accessed: 09 July 2024).

¹⁵² Cryptocurrency and Regulation of Official Digital Currency Bill, 2021.

money. Thereafter, the Supreme Court held the RBI ban on financial institutions trading all forms of virtual currency ultra vires and violative of Article 19(1)(g), thereby lifting the ban that banks and financial institutions was to cease from dealing with cryptocurrency owners and exchanges. One of the main reasons financial institutions were banned from dealing with cryptocurrencies was based on the fact that they did not have an approved form of virtual currency to ban.

In the case of *Internet and Mobile Association v. Reserve Bank of India*¹⁵³, it was the contention of the Internet and Mobile Association that it cannot be denied that cryptocurrency trading is a lawful and licensed business over which the RBI has no jurisdiction, since it is dealt with as a commodity rather than as a national currency. They therefore challenged the RBI's decision to prohibit the functioning of the said cryptocurrency on the ground that it was violative of rights. The Supreme Court opined that instead of banning these virtual currencies, RBI shall look for different ways that may be beneficial to the virtual currency users by imposing appropriate regulations.

The regulatory landscape of cryptocurrencies in India remains fluid. Despite acknowledging the benefit associated with blockchain technology, the government is still very wary of the risks that cryptocurrencies present in terms of fraud and money laundering. Legislation is in the process of forming a regulatory framework that protects investors without strangling innovation.

Or, in other words, though cryptocurrencies are not illegal in India, they remain within the close scrutiny of regulatory frameworks/schemes, many of which are still developing. The approach of the government, therefore, seeks to balance this delicate act between innovation on the one hand and protecting investors and ensuring financial stability on the other.

INTERSECTION OF TRADEMARK AND CRYPTOCURRENCY

A trademark is a distinctive word, label, symbol, or other graphic representation used to differentiate one company's goods and services from others. In the United States, the Trademark ID Manual expressly includes 'cryptocurrency' under various classes within trademark laws, such as Class 9, Class 36, and Class 42.¹⁵⁴ However, some other jurisdictions do not have explicit provisions for cryptocurrency in their trademark legislation. To establish cryptocurrency as a subject of trademark laws, certain questions need to be answered in affirmation.

1. Does cryptocurrency fall under the category of product or service

¹⁵³ *Internet and Mobile Association v. Reserve Bank of India* [AIR 2021 SUPREME COURT 2720]

¹⁵⁴ Growing influence of cryptocurrencies: Challenges ahead of trademark law (2022) Lexology. Available at: <https://www.lexology.com/library/detail.aspx?g=359bf598-0fd8-4cc3-af6d-6b5b457f85df> (Accessed: 09 July 2024).

2. Is it possible to identify cryptocurrencies using words, symbols, logos, or a mix of these?
3. Is the cryptocurrency's name used to indicate where it was created?

The first answer to this question may prove subjective. Whether or not the use of cryptocurrency as a method to facilitate payment should lead to it being classified as a good or service has always been debatable. Like for instance in the case of *Alibaba Group Holding Ltd. vs. Alibabacoin Foundation*¹⁵⁵, the Federal District Court ruled in favor of the former arguing that a cryptocurrency could be taken as an item that qualifies for its own trademark. However, it needs to be understood that there is a distinction between using cryptocurrency for commercial transactions and treating it just like ordinary money _(' similar to cash/commodity money).

If a form of currency exists that would come within the goods or services area, we must address two issues accordingly. That means that the coin itself is an indicator for where it comes from and only one source, i.e., a trademark. However, Bitcoin is not considered a trademark because it operates without a central location. Nevertheless, , it is more likely for capital to be registered as a trademark when it is centralized because there exists one specific place for its production and distribution..

It, therefore, has to be such that it does not convey a generic idea of the type of goods or services being sought so as to create a different mental picture to the public mind. This was the reason the US District Court in *Telegram Messenger Inc. vs. Lantah LLC* ¹⁵⁶restrained the defendants from using the name "gramme" for its cryptocurrency brand from its infringement of plaintiff's trademark of the "Gram" word mark and image since it was similar.

Imagine this; if the only thing that comes to people's minds when we talk about a certain digital currency is real estates transaction in Australia then that currency is a generic term as illustrated by say 'AusieCoin' an imaginary brand meant for buying houses in this country. Identifying the producer behind this particular fake digital money in the form of 'AusieCoin' might subject such firm into commercializing its name which will result in loss due to sheer loss in value incurred. However, as this remains a subjective discretion matter, some countries have already registered, 'Bitcoin' as a valid trademark. These include the United Kingdom Patent OfficeTM No. UK00003279106 and the Spanish Patent and Trademark Office Trademark Number:

¹⁵⁵ *Alibaba Grp. Holding Ltd. v. Alibabacoin Found.*, No. 18-CV-2897 (JPO), 2018 U.S. Dist. LEXIS 180884, at *1–2 (S.D.N.Y. Oct. 22, 2018).

¹⁵⁶ *Telegram Messenger Inc. v. Lantah, LLC*, No. 18-cv-02811-CRB, 2018 U.S. Dist. LEXIS 133908, at *2 (N.D. Cal. Aug. 8, 2018).

ES003279106.¹⁵⁷

Cryptocurrency has come in different forms through its commitment to innovation. After bitcoins came into existence, others changed the face to take the design of 'alt-coins' that serve as options of a different nature in wide ranges. With the introduction of modern blockchains that include Neo and Ethereum, there is a lot more complexity in the world of digital assets. There is so much variation and regulation is impossible, and so no single person or entity can assert that they own it; without doubt in publicly shared blockchains there is scarce Intellectual Property Rights protection.

HOW TRADEMARK LAW HAS BEEN APPLIED IN CASES OF CRYPTOCURRENCY

Obstacles, particularly pertaining to the very features of blockchain technology, may appear in connection with the application of substantive law.

In *United States v. Ulbricht*,¹⁵⁸ which was decided by the United States District Court for the Southern District of New York in 2014, the court rejected an argument made by the defendant, Ross William Ulbricht, who was accused of operating Silk Road. Ulbricht argued that he couldn't be found guilty of the crimes he was charged with (narcotics trafficking conspiracy, continuing criminal enterprise, computer hacking conspiracy, and money laundering conspiracy) because no previous case had found such activities to constitute these crimes. In essence, he was claiming that since there was no precedent for criminalizing what he did, he couldn't be held liable. The court dismissed this argument, stating that the fact that something hasn't been found criminal before doesn't mean it can't be criminal. They essentially said that just because there's no exact precedent for this specific case doesn't mean the law doesn't apply. The court concluded that Ulbricht's activities, involving the exchange of cryptocurrency for illegal goods, clearly fit the definition of the crimes he was accused of. Therefore, the case established that even if there's no directly similar case, the court can still apply existing laws to new situations, especially if the actions clearly fall within the definitions of the crime.

This also applies to the use of substantive laws that already exist in accounting for cryptocurrency and blockchain technology in matters regarding trademark infringement. Recent decision of the Delhi high court¹⁵⁹ that came down on the side of Tata Sons Private Limited has permanently prohibited a UK-based firm from using an Indian company's trademark 'TATA' in marketing and

¹⁵⁷ Growing influence of cryptocurrencies: Challenges ahead of trademark law (2022) Lexology. Available at: <https://www.lexology.com/library/detail.aspx?g=359bf598-0fd8-4cc3-af6d-6b5b457f85df> (Accessed: 09 July 2024).

¹⁵⁸ *United States v. Ulbricht*, 31 F. Supp. 3d 540, 565–566 (S.D.N.Y. 2014)

¹⁵⁹ *Tata Sons Private Limited V. Hakunamatata Tata Founders & Ors.* [2022 DHC 4022]

sales of digital tokens or cryptocurrency unlawfully.

In *West v. 0Daycoins.com*¹⁶⁰, Kanye West brought an action against several defendants for infringing his trademarks in a cryptocurrency called "Coinye." One of the defendants was a developer located in the Netherlands, who claimed to have no contacts with New York and therefore moved that the action should be dismissed as to him for lack of personal jurisdiction. Kanye West responded that he was subject to New York's long-arm statute because he was marketing and promoting Coinye in New York. The case settled before the court ruled on this issue, but the case illustrates one of the challenges for trademark owners: it can be expensive to enforce rights when defendants are located in multiple jurisdictions, which may require multiple lawsuits.

In 2016 and 2018, the cryptocurrency company BitFlyer tried to register the word "BITCOIN" as its trademark for its goods and services related to cryptocurrencies, namely, software for online transactions, computer programs, and telecommunication equipment. The USPTO rejected both filings, though. Why? They said the word "BITCOIN" was too descriptive of the real products and services that BitFlyer offered. Essentially, the USPTO found the word used to describe the nature of the company's work too obviously in line with the company's basic nature to be recognized as some sort of unique brand indicia. So, it's just like you can't trademark the word "Apple" for a company that sells apples. Equally, "BITCOIN" for a cryptocurrency company wouldn't give away the nature of the trade.

What are the legal difficulties and challenges regarding the questions of intellectual property within cryptocurrencies?

1. Anonymity and Decentralization-The decentralized and anonymous nature of cryptocurrencies makes it difficult to identify and pursue infringers. In *United States v. Zaslavskiy*, Zaslavskiy was charged with securities fraud. The case revolved around two Initial Coin Offerings (ICOs) for REcoin and DRC (Diamond Reserve Club). The government alleged that Zaslavskiy falsely marketed these ICOs by claiming that REcoin was backed by real estate and DRC by diamonds, neither of which were true. The ICOs were alleged to be fraudulent schemes intended to deceive investors. The key legal question was whether the tokens offered in the ICOs could be considered "securities" under U.S. federal law, specifically under the Securities Exchange Act of 1934 and the Securities Act of 1933. The court denied Zaslavskiy's motion to dismiss the indictment. The court found that the allegations in the indictment were sufficient to state a claim that the tokens were

¹⁶⁰ *West v. 0Daycoins.com*, No. 14 CV 250 (S.D.N.Y.),

"investment contracts" and therefore "securities" under the Howey Test. This test comes from the Supreme Court case *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), which defines an investment contract as an investment of money in a common enterprise with an expectation of profits predominantly from the efforts of others.

2. Jurisdictional Issues- The global nature of cryptocurrency transactions complicates the enforcement of IP rights across different jurisdictions. In *SEC v. Traffic Monsoon, LLC* [245 F. Supp. 3d 1275 (D. Utah 2017)]¹⁶¹ The SEC brought an action against Traffic Monsoon, a UK-based company, alleging that it was operating a Ponzi scheme. The court determined that it had jurisdiction under the "conduct and effects" test, as the fraudulent activities had significant effects in the U.S. This case illustrated the application of U.S. securities laws to international cryptocurrency transactions that have substantial connections to the U.S.
3. Unknown party- In *Orchid Labs Incorporated v. Unknown Party*,¹⁶² A company called Orchid Labs sued an unknown person or group for stealing money. An unknown party registered a website called "sale-orchid.com" that was a copy of Orchid Labs' real website, "orchid.com." This website was used to trick potential investors into sending cryptocurrency to the unknown party. Orchid Labs filed a lawsuit against the unknown party in Arizona. The court ruled in favor of Orchid Labs and awarded them over \$600,000 in damages. This included triple the amount of money stolen and attorney fees. The unknown party's identity was unknown, making it extremely unlikely that Orchid Labs would ever be able to collect the money they were awarded.

CONCLUSION

The digital economy faces both possibilities and difficulties from the intersection of IPR and cryptocurrency. As blockchain technology continues to upend many industries, intellectual property rights protection is essential to promote innovation and maintain the integrity of decentralized networks. The Bitcoin ecosystem's ability to flourish hinges on striking the right balance between encouraging cooperation and upholding security. Policymakers, businesspeople, and stakeholders must collaborate to implement consistent regulatory frameworks that promote responsible growth, protect creators' rights, and foster innovation in the rapidly evolving world of cryptocurrencies and blockchain technology. By doing this, we can effectively advance a wealthy

¹⁶¹ *SEC v. Traffic Monsoon, LLC* [245 F. Supp. 3d 1275 (D. Utah 2017)]

¹⁶² *Orchid Labs Incorporated v. Unknown Party*, No. CV-18-00582-PHX-SMB (D. Ariz.),

and inclusive digital future while striking a balance between innovation and protection.

Trademark rules have been applied to the cryptocurrency industry thanks to landmark instances like *Telegram Messenger Inc. v. Lantah LLC*¹⁶³ and *Alibaba Group Holding Ltd. v. Alibabacoin Foundation*¹⁶⁴. Still, there are a lot of challenges to be addressed. It is difficult to identify and hold infringers responsible due to the widespread usage of cryptocurrencies and the anonymity of many of its users. These difficulties show how crucial it is to maintain innovation and foster global collaboration in order to protect intellectual property rights in the bitcoin industry.

¹⁶³ supra

¹⁶⁴ supra



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A LAWFUL MONOPOLY? THE INTERSECTION BETWEEN ANTITRUST AND INTELLECTUAL PROPERTY LAW

Sankalp Mirani¹⁶⁵ & Vishwajeet More¹⁶⁶

ABSTRACT

This intersection of antitrust and intellectual property (IP) law raises a fine issue—the competing interests of innovation and competition. On one hand, it promotes exclusive rights for inventors by the IP regime in order to bring forth new technologies. On the other, antitrust achieves this by a strict search for monopolistic practices which would be detrimental to consumers by restricting choice or forcing prices up. The paper will explore how these two statutes inform each other's interpretation, especially with respect to instances where IP rights allegedly create or sustain monopolies, thereby obfuscating competition.

Some examples of this tension can apply to practices such as patent thickets, where firms acquire many patents for the sole purpose of shutting others out from the market, and abuse of standards essential patents (SEPs), in which the patent holder refuses to license on fair, reasonable, and non-discriminatory (FRAND) terms. These practices restrict competition and block new entrants, which is counterproductive to the implicit aims of IP laws towards encouraging innovation.

The paper will survey recent developments where courts and regulators have turned their focus to the abuse of IP rights so to create anti-competitive results. Antitrust regimes may intervene, in such situations, with remedies which include compulsory licensing or injunctive orders, ensuring that IP protections would not deter market competition.

¹⁶⁵ Penultimate year, BALLB Hons., MNLU MUMBAI

¹⁶⁶ Penultimate year, BALLB Hons., MNLU MUMBAI

Ultimately, the paper approaches the critical challenge for policymakers, regulators, and legal practitioners of finding the equilibrium between incentives for innovation and the competitive space, taking into account the ever-changing global markets and technological advancement.

KEYWORDS: Antitrust; Intellectual Property Law; Lawful Monopoly; Competition Policy; Innovation Incentives.

HISTORICAL BACKGROUND OF IPR IN INDIA

The origin of India's intellectual property rights (IPR) regulations can be traced back to the early days of British rule. The first modern patent law was enacted by the British government in 1856; it allowed inventors to patent their novel ideas for some time. Further acts were passed by the Indian government to support intellectual property after the country gained independence in 1947. In 1957, under the Patents Act, inventions and improvements could be patented for 14 years instead of a much earlier Patents Act being repealed. Trademarks were protected through the Trademarks Act of 1958¹⁶⁷ and artistic works such as music and books through the Copyright Act of 1957¹⁶⁸. The new Patents Act envisaged boosting R&D efforts in 1970 and focused on process patents for seven years (extendable to 12). The Patents Act was revised in 2005 bringing it in status with international norms after India joined the WTO in 1999, thereby becoming a party to the international intellectual property regime. There are also domestic laws in India such as the Geographical Indications of Goods Act, 1999¹⁶⁹ that protect commodities associated with particular regions. Further, India is a signatory to numerous international treaties and conventions that provide for different aspects of intellectual property rights and come under the purview of the World Intellectual Property Organization (WIPO). These treaties intend to provide fair and equitable treatment and protection to authors and inventors around the world.

INTRODUCTION

The project talks about the intersection and interference of the two laws which relevant to the students of law pursuing the IPR laws and those who have a keen interest in the anti-trust laws. There is an over-lapping effect that these two laws make when read together. This project topic will try to discuss the issues and aims related to this interesting intersection and the

¹⁶⁷ Trademarks Act, 1958

¹⁶⁸ Copyright Act, 1957

¹⁶⁹ Geographical Indications of Goods Act, 1999

conceptualization of the principles that we derive from the two laws. There would be a detailed analysis of Market – its structure, characteristics, market power and dominance and its working along with certain case laws, laws of other nations that would help to make this project more proof readable.

CONCEPTS

The Anti-trust law was first passed and enacted by the Congress in the Senate of US in the year 1890 known as the Sherman Act, 1890, which sets the rule of trade in the US market while ensuring the economic liberty of all the players in the market. This kind of trade law looks over the unlawful business mergers and acquisitions in general terms while looking at the preservation of the free and unfettered competition as the rule of trade. Anti-trust law is a law made to prevent certain behaviors of the market and the community. It does not cover any certain or particular kinds of fields, sectors as such. Neither it has imposition of obligation on any agencies, authorities, etc. it works only between agreements and monopolistic behaviours of the market, and stops certain sole companies be it through judicially or almost judicial bodies, or agencies from breaking the rhythm of the market and posing a threat to the competition. In Short Anti-Trust Law is a law related to Competition.

There are certain objectives of the Anti-trust law: protection of Competition from the perspective of the consumers and their benefit, making sure there are strong, there is a strong kind of incitement for efficient business operation. Keeping a balance between the quality of the products and their prices (keeping the prices low as possible). Anti-trust law is premised upon economics. The most basic and distinctive feature of the Anti-trust law is that it is based on economics. In the sense that the only certain corporates that are financial strongholds themselves, like Black Rock Investment Company, are of the capability to harm the competition which is inclusive of the anti-trust injury through certain actions in the market such as: an increase in the drop rate in output, an increase in market price or a pruning in the quality and variety of the offer, or a lessening in the progress in innovation, etc. are some of the certain however, major actions that such big strongholds can take.

Unlike Anti-trust law Intellectual Property Rights which by giving out certain monopoly to the IPR holder over his product or his particular asset let him evade this competition dynamics that is seen in the Market Described in the Anti-trust law jurisdiction. IP law is considered as a means to bring monopoly in the market by reducing the competition in the field by giving certain rights over the produce to the holders of the Rights which is something which is based essentially on technology and innovation. Intellectual Property Law are such that give to the holder certain rights that give a right of monopoly over the market product that the holder has

produced. These laws are a way to reduce the competitiveness in the market by restricting the other players of the market deterring them from offering products that the holder of the IPR has. This, however, has created a conflict between the Intellectual Property laws and Competition laws. The intellectual property law encourages certain community actions which further on lead to further innovations in the respective fields and increase the level of overall innovation. Famous Greek Philosophers of their times namely, Socrates, Plato, and Aristotle were one of the very first scholars to provide a view on Property rights which can be held relevant in today's date. Socrates viewed of an ideal society, and that can be seen in the writings of his student Plato in his book, 'The Republic', that, '*collective ownership is necessary in order to promote common interest of the public, when some people grieve exceedingly and others rejoice at the same happenings.*'

The opposite of the above was viewed third student of the Greek Philosophy, namely, Aristotle. He opined after his study on Humans and biology, that people should get to practice their private rights which further on goes to make them a better citizen, '*as human happiness requires all types of external goods, including wealth and property.*'

The Lockean theory, also called as the labour theory states that property, efforts put into it when the very property is in the commons, becomes the private property of the person who has the put the said efforts. Property rights were and are being recognized in India since a long period of time when people had wide and large family properties and properties acquired through gifts. And the rights were prescribed by the divine sages by giving their commitment to pursue knowledge by being in a constant meditative state and one such sage was Donatory where the sage had acquired the knowledge of Archery after a very long commitment of pursuit through meditation. And the knowledge from him never came free of charge, alike other sages he took Guru Dakshina as charge for his knowledge to his students. One such student was Ekalavya. Since Ekalavya was never eligible for the knowledge of archery according to the Vedas, he was never taken into Rancheria's Ashram unlike the Kauravas and Pandavas. And when he learnt Archery like no other by practicing it before the Sage's statue, upon enlightenment of this knowledge, Donatory demanded a Dakshina from Ekalavya in the kind of Ekalavya's Thumb, which was one of the tragic moments in the Mahabharata. The moral that we get from this episode of the Story is that use of knowledge if through unauthorized means it cannot be justified even it is made through correct source, because it is taken by unauthorized means.

THE TRIPS AGREEMENT

Majority of the IPRs are protected according to the standards set by the Trade-Related Aspects of the Intellectual Property Rights (TRIPS) Agreement worldwide. The WTO member nations are not subject to standardized legal obligations under the TRIPS Agreement. Countries must adhere to the minimal requirements it sets down but are given significant latitude to create their own laws that are tailored to their particular legal systems, public health conditions, and developmental goals. In putting the TRIPS rules into practice, they can take steps to advance social and economic well-being and stop the infringement of intellectual property rights according to article 7¹⁷⁰ of the agreement and Article 8.2¹⁷¹, respectively.

In order to adhere to the rules or guidelines provided under this agreement, the member states have to revise or formulate their laws related to Antitrust or competition in the manner that it is in compliance with the IP laws. Hence, it becomes necessary to have a general knowledge of TRIPS agreement 1994¹⁷².

LITERATURE REVIEW

The development of antitrust law and intellectual property law is an evolving, multifaceted aspect that has drawn attention to the attention of the market players lately, due to the growing possibility that the IP could either work for or against competition. While existing literature presents a plethora of views on the interaction of these two areas of law, most won't work to some extent. As industries begin to rely more and more on IP in securing their market position, it becomes increasingly imperative that further in-depth investigations be carried out to assess how IP practices affect competition.

Hovenkamp's "The Antitrust Enterprise"-2005¹⁷³ provides the foundational insight into what constitutes the general principles of antitrust law, how competition policy responds to abuses of market power and monopolistic behavior. It further provides a very interesting account for those interested in understanding traditional antitrust law aims in blocking monopolistic conduct in ways that injure consumers and lays a groundwork for evaluating how intellectual property, when not correctly applied, might conflict with these ends. Similarly, in "Patent Failure" (2008), Bessen and Meurer¹⁷⁴ criticize an unwieldy patent system, arguing that, in certain circumstances, patents fail

¹⁷⁰ Article 7, Trade-Related Aspects of the Intellectual Property Rights (TRIPS) Agreement, 1994

¹⁷¹ Article 8.2, Trade-Related Aspects of the Intellectual Property Rights (TRIPS) Agreement, 1994

¹⁷² Trade-Related Aspects of the Intellectual Property Rights (TRIPS) Agreement, 1994

¹⁷³ Hovenkamp, H., *The Antitrust Enterprise: Principle and Execution* (Harvard University Press, 2005).

¹⁷⁴ Bessen, J., & Meurer, M. J., *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* (Princeton University Press, 2008).

to fulfill their intended purposes of stimulating innovation and instead function as a monopoly that stifles competition. They show how the expanding patent arms race-erased particularly extreme in technology-has affected a commonly obscured competition-choice competition. Their analysis significantly aids the ever-growing literature rehashing the question of whether patent laws excesses put in place two aspirations or bring risks of anti-competition.¹⁷⁵

Another major contribution to the literature comes from Lemley's "The Patent Crisis and How the Courts Can Solve It" (2007)¹⁷⁶, where he discusses the role of the patent system in promoting or hindering innovation. Lemley argues that the patent system is being increasingly used to create monopolistic power rather than to foster technological advancement, especially in software and pharmaceuticals. This is one important view for understanding how IP rights can be used to perpetuate market dominance and deny entry to competitors, an issue that antitrust law is concerned about.

Also, Chien, "Patent Holdup, Antitrust, and Innovation: A Contribution to the Federal Circuit" (2014)¹⁷⁷, discusses how patent-holders may engage in patent holdup by demanding very high licensing fees even after a firm has knowingly committed to using the particular patented technology. Chien illustrates how patent holdup can prevent market entry and agitation of prices for consumers, a direct collision with the intentions of Antitrust Law, which calls for the prevention of monopolistic practices that hurt consumers. This form of market manipulation is more prevalent in industries dependent on IP, like telecommunications and electronics.

In terms of economic theory, Hovenkamp and Scott's "Antitrust and Innovation: The Regulation of Market Power in the Age of Disruption" (2016)¹⁷⁸ offers a significant view on how antitrust law can evolve with rapidly changing technology. The authors argue that traditional antitrust approaches ought to accommodate dynamic efficiency in innovation-driven industries that may benefit from some level of allocative efficiency of market power. Their work implies that antitrust law should look not just at short-term consumer welfare but also at long-term innovation gains.

¹⁷⁵ Shapiro, C., *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard-Setting in Innovation Policy and the Economy* (MIT Press, 2001).

¹⁷⁶ Lemley, M. A., *The Patent Crisis and How the Courts Can Solve It* (2007) 74 (2) *The University of Chicago Law Review* 107-146.

¹⁷⁷ Chien, C., *Patent Holdup, Antitrust, and Innovation: The Federal Circuit's Unacknowledged Contribution* (2014) 27 (2) *Harvard Journal of Law & Technology* 291-317.

¹⁷⁸ Hovenkamp, H., & Scott, K., *Antitrust and Innovation: The Regulation of Market Power in the Age of Disruption* (2016) 125 (7) *Yale Law Journal* 1606-1652.

This is a very critical insight to understand the dilemma by regulators in striking the balance between competitive markets and incentivizing innovation.¹⁷⁹

Frischmann and Lemley are interested in economic interaction between IP law and antitrust policy in "The Economics of Patents: IP and Antitrust Law" (2010)¹⁸⁰ but with emphasis on rewards nature of the law such as patents creates monopolistic behavior at the expense of consumer welfare. Their work, thus, constitutes a good background work one can use for understanding the many complex ways of how IP may affect market power and competition.

The work of Krämer "Intellectual Property and Competition Law: The Need for a More Integrated Approach" (2011)¹⁸¹ adds to the promotion of this school of thought by calling for a more integrated approach of antitrust and IP law that will reduce anti-competitive practices while getting innovation at a gouging pace. Krämer's work is particularly valuable in that it goes on to provide practical recommendations for how regulators might address IP-related anti-competitive concerns without unnecessarily hindering technological progress.

RESEARCH QUESTIONS

With regard to the intersection of antitrust and intellectual property, various inquiries remain pertinent for further study. One particularly urgent issue is the proper conduct of antitrust law towards entities having acquired and are using IP rights whereby competition would be hurt. This particularly pertains to scenarios involving IP right holders, most notably large entities, where practices such as patent thickets or limitation of license offers on fair and reasonable terms occur, resulting in an unclear area between incentivization of innovation and crowding out of competition. To what extent should the authorities and courts intervene to safeguard against abuse of market power while promoting innovation through IP protection?

Another question relates to the extent to which having dominance over the market could be presumed merely on the basis of an incoherent existence of any IPR. Since IPR has to provide its holder with exclusive powers over the use, sale, and licensing of the creation or work of art, one may say that the IPR holder is in a dominant position; however, this cannot be said in case of all types of IP holders. Thus, the question arises, does having an IPR mean that the holder is already

¹⁷⁹ Stiglitz, J. E., *The Price of Inequality: How Today's Divided Society Endangers Our Future* (W.W. Norton & Company, 2008).

¹⁸⁰ Frischmann, B. M., & Lemley, M. A., *The Economics of Patents: IP and Antitrust Law* (2010) 6 (2) *Journal of Competition Law & Economics* 515-533.

¹⁸¹ Krämer, J., *Intellectual Property and Competition Law: The Need for a More Integrated Approach* (2011) 6 (8) *Journal of Intellectual Property Law & Practice* 591-602.

in a dominant market position, or should the pricing behavior and the context be the decisive factor?

Moreover, additionally vexing are the economic attributes of IP. Designed to create a monopoly-exclusivity for a determined time. In antitrust law, how would one characterize these monopolies? Should the gains and social benefits due to innovations procured through IP outweigh competition worrisome about that monopolistic action? This can become puzzling in those situations where one thinks of technologies being in an industry standard such as standard essential patents. Exactly how should competition law treat these IP rights, given that they are used to suppress innovation rather than further it?

The answer to this questions is complicated and in both legal and policy making sense. And with regards to this question there has been a constant conflict between IP laws and the Competition laws since 17th Century as the competition law prohibits monopolies whereas the Intellectual Property Laws allowed Patent Monopolies.

It is often unclear whether a particular business arrangement should be classified as vertical or horizontal-such as licensing agreements, mergers, or patent pools. Generally, the agreements between businesses at different stages of production are less likely to be considered anti-competitive than horizontal agreements, which are between firms at the same level in the supply chain. To what extent should this classification inform antitrust analysis, especially in relation to NTs and the role of IP rights?

INTERSECTION OF THE TWO RULES

The purpose of the laws of neither of the laws is to set-up the market into an ideal perfection where there are no barriers, speculations, elimination of the certain factors that make a distinction between market. They focus on barriers that they give against each other, and we try to understand the market behavior through the given situations caused due to such barriers. From many of those barriers, there are certain barriers which can be easily found and analyzed which are dominance of the companies in the market and Market Power and their relation to the laws.

MARKET POWER IN ANTITRUST LAW

This is a key concept that the analysis considers firstly. Market as previously explained is where certain few companies hold the power to increase its price above marginal costs in a way which is durable and profitable for them and in order to do that they reduce the rate of Supply in the market. Anti-trust and its authorities agree to this definition of the term indirectly by developing a heuristic procedure called as the ‘the definition of the relevant market’ It seeks to learn as much as it can about the competition-related restrictions on commercial behavior. Therefore, a company has market power when it is able to resist the competitive pressure put forth by its business partners as well as its current and potential rivals, in part or in full, and as a result, when it has a greater or lesser degree of freedom in deciding on commercial strategies of its own.¹⁸²

While studying the interface of the two laws after understanding the concept of Market Power that talks about the harm to competition of the market, a person might come into question with respect to the ambit and object of the law after reading IPRs. Whether IPRs threaten the competitions since, at multiple times it is seen that they grant market powers to IPR holders. For this answer, we must understand the relationship of IPR with Dominance and Market Power.¹⁸³ Firstly, there has to be a clarity as to the fact that Big Firms and Corporates are not allowed to have a monopoly in the market, however, can monopolize the technology so invented and innovated by them through IP Laws thus putting up a restriction to the entry of the new players because they either have to buy the copyrighted and patented product or have to come up with a technology or an innovation that can compete in the market with the patented product. Here dominance and power in the market are inclusive of the prohibition so brought up on the players in the market. The act further prohibits an enterprise to enter into an agreement in respect of production, supply distribution or control of goods or provision of services, which is likely to cause an adverse effect on competition within India but at the same time it bestows a blanket exception on IPR, therefore, where on one hand there is a restriction brought by IPRs, and on the other hand the players cannot enter into agreements with respect to specific and particular products.¹⁸⁴

¹⁸² Baker, J. B., & Salop, S. C., *Antitrust, Innovation, and Market Power in the Pharmaceutical Industry* (2015) 81 (2) *Antitrust Law Journal* 443-472.

¹⁸³ Klein, B., *Economic Analysis of Antitrust and Intellectual Property Law: A Perspective on the Evolution of Antitrust and IP Policy* (2000) 45 (3) *Antitrust Bulletin* 651-678.

¹⁸⁴ Gal, M. S., *Competition Policy for the Age of Digital Disruption* (2010) 6 (3) *Journal of Competition Law & Economics* 671-688.

LEGAL ASPECT OF THE CONFLICT BETWEEN IPR AND ANTITRUST LAW

The IP laws in India intersect where Section 3 of the Competition act¹⁸⁵ states, no endeavors or relationships with respect to the creation or supply of the product to control products or arrangements of administrations that may lead to an unhealthy impact on the contest and competition in India.

However, in India it is noticed that IP laws in the country are Pro-Competitive which means that it could help consumers make conscious choices regarding the products and its services amongst the competitive brands in the market. Intellectual Property ensures a competition where the brands are distinguished in nature and that the model of one company cannot be copied by other businesses. Hence, it makes a clarity when understanding the intersection that, it has no negative impact as such, and that IP laws ensure the pure existence of competition in commercial sense same as that of the Anti-trust laws that look towards the market in the economic sense.

A report released by the OECD¹⁸⁶ committee has described that the highest level of IPR and competition policies are complementary because they both share a concern to promote the ultimate benefit of the consumers through technology. The issue is that even entirely legal use of IPR might limit competition, at least temporarily, resulting in a trade-off between favoring more competition and those of greater innovation. Most likely, there is no patent office where such a trade-off exists and its directives, basically rules which are by their very nature challenging for the competing players to implement. Competition agencies' adherence to a purely short-term perspective on competition could make this issue worse. Yet more and more of these organizations are adopting a dynamic viewpoint, particularly the supposedly high-technology or futuristic sectors where IPR might be crucial to the competitive process.

Broader patents often result in greater benefits for primary innovators, but they also frequently result in higher costs and more uncertainty for secondary innovators. The results of empirical studies on the overall impact of patent gap between both forms of innovations is still unclear. This may motivate competition authorities to take certain steps to lessen the anticompetitive implications of what they may view as overly broad patents. Regrettably, such ex-post action by competition agencies would serve to increase uncertainty about potential benefits, which would tend to suppress innovation. However, competition agencies already employ a certain amount of automatic fine-tuning. This results from the association between patent and the gap discussed

¹⁸⁵ Competition Act, 2002 (No. 12 of 2003), Section 3, *Anti-Competitive Agreements*.

¹⁸⁶ OECD (2021). *Competition Policy and Intellectual Property Rights: Towards a More Balanced Approach*. OECD Publishing, Paris. Available at: <https://www.oecd.org/competition/competition-policy-and-intellectual-property-rights-2021.htm>.

above and the likelihood that an IPR holder holds a dominating position, which is positive, and numerous nations in the world, a determination of this kind is necessary before the competition authority can take any measures in opposition of the competitive constraint, including one connected to IPR.

Thus, it can be also viewed through the above analysis that many businesses protect their innovations by legalizing it through IPR and competition laws provide a better platform for them to stand in the competition by providing them a protection in exception under the Competition Laws.

Upon clear analysis a problem that comes to focus is where the Patent rights are rejected on the grounds of High Royalties, or license rejection on other grounds which come under the doctrine of essential Facilities which sets up a standard price which is reasonable to be set by owners of the bottleneck and the essential facility. The Competition regulating agencies have a scope in such matters as such grounds immoderately restrict the development of competition.¹⁸⁷

Competition agencies should not only accept the legitimacy and potentially pro-competitive nature of IPR despite possible inherent short run restrictions on competition, they should also recognize the unique features of IPR which call for a customized approach to cases involving IPR.

Upon clear analysis a problem that comes to focus is where the Patent rights are rejected on the grounds of High Royalties, or license rejection on other grounds which come under the doctrine of essential Facilities which sets up a standard price which is reasonable to be set by owners of the bottleneck and the essential facility. The Competition regulating agencies have a scope in such matters as such grounds immoderately restrict the development of competition.¹⁸⁸

OPINION OF TWO COURTS AND A PERSPECTIVE ON INDIAN SYSTEM

The court in US whenever there comes a question with regards to the rights of the IPR holders, it gives the answer in the form of the division of powers, that is, it is the duty of the government to form rules and regulation with regards to the action related to the rights of the IP holders and

¹⁸⁷ OECD (supra, note 20).

¹⁸⁸ Evans, D. S., & Schmalensee, R., *The Antitrust Economics of Multi-Sided Platform Markets* (2005) 22 (2) *Yale Journal on Regulation* 325-348.

judiciary has no role in it. In conclusion, US law prohibits antitrust breaches based on commercial operations that are permitted by IP statutes.¹⁸⁹

On the other hand, the courts in the EU the EU is justified because, national laws protecting intellectual property cannot conflict with the EU's concern about competition and, consequently, with the work of the EU Commission, which has the duty to protect the public interest in opposition to any particular or private interest, when it comes to IPR enforcement. The more invasive EU strategy results from a different assessment of the difficulties and dangers associated with government intervention in the economy. The likelihood of the emergence of new goods, markets, and subsequent innovation were factors that EU antitrust enforcers considered when determining whether to allow access to dominant enterprises' exclusive inputs. Particularly when the antitrust case happens in sectors that are experiencing rapid technological change, such studies run the risk of being excessively speculative.

India being a mixed economy, has to always find a middle path keeping in mind both the private interest and the demand and interest of the public. Therefore, even the laws of our country are made in the same manner. In the above paragraphs it is already described the beauty of the statutes and the beautiful co-ordination between the IPR and Competition Law which forms a part of the Anti-trust law. The barriers are such in the market of India that majority of the players get equal share in the market and all of the IPRs of the players are protected and are in proper regulation with the competition and IP laws as their basic aim is the benefit of the consumers. Therefore, the legislature has already taken the essential steps keeping in mind the international conventions and other grounds.

In order to establish both laws in a way that is consistent with the development of jurisprudence, a thorough critical analysis of the problem is required. It's not necessary for all IPR topics to violate competition legislation. Although the IPR makes a dominating position possible, it cannot be assumed that this leads to misuse of the position. We must thoroughly examine the legal precedents and statutory framework in order to understand this topic.

To answer the four questions of conflict with regards to Uncertainty:

- (a) The questions are addressed by expertise in the subject-matter of conflict where they state that, “The previous “short-run” view of competition authorities has been replaced by a longer-run view, which acknowledges that technological progress

¹⁸⁹ R. Hewitt Pate, *Competition and Intellectual Property in the US: Licensing Freedom and the Limits of Antitrust* 49, in *European Competition Law Annual 2005: The Interaction between Competition Law and Intellectual Property Law* (C.D. Ellerman & I. Athanasius eds., 2007)

contributes at least as much to social welfare as does the elimination of allocative inefficiencies from non-competitive prices. There is, therefore, a growing willingness to allow restrictions on competition today in order to promote competition in new products and processes tomorrow.”¹⁹⁰ A question would arise as to what is Allocative Efficiency? – Efficiency is an economic term which works on the utility and demand of the consumers and when there is an ideal distribution of products and services taking into account consumer preferences, allocation efficiency occurs. The allocation efficiency is at the output level when the cost of production is equal to the price. This is because the ideal distribution is reached when a good's marginal value and marginal cost are identical. Consumers' marginal utility and the price they are willing to pay are the same.

(b) The answer to the (b) questions is that the tendency to view intellectual property as granting market power are, seen as somewhat at odds with competition policy has been another source of friction in association with competition policy and intellectual property. For instance, US courts frequently use the terms "monopoly" or "patent monopoly" to describe the rights granted by a patent.¹⁹¹ However this trend appears to be waning. The existence of an IPR does not automatically grant a dominating position, according to the European Court of Justice.¹⁹² However, the competition authorities in the United States have spelt out clearly that they "do not believe that intellectual property produces market power in the context of antitrust," despite the absence of a conclusive judicial judgement. 21 as opposed to other types.

(c) The fixed expenses of creating intellectual property are often relatively high because of its very nature. High: Expensive research facilities, precious research and engineering time, expense of funding several unsuccessful research initiatives in the hopes of achieving a huge achievement, while marginal costs are essentially zero because once an invention is discovered, it is almost always free to duplicate and utilize. Price must thus stay above marginal cost for innovation to be viable. Intellectual property is very readily misappropriated because of its nature. In addition to calling law enforcement and requesting that the trespassing laws be enforced, a business owner can deter people from entering and attempting to utilize his facility and equipment by installing padlocks on the

¹⁹⁰ Gallini and Trebilcock of the University of Toronto on COMPETITION POLICY AND INTELLECTUAL PROPERTY RIGHTS in the roundtable debate OECD.

¹⁹¹ United States v. Univest Lens Co., 316 US 243, 250 (1942) (“[a patent grants] to the inventor a limited monopoly, the exercise of which will enable him to secure the financial rewards for his invention”)

¹⁹² Dutcher Gramophone GmbH v. Metro-SB-Crossmark GmbH (78/80) 8 June 1971, [1971]ECR 487, [1971] CMLR 631, CMR ¶ 8106.

industrial door and adding additional security measures. And in any case, he will undoubtedly be aware of any similar effort being done.

On the contrary, a copyright holder might not be aware of software theft until sales start dropping sharply despite the program's ongoing popularity.

Another element that explains the pervasiveness of certain licensing strategies is the ease with which IPRs may be misappropriated. For instance, if a licensee sells items that are said to include other technologies, it can be challenging to determine whether or not it is covertly utilizing the licensor's technology. In this case, the licensor could impose exclusive dealing on the licensee.

(d) The distinction between the horizontal and vertical:

IPR licensing is typically a method of combining different inputs such as production facilities, distribution networks, labour pools, and other enabling or obstructive intellectual property. Even though the licensor and licensee are generally rivals in the production of goods covered by the IPR, transactions involving complimentary inputs are basically vertical in character.

Because they mistook the connection for being horizontal, competition authorities or courts occasionally have disapproved of agreements that would have eased the transfer of complementary inputs. Such misconceptions could have strengthened ideas that intellectual property and competition policy were inherently at conflict.

IPR licensing can still include a sizable horizontal component. Think about the creators of the only two items that can actually compete with one another. It is almost clear that the two producers do not violate each other's patents because they use separate technology. Nevertheless, they file infringement lawsuits against one another and then swiftly start negotiating a settlement. As a consequence, a patent pool is created with the only authority to license all of the patents to both pool members and other parties. By chance, the pool's established royalty rate matches the joint profit-maximizing pricing. This kind of "licensing arrangement" is identical to a cartel.

Among these, problems there come another problem of Tying Agreements: The Competition Act's Section 3(4) forbids tying agreements. This kind entails a seller agreeing to sell a very useful good or service, but only if the customer also buys a less significant good or service. In conclusion, while the purposes of antitrust and patent laws may not always coincide, they complement one another by fostering industries like innovation and competition.

CASE LAWS

In the Indian Context, the Scenario is such that, the jurisdiction of the breach of any of these laws comes under the same Commission, the CCI. There are certain cases to prove the jurisdiction:

In the case of Amir Khan Production Pvt Ltd. Vs, the Director General¹⁹³, the High Court of Bombay held that the CCI has the jurisdiction over the matters of Competition and Intellectual Property since both of them share the concern of consumer care and benefit.

In another important judgement of the EU court of Justice in the case of FICCI Multiplex Association of India vs United producers' distribution forum¹⁹⁴, the court held that the copyright holder has the rights under the Copyright Act of 1957, but those rights are not absolute and are statutory, as the main objective or the purpose of the act is to make and encourage innovations along with commercial gain.

One of the judgements in the Indian Courts in the case of Entertainment Network India Ltd vs Super Cassette Industries Ltd.¹⁹⁵, The Hon'ble Supreme Court observed that in case of charge of high royalty on a copy right product is not an absolute right and that, the patented product if priced very high will directly contradict the competition law but because of this the license would even get cancelled.

In the US context, after the IP laws and competition policies were recognized as moving towards the same goal of social welfare, the US Supreme Court upheld the judgement of its District Court which stated that unless the defendant proves that the through product patent tying agreement there is any AAEC (Appreciable adverse effect to the competition) in the market, the Plaintiff is not held liable of any of the offences under the Competition Act this was held in the case of Illinois Tool Works, Inc. vs Independent Ink, Inc. case¹³. In this the US courts have maintained the balance and regulate the matters wherever, there seems to be a violation of the IPRs by the holders.

¹⁹³ Amir Khan Production Pvt Ltd. Vs, the Director General (Writ Petition 358 of 2010) (526 of 2010)

¹⁹⁴ FICCI Multiplex Association of India vs United producers' distribution forum (Case No.01/2009)

¹⁹⁵ Entertainment Network India Ltd vs Super Cassette Industries Ltd. AIR 2004 Delhi 326, 112 (2004) DLT 549 ¹³ Illinois Tool Works, Inc. v. Independent Ink, Inc., 547 U.S. 28 (2006)

SOLUTION TO THE CONFLICT

A solution to the intersection by both the offices: Both competition authorities and IP offices lack the expertise necessary to decide the ideal patent breadth, but the patent office's appear to be in a better position to weigh the advantages and disadvantages of primary vs secondary innovation incentives. Meanwhile, competition agencies have a comparative edge in identifying and understanding the potential anticompetitive consequences of unduly broad patents. Competition agencies should make sure that decisions made by the patent office on patent breadth are fully informed about any potential anticompetitive impacts.

Another perfect solution from the statute itself, that clears the conflict and encourages the regulation of the two laws is the exemption provided in Section 3(5) of the Competition Act, 2002. Infringement on IPR is prohibited by the Indian Competition Act of 2002. The Act does, however, give the CCI the option of taking legal action if it determines that IPRs are having an Appreciable Adverse Effect on Competition (AAEC). More notably, an exception clause pertaining to the use of IPRs is contained in Section 3(5) of the Indian Competition Act of 2002, which permits the fair use of these exclusive invention rights. According to the definition of "fair use" in Section 3(5) of the Act, IP owners are only need to impose "reasonable terms" on their IP security licenses without violating the law on competition.

Indeed, India's Competition Act forbids the exploitation of dominance rather than supremacy, in contrast to the previous Monopolies and Restrictive Trade Practices (MRTP) Act of 1969¹⁹⁶. In India, there existed a law called the implemented as a result of the nation's economic expansion after liberalization and privatization. A "monopoly" is no longer a harmful thing in and of itself because "command-and-control" triggered policies have given way to a free-market approach, but it is still acceptable to exploit this "monopoly."

CONCLUSION

Following analysis, it is feasible to draw the conclusion that intellectual property rights (IPR) are rights, but competition law is a regulatory body that establishes rules covering, among other things, the manufacturing, supply, distribution, and storage of products to be carried out by the business while operating the market. IPR is characterized as an advantage given to a product's or a script's author to permit them to use it alone for a certain length of time. This is supported by the labor theory, which holds that every individual has a right to the rewards of their effort.

¹⁹⁶ Monopolies and Restrictive Trade Practices (MRTP) Act of 1969

These two rules seem to be at odds with one another, yet as the previous study has shown, they are not. Both laws are complementary to one another, and when one is violated, the other comes into play. By maximizing profitability with a product of outstanding quality at an accessible price, competition law aims to give customers a variety of alternatives while striking an equilibrium between the rights of the producer and the rights of the buyers. IPR also enables the producer to get payment for the product's exclusive creation, which is advantageous to the general public. Although the IPR's monopolistic position may not seem to contravene competition laws, abusing the position might.

At the end, when it comes to policy decisions regarding India it can be seen that India has already followed all the minimum standards set by the international conventions for IP laws and is member state of agreements and organizations like WIPO, and as, all the laws are in compliance with each other India has an optimum legal compliance with laws and no need for any update or revision of the laws as it is made sure that there comes no conflict between any of the statutes.



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COPYRIGHT PROTECTION OF SHORT-VIDEOS AND RELATED CHALLENGES

Himanshu Chimaniya¹⁹⁷

ABSTRACT

In this digital age, modern artists are hugely opting for growing digital platforms to publicise their creative work. Moreover, in the past few years, these platforms have introduced a shift towards shorter videos such as reels and YouTube shorts. Following this, artists are publishing their original work in short video format on these platforms. The article casts light on the need for the protection of intellectual property in this new emerging category of work. It specifically talks about the recent trend in the digital sphere of posting work in compact short-video format. The article is divided into two parts, the first part discusses under what category such work should be protected under present copyright law, and the second part deals with the criteria for the protection of such work. The author has examined present Copyright law and parliamentary reports to analyse the category of such work. Provisions related to cinematograph film and visual recording are discussed in depth. Moreover, to analyse the minimum criteria to claim protection for such work, the author has explored national and international cases, governmental policies and guidelines. The article focuses on the shortest duration of video that could be protected under copyright law. It also deals with the aspect of short videos using pre-copyrighted work. And emphasis on the recognition of short videos as a separate category of work and suggesting specific provisions for their proper acceptance in Indian copyright law.

KEYWORDS – Short videos, intellectual property, copyright, reels, original work.

¹⁹⁷ Semester- VII of BA.LL.B (Hons.) from National University of Study and Research in Law, Ranchi.

INTRODUCTION

In the continuously emerging digital age, it is evident traditional channels of content distribution are at backstage. It is visible that modern artists are opting for modern channels for publicizing their work. A few famous examples of the same are Instagram, Facebook, and YouTube. Along with these channels, the metaverse is full of various other platforms where artists are uploading their original literary, dramatic, musical and artistic work. This shift is forced by the shift of consumers on digital platforms. Centralized distribution, and the network effects generated by high user engagement on such platforms made artists publish their works on digital platforms.

A new addition to this shift has emerged in the past few years. It is visible on digital platforms that content consumers are more attracted to short video content. Now, following the demand and supply concept, the content creators are also forced to put forth their original work in the form of short videos. Be it an original literary or musical work, if the artist is not publishing it in a short video format, he will not get proper reach on the same. This trend is exemplified by platforms like YouTube Shorts and Instagram Reels, where short-form videos are prevalent.

The metaverse offers artists a unique platform to reach a global audience, it also requires a proactive approach to protect and preserve their intellectual property. While the artists are putting creativity within a compact format, the protection of such creativity under Indian Copyright law comes across a few alarming questions. Does the protection of law extend to such shorter videos, if yes, then how short videos are protected?

Through this article, the author has analyzed the current global trend in copyright law and primarily answered under what category such short video content could be protected. What should be the minimum criteria for claiming copyright protection under current law for such work?

1. UNDER WHAT CATEGORY SHOULD SHORT VIDEOS BE PROTECTED?

It is settled that the creative work has to be protected. Copyright law serves a crucial role in fostering creativity and innovation by providing creators with exclusive rights to their work. This legal framework offers economic incentives, allowing creators to monetize their creations and earn a living. It also protects intellectual property by preventing unauthorized use, copying, or distribution of creative works, ensuring that creators maintain control over their output.

The work in question here is short videos, popularly known as “reels” and “shorts”. These works are available on various metaverse platforms and the same is being commercially exploited by the

platforms for earning revenue by showing advertisements. On the other hand, the creators of this content are deprived of royalties they rightfully own. Even if some platforms are providing royalties/payouts, it is not based on the exploitation of work by platform, but rather on other factors like a certain threshold of consumer subscription¹⁹⁸ taking certain actions¹⁹⁹ or under other bonus programs²⁰⁰ which is unrelated to the concept of copyrighted work and royalties.

In such a situation, it is important to understand how such short videos could be protected under Indian copyright law. Section 13 of the Indian Copyright Act, 1957²⁰¹ outlines the work that could be protected under the Copyright Act.

Section 13(1) of the Indian Copyright Act, 1957

“13. Works in which copyright subsists. — (1) Subject to the provisions of this section and the other provisions of this Act, copyright shall subsist throughout India in the following classes of works, that is to say, —

- (a) original literary, dramatic, musical, and artistic works;*
- (b) cinematograph films; and*
- (c) sound recording”²⁰²*

As per this provision, the copyright can subsist in short videos under the head of “cinematograph film”.

1.1 ELAVTION BETWEEN SHORT-VIDEOS AND CINEMATOGRAPH FILM

But one must also analyze whether there is a difference between short video (videography) and cinematograph film. Videography is all about capturing special moments and live events. Videographers usually work on smaller projects like weddings, live events, concerts, or personal videos for social media platforms like YouTube, Facebook, and Instagram. On the other hand, cinematography also focuses on getting great footage but involves much more strategic planning and artistic direction. Cinematographers work with large crews and production teams to create music videos or high-end Bollywood films, adding a layer of artistic decision-making to the process.

¹⁹⁸YouTube, *Monetisation policies*, 2024, available at https://www.youtube.com/intl/ALL_in/howyoutubeworks/product-features/monetization/#subscriptions (last visited on 15-07-2024)

¹⁹⁹Meta, *Instagram Creator Incentive Terms*, 2024, available at [Instagram Creator Incentive Terms | Instagram Help Center](https://help.instagram.com/183392733628561) (last visited on 15-07-2024)

²⁰⁰Meta, *Instagram Reels Play Bonus Program Rules*, 2023, available at <https://help.instagram.com/183392733628561> (last visited on 15-07-2024)

²⁰¹The Copyright Act, 1957 (Act 14 of 1957).

²⁰²*Id.*, s. 13(1).

It raises the question whether these short video works, not even the short films, could fall under cinematograph film.

As per the plain reading of provision of Copyright Act, 1957:

*“cinematograph film” means any work of visual recording and includes a sound recording accompanying such visual recording and “cinematograph” shall be construed as including any work produced by any process analogous to cinematography including video films.”*²⁰³

It can be assumed that the work falls under this category and is protectable. The definition of “cinematograph film” includes visual recording as a part of it. Visual recording is defined under Copyright Act:

*“visual recording means the recording in any medium, by any method including the storing of it by any electronic means, of moving images or of the representations thereof, from which they can be perceived, reproduced or communicated by any method.”*²⁰⁴

Under this definition, visual recording means recording in any medium of moving images. It is a very broad sort of definition and can easily cover any recording of moving images. It can be said after looking into the definition that short videos can fall under this definition. But, as visual recordings are not per se protected under Copyright Act, they are protectable under the ambit of cinematograph film. It can be said that, cinematograph films are a subset of visual recording.

WHY VISUAL RECORDING WAS INTRODUCED IN THE COPYRIGHT ACT

*Parliamentary Standing Committee on The Copyright (Amendment) Bill, 2010*²⁰⁵, which was the instrument through which the inclusion of “visual recording” in the definition of cinematograph film was done, has clarified that the definition of the term "cinematograph film" is being revised to tackle the exploitation of works in digital medium. However, no other explanation was given by the committee in this respect.

²⁰³ *Supra* Note 4, s. 2(f).

²⁰⁴ *Supra* Note 4, s. 2(xxa).

²⁰⁵ Department-Related Parliamentary Standing Committee on Human Resource Development, “Two Hundred Twenty-Seventh Report on The Copyright (Amendment) Bill, 2010” (November, 2010).

Therefore, it could be said that the ambit of “visual recording” can cover short-videos present in the digital sphere. It can be concluded that the ambit of the term “cinematograph films” under Indian Laws is not restricted and a broad interpretation is considered by law. Hence, it can be assumed that short videos are protected under Section-13 of the Copyright Act under the “cinematograph films” head.

2. WHAT IS THE CRITERIA FOR PROTECTION OF SUCH CONTENT?

After dealing with the question of protectability of short video, now, we must delve into the question of what should be the minimum duration and originality of such video to be protected under copyright law. The author has discussed a few cases and regulations by which it could be understood.

2.1 WHAT SHOULD BE THE DURATION OF SHORT VIDEOS TO BE PROTECTABLE?

1. Sara Nadzirah Binti Zulkifli v Khirulanuar Bin Mohamadiah

In a case of Malaysia named Sara Nadzirah Binti Zulkifli v Khirulanuar Bin Mohamadiah²⁰⁶:

In this case, the plaintiff, a 31-year-old self-proclaimed influencer, has close to 100,000 followers on Instagram as of April 1, 2022. The defendant, an Advocate and Solicitor of the High Court of Malaya, also sells durian through his business, Ezydurian Services. He claims to have over 318,000 followers on his Facebook account as of August 13, 2022.

The dispute arose when, on February 3, 2021, the plaintiff uploaded a **51-second video** of herself eating durian on Instagram, which garnered over 4,200 likes and 289 comments. Four days later, on February 7, 2021, the defendant uploaded the same video on his Ezydurian Facebook account without her permission or consent to promote his durian business.

The plaintiff demanded that the defendant remove the video, but he refused. This led her to file a lawsuit against him for copyright infringement.

In this case, the court ruled that the plaintiff's work was protectable as a cinematograph film under copyright law. The court ordered the defendant to remove the plaintiff's copyrighted 51-second video from his Facebook platform, Ezydurian Services. This decision demonstrates that even brief

²⁰⁶ Sara Nadzirah Binti Zulkifli v Khirulanuar Bin Mohamadiah, [2023] AMEJ 0254.

videos, such as the 51-second clip in this case, are eligible for copyright protection, reinforcing the rights of content creators in safeguarding their intellectual property. The court's order emphasizes the legal ramifications for the unauthorized use of copyrighted material and underscores the importance of obtaining permission before repurposing or sharing someone else's content, even in a marketing context.

2. England and Wales Cricket Board Ltd v Tixdaq Ltd of European Union

In another case of *England and Wales Cricket Board Ltd v Tixdaq Ltd of European Union*²⁰⁷, where:

The claimants in this case are the governing body of cricket in England and Wales (first claimant) and a well-known UK pay-television operator (second claimant). They own copyrights in television broadcasts and films incorporated within those broadcasts of most cricket matches played by the England men's and women's cricket teams in England and Wales.

The defendants operate a website and various mobile applications. One of these applications allows employees, contractors, and users to upload clips of cricket matches lasting up to **eight seconds**. These clips can then be viewed by other users.

The claimants allege that the defendants have infringed their copyrights. In response, the defendants deny any infringement, citing fair dealing for the purposes of reporting current events as their primary defence, and relying secondarily on immunities for acting as a mere conduit and hosting. Additionally, the defendants counterclaimed for a declaration of non-infringement regarding the most recent versions of the app.

The claimants' copyright works include "broadcasts" and "films." According to the Copyright, Designs and Patents Act 1988 (CDPA)²⁰⁸, "films" refer to the "first fixations of films," in line with the Information Society Directive²⁰⁹. The copyright in "films" and "broadcasts" is protected as signal rights under the CDPA, which does not require originality for copyright to subsist. Although the claimants could have argued that their use of camera angles, close-ups, slow motion, etc., created intellectual works akin to "dramatic works," they did not pursue that line of reasoning.

²⁰⁷ *England and Wales Cricket Board Ltd v Tixdaq Ltd of European Union*, [2017] E.C.D.R. 2.

²⁰⁸ The Copyright, Designs and Patents Act, 1988, s. 5B.

²⁰⁹ The Copyright and Information Society Directive, 2001.

The court in this case held that, an 8-second video clip can be protected under copyright law because it can constitute a substantial part of a broadcast or film, depending on its content and context.

The court's analysis relies on the Copyright, Designs and Patents Act 1988²¹⁰, as well as the Information Society Directive²¹¹. The court acknowledges that while quantitative measurements are one factor in assessing whether a part is substantial, the qualitative significance of the part is also crucial. This includes considering the degree to which the part exploits the investment made by the broadcaster or producer.

In this case, the court observed that even an 8-second video could be protected if it contains substantial value. The video in question contained highlights such as wickets taken, appeals refused, and centuries scored. Such a video is a result of extensive video editing and requires investment and efforts from the broadcasters, thereby constituting a substantial part of the copyrighted work. The court held that an 8-second video can hold enough qualitative value to get copyright protection.

3. Punjab Influencer Empanelment Policy, 2023

The recent announcement of a policy by the State government of Punjab has also extended the protection of copyright to short videos. Punjab Influencer Empanelment Policy, 2023²¹², has emphasised the protection of online content creators. One of the critical aspects of this policy is that it extends royalty provisions to videos as short as 10 seconds.

As per the Policy, influencers on online platforms will get royalties for their copyrighted work. There are certain qualifications that an influencer has to meet like, an influencer must have been active on social media for at least six months, should not have any criminal cases or blacklisting history, and must maintain a minimum subscriber base. The Policy recognizes the protection of videos as short as 10-seconds. And the royalties are paid as a structure that is based on content-creators' follower counts from Category A (10 lakh+ subscribers) to Category E (10k+ to 50k subscribers).

The new policy's acceptance of *videos as short as 10 seconds* recognizes that creativity isn't

²¹⁰ *Supra* Note 11, ss. 16,17,20.

²¹¹ *Supra* Note 12, arts. 2, 3(2).

²¹² Government of Punjab, "Punjab Influencer Empanelment Policy, 2023, Noti. No. PR No. 1/641929/2023" (Department of Information and Public Relations, 2023).

limited to longer formats, acknowledging the influence of concise, impactful content creators. The Punjab Influencer Empanelment Policy, 2023, by recognizing the value of short-form content and providing royalties to videos as short as 10 seconds, the policy validates the contributions of a broader range of creators and recognizes the shift in modes of publication witnessed since the inception of the digital age.

*4. Draft Guidelines for Examination of Cinematograph Film Works released by Ministry of Commerce & Industry*²¹³

In a draft manual released by the Ministry of Commerce & Industry named "Guidelines for Examination of Cinematograph Film Works", it is discussed what is the ambit of cinematograph films for registration. The aim of this manual is to lay down comprehensive and definitive guidelines for the examination and registration of works falling under the category of Cinematograph Film, it also discusses the most commonly observed issues which arise in the course of examination of cinematograph film works.

The key aspect of these guidelines is that they do not impose any specific time limit for a work to be protectable, affirming that short videos are also eligible for copyright protection.

Point 11²¹⁴ of the guidelines which discusses the question of how to determine/ascertain the correct category of work, expresses that for cinematograph film protection offers a broad definition that encompasses a wide range of visual recordings, including videos, short films, movies, animated movies, and documentaries. As per such an inclusive approach the guideline ensures that even shorter content, such as social media videos, is protected under copyright law.

Furthermore, the guidelines do not set a minimum duration for a work to be eligible for protection, this indicates that even brief visual recordings can have copyright protection under the current copyright regime. This omission of time-based criteria reflects an understanding of the present digital content landscape, where short videos are increasingly popular. As a result, content creators who produce shorter-form videos, such as Instagram Reels and YouTube Shorts, can claim protection under the Copyright Act. The protection granted to these shorter videos extends the same copyright rights to all content creators, regardless of the length of their work, which promotes creativity and safeguards the creativity of short video creators even in such compact

²¹³ Ministry of Commerce & Industry, "Draft Guidelines for Examination of Cinematograph Film Works" (February, 2018).

²¹⁴*Id.*, p.no. 6-7.

formats.

Overall, the government's approach, as outlined in this draft guideline, reflects an understanding of the contemporary content creation landscape, where short videos are a significant part of the ecosystem. The lack of a specific time limit for a work to be protectable demonstrates the government's commitment to safeguarding the rights of all creators, recognizing the importance of even the shortest visual recordings.

2.2 WHETHER SHORT VIDEOS NEED TO BE ORIGINAL/CREATIVE WORK TO BE PROTECTABLE?

Justice Krishna Iyer in the *Indian Performing Right Society v Eastern India Motion Picture Association* (1977)²¹⁵ gives a beautiful explanation of Cinematograph Films:

“A cinematograph film is a felicitous blend, a beautiful totality... Cinema is more than long strips of celluloid, more than miracles in photography, more than song, dance and dialogue and, indeed, more than dramatic story, exciting plot, gripping situations and marvelous acting. But it is that ensemble which is the finished product of orchestrated performance by each of the several participants, although the components may, sometimes, in themselves be elegant entities.”

There is no express stipulation in the Act that it should be original as in the case of literary, musical or artistic works. But copyright will not subsist in a cinematograph film if a substantial part of the film is an infringement of the copyright in any other work.²¹⁶ It, therefore, follows that in order to be entitled to copyright a cinematograph film should be original, that is, it should originate from the producer and not a copy of some other copyrighted work.

Jairam Ramesh and Others v/s State of Karnataka

In the case of *Jairam Ramesh and Others v/s State of Karnataka*²¹⁷, where:

The case involves a dispute over alleged copyright infringement during the Bharat Jodo Yatra, a mass movement organized by the Indian National Congress (INC). The petitioners, who are high-ranking members of the INC, are accused of violating copyright by playing songs from the film "KGF Chapter-2" during the Yatra without permission from the copyright holder, MRT Music. And posted a reel of a Congress leader on its Instagram page with the background music owned

²¹⁵ *Indian Performing Right Society Ltd vs Eastern India Motion Pictures*, AIR 1977 SC 1443.

²¹⁶ *Supra* Note 4, s. 13(3).

²¹⁷ *Jairam Ramesh and Others v/s State of Karnataka*, 2023 SCC OnLine Kar 34.

by the complainant.

MRT Music, a partnership firm owning and broadcasting music, filed a complaint against the petitioners, leading to the registration of Crime No. 362 of 2022. The charges include offences under Section 63 of the Copyright Act, Section 66 of the Information Technology Act, and Sections 120B, 403, 465, and 34 of the Indian Penal Code (IPC).

The complaint alleges that the petitioners played the copyrighted songs during the Yatra without an agreement or permission from MRT Music, which holds the copyright as an assignee. The petitioners contend that they have not violated any copyright laws, arguing that the use of the songs was for non-profit and non-commercial purposes, and that MRT Music is not the copyright holder, but merely a licensee. The respondents, on the other hand, assert that MRT Music is an assignee with rights equivalent to a copyright holder, and the unauthorized use of the music by the petitioners constitutes a clear violation of the Copyright Act.

In the present case, the petitioners have meddled with the source code. Tampering with the source code without permission and freely playing the audio would undoubtedly amount to infringement of the copyright of the complainant.

For a work to be protectable under copyright law, it must be original and not infringe upon existing copyrighted material. In cases where short videos are uploaded by content creators, they must ensure that their content does not contain someone else's copyrighted work without proper authorization.

The *Jairam Ramesh and Others v. State of Karnataka* case demonstrates a scenario where alleged copyright infringement occurred during a political event, the Bharat Jodo Yatra. The petitioners, high-ranking members of the Indian National Congress (INC), were accused of playing songs from the film "KGF Chapter-2" without permission and posting a reel with the same background music on their Instagram page. The complainant, MRT Music, held the copyright to the music and filed a complaint, leading to legal action.

The petitioners' unauthorized use of copyrighted music and alleged meddling with the source code indicated clear copyright infringement, demonstrating that even short videos must not contain infringing material to be eligible for copyright protection. If a work incorporates existing copyrighted content without permission, it cannot receive copyright protection.

Eastern Book Company & Ors vs D.B. Modak & Anr.

When a work is a mixture of creativity and pre-copyrighted work of another author, in such a situation, the protection could be granted to it as per the Creativity Standard Doctrine outlined in *Eastern Book Company & Ors vs D.B. Modak & Anr*, where it was held that:

“Whenever a person produces something with his skill and labour, the other person cannot take the profit out of the skill. If someone wants to secure copyright for newly created work then it is necessary that the labour, skill and capital invested should be sufficient to impart to the work some quality or character which the original work does not possess, and which differentiates the original work from the newly created work. Otherwise, the protection could only be given to the extent of creativity expressed in the newly created work.”²¹⁸

Therefore, it could be understood that a work claiming to be protected has to be an original work. We witness a lot of short videos containing pre-copyrighted work of other authors, like, lip-sync videos. Such videos cannot be protected as they do not contain original work. For protection, the work must contain some amount of creativity.

2.3 WHETHER SHORT VIDEOS HAVE TO BE REGISTERED TO CLAIM PROTECTION?

In India, copyright protection is governed by the Copyright Act of 1957²¹⁹ and the Copyright Rules of 2013²²⁰. The Act does not mandate the registration of copyright. The use of the word "may" in the Copyright Act of 1957²²¹, which relate to the Register of Copyright, indicates that registration of work is optional.

However, the registration is optional. But it must be seen that for registration of a cinematograph film, the cost is five thousand rupees. The draft guidelines for cinematograph film protection require a separate application and fee for each work, even if it's a short video. This means that every piece of content, including those as brief as 8 seconds, when registered individually has to a fee of INR 5,000 per work.²²²

Given the high costs and time-consuming process of registering individual works, a more streamlined and separate mechanism should be introduced for short video registration. This will reduce the financial burden on content creators who produce multiple short videos on a regular

²¹⁸*Eastern Book Company & Ors vs D.B. Modak & Anr*, AIR 2008 SC 809.

²¹⁹ *Supra* Note 4.

²²⁰ Copyright Rules, 2013 (G.S.R 172(E), dated 14th March, 2013).

²²¹ *Supra* Note 4, ss. 44,45.

²²² *Supra* Note 16, p.no. 3.

basis.

CONCLUSION

Addressing the current shift from traditional modes of publication to digital platforms, the mode of expressing creativity and creative work has largely changed. Young and new artists are opting for these digital platforms to express and publish their creative original works. Following the most recent trend, both creators and consumers are more likely to engage with short videos. And when creativity is being showcased in such short compact formats, which is in itself a very difficult task, it has to be protected under Copyright law. In the article above we have seen emerging global and national trends that have provided protection to videos as short as 8-seconds.

Indian copyright law is up to date to adopt such changes. The draft guideline Ministry of Commerce & Industry makes the approach of the government clearer that there is no specific minimum duration for cinematograph films to claim protection. And the precedents set by the Apex Court are also sufficient to deal with the problems associated with such digital content. Additionally, to properly place and recognize such short videos as an emerging category of creative and original work, there must be a separate registration process for short videos from that of cinematograph films.

Conclusively, it is important to address and recognize the efforts made by content creators in imparting their creativity in such short formats and to understand the gravity of new platforms of publication. It is required to bring changes in law to achieve the objectives it aimed to tackle, the creativity in original work has taken a new format, and it is the requirement of Copyright law to protect it.



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GEOGRAPHICAL INDICATIONS – BALANCING THEIR PROTECTION AND PRESERVING CULTURAL HERITAGE

Laxita Chandolia²²³ &
Piyush Raj Geddam²²⁴

ABSTRACT

This article provides a critical examination of Geographical Indications as a vital tool for protecting traditional knowledge and preserving cultural heritage. Geographical Indications have become a significant form of intellectual property, specifically designed to safeguard and promote traditional methods and products that are intrinsically linked to specific geographical regions. In India, the Geographical Indications of Goods (Registration and Protection) Act of 1999, forms the cornerstone of the legal framework governing the registration and protection of such products. The Act not only ensures that products linked to specific regions are appropriately recognized and protected but also serves multiple other essential functions. Geographical Indications play a crucial role in indicating the origin and quality attributes of products, thereby preserving traditional knowledge and production methods. Additionally, they offer economic advantages to local producers by enabling them to command premium prices for authentic, region-specific goods. Furthermore, Geographical Indications contribute to the protection of cultural identities and foster a sense of pride in local traditions, as illustrated through numerous examples pertinent to the preservation and protection of Geographical Indication-registered goods. The article also delves into a comparative analysis of international legal frameworks, highlighting the challenges faced in the preservation of Geographical Indications in the context of globalization. Factors such as commercialization, market pressures, and the global spread of similar products pose significant threats to the integrity and sustainability of Geographical Indications. Through this comprehensive examination, the article underscores the need for robust legal mechanisms and

²²³ Himachal Pradesh National Law University, Shimla (B.B.A. LLB. (Hons.) - 5th Year

²²⁴ Himachal Pradesh National Law University, Shimla (B.A. LLB. (Hons.) – 3rd Year

international cooperation to ensure that GIs continue to serve their intended purpose of preserving cultural heritage and promoting traditional knowledge.

KEYWORDS: Geographical Indication, Traditional Knowledge, Protection, Cultural heritage, Geographical Indications of Goods Act 1999.

INTRODUCTION

The concept of ‘Geographical Indications’ was first introduced by the TRIPS Agreement. The World Intellectual Property Organization defines a Geographical Indication (herein thereafter referred to as GI) as a label that identifies goods originating from a specific location, with certain qualities or a reputation linked to that origin. Within the realm of Intellectual Property Rights, GIs are gaining increasing prominence. A GI tag is highly valued by both producers and consumers, as it signifies quality, ensures uniqueness, and protects the rights of all stakeholders involved. Furthermore, GIs contribute to the development and preservation of skills and cultural identities, while also benefiting society as a whole²²⁵.

As per Section 2(e) of The Geographical Indications of Goods (Registration and Protection) Act, 1999, a "Geographical Indication" refers to an indication that identifies goods—whether agricultural, natural, or manufactured—as originating or being produced within a specific country, region, or locality. The distinctive quality, reputation, or other unique attributes of these products must be closely tied to their geographical origin. For manufactured items, at least one phase of production, processing, or preparation must take place within the designated area. Moreover, Section 2(f) of the Act broadens the definition of "goods" to include agricultural, natural, or manufactured products, as well as handicrafts, industrial goods, and food items.²²⁶

"Geographical Indications are not just about protecting names and preventing misuse, but about valuing the collective reputation of a community's know-how and cultural heritage."

-Sudhir Ravindran, Indian IP lawyer and GI expert

²²⁵ Nidhi Suhag and Dr. Neeraj Rawat Sharma, "Assessing the Impact of GI on Kota Doria: Weaver's Viewpoint" 6(2) *International Journal of Trend in Scientific Research and Development* 1314-1315 (2022).

²²⁶ The Geographical Indications of Goods (Registration and Protection) Act, 1999 (Act 48 of 1999).

DIFFERENTIATION BETWEEN GIS AND OTHER FORMS OF INTELLECTUAL PROPERTY

A GI, in the context of goods, refers to a sign that identifies products as originating from a particular country, region, or locality. The distinct quality, reputation, or other characteristics of these goods are fundamentally linked to their geographical origin. For manufactured goods, it is required that at least one stage of production, processing, or preparation occurs within the specified territory, region, or locality.

Patents are legal rights granted to inventors to safeguard their inventions for a specific period. These rights prevent others from reproducing, utilizing, or profiting from the invention without the patent holder's explicit consent. In return for granting a patent, the issuing authority requires the inventor to disclose details about the invention, including its construction and purpose.

Trademarks, on the other hand, are legal protections for words, phrases, designs, or symbols that distinguish a particular product or service. As a form of intellectual property, trademarks play a crucial role in shaping the image and reputation of the associated product or service, as well as the company that owns it. Beyond their symbolic value, trademarks can be a significant asset for a company, often factoring into the company's overall valuation. Trademarks enjoy perpetual protection, provided they remain in use and the owner actively defends them.²²⁷

While GIs are an important instrument for preserving cultural heritage, they also present complex challenges in balancing tradition with economic realities and global market forces. Successful preservation often requires ongoing dialogue between producers, regulators, and consumers to navigate these challenges. GIs serve as indicators that connect a product's unique qualities, characteristics, and reputation to its specific geographical origin. They highlight and affirm the distinctive attributes of products from a particular region.

GI indicate the origination of a good, the environment it requires or the role played by the environment in creation of that good giving it the required local qualities, the goods have social practices or cultural practices / methods attached with them which is represented in the final goods. When such masterpieces of our country are looked upon it could be clearly seen, for example even in buying a saree, let us say Banarasi saree the traditional shop owners will give multiple information which includes the process through which it is created, the threads used, the method

²²⁷ Will Kenton, "What Is a Patent in Simple Terms? With Examples" *Investopedia* available at <https://www.investopedia.com/terms/p/patent.asp> (last visited on 31st August, 2024).

of weaving, the special quality or process unique to it, and other qualities referring to it. This experience is the one of kind which everyone has encountered in their daily life.

GI contribute to local economies and cultural identities as the producers are made aware about the need for registration as authorized users, helping them in creating an authentic GI then consumers are made aware of the authenticity of the GI of registered goods; making aware of the quality methods the goods pass or basically the quality control mechanism before placing them in the market.

‘Reputation as suggested by Carl Shapiro operates as a signalling device which transmits information about a certain quality to the consumer’s thereby reducing search costs.’²²⁸

LEGAL FRAMEWORK FOR THE PROTECTION OF GIS IN INDIA AND CHALLENGES OF GI PROTECTION

In recent years, GI have become an important instrument for safeguarding the quality, reputation, or distinctive characteristics of goods that are inherently linked to their geographical origin²²⁹. These unique characteristics, qualities, or reputation can arise from a variety of factors. These may include natural elements like raw materials, soil, regional climate, temperature, and moisture, or the method of production or preparation, such as traditional techniques²³⁰. Additionally, human factors like the concentration of similar businesses in a region, specialization in producing or preparing specific products, and adherence to certain quality standards also contribute to these distinct attributes²³¹. Under the TRIPS Agreement, countries were not morally obligated to protect GIs. Prior to 1999, India lacked specific legislation to safeguard these indications. It was only in 1999 that the Indian Parliament enacted the Geographical Indications of Goods (Registration and Protection) Act, 1999.

²²⁸ Hetvi Trivedi, “The Law of Geographical Indications — It is Time to Protect the Protector” 89 *PL (IPR)* (2019).

²²⁹ United States Patent and Trademark Office, USA, available at <http://www.uspto.gov/web/offices/dcom/olia/globalip/geographicalindication.htm> (last visited on August 17, 2024).

²³⁰ Nat Ram Meena and Dr. Krishna Kishor Trivedi, “Impact of Geographical Indication Tags on Handicraft Industry of Rajasthan” 7(12) *Journal of Critical Reviews* 4895 (2020).

²³¹ Surekha Vasishta and Amar Raj Lall, “Geographical Indications of Goods (Registration and Protection) Act, 1999” in A.K. Koul and V.K. Ahuja (ed.), *The Law of Intellectual Property Rights: In Prospect and Retrospect* 248 (Delhi, 2001).

THE GEOGRAPHICAL INDICATIONS OF GOODS (REGISTRATION AND PROTECTION) ACT, 1999

The Geographical Indications of Goods (Registration and Protection) Act, 1999, is designed to offer registration and enhanced protection for GIs linked to various products. This Act prevents unauthorized parties from exploiting GIs, thereby protecting the rights of producers and manufacturers while ensuring consumers are not deceived by counterfeit goods. Moreover, it supports the promotion of authentic products tied to these indications. By facilitating the registration of GIs, the Act provides legal protection for products that have a unique geographical origin.

Sections 3 to 19 of the Act outline the procedures for registering Geographical Indications (GIs). Section 9 specifies the conditions under which registration applications may be refused. Registration can be applied for by producers, organizations, or associations that represent the interests of the producers. Although registering a GI is not compulsory, it provides prima facie evidence of the GI's validity in legal disputes, thereby offering enhanced legal protection to authorized users against infringement. Without registration, a GI cannot be defended under the Act, making it impossible to initiate legal action to prevent infringement or claim damages.

Section 20 to 24 deals with infringement and its legal remedies. The Act provides protection against unauthorized use of registered GIs, preventing others from exploiting the reputation of the products associated with the GI without permission. Legal actions can be taken against infringement, including seeking an injunction, damages, or account of profits.

Sections 31 to 37 of the Act address Appeals. The Act establishes an appellate board to handle appeals against decisions made by the Registrar concerning the registration, opposition, or infringement of GIs. Appeals against the Registrar's orders or decisions, or the rules made under the Act, can be made to the Intellectual Property Appellate Board (IPAB), which was created under the Trademark Act of 1999. An aggrieved party may file an appeal with the Appellate Board generally within three months from the date the order or decision is communicated. Appeals filed after this period will not be accepted²³².

Section 39 to 45 deal with offenses and penalties. The Act imposes penalties for falsely applying GIs, selling goods with false GIs, and other related offenses, including imprisonment and fines. The Act penalizes individuals who falsely apply a registered GI to goods, intending to deceive

²³² Ms. Karabi Dihingia, "Protection of Geographical Indications (GIs) From Infringements- An Indian Perspective" 5 *LAW MANTRA* (2018).

consumers or misrepresent the origin of the goods, with imprisonment or fine. The Act also allows for the forfeiture of goods bearing a false GI, which may be destroyed or otherwise disposed of to prevent their distribution. These provisions collectively reinforce the protection of GIs by penalizing actions that undermine their value and authenticity, thereby safeguarding the rights of genuine producers and consumers.

INTERNATIONAL AGREEMENTS AND INDIA'S COMMITMENTS

International agreements play a very significant role in shaping the protection of GIs around the globe. The concept of GIs has its origin dated back to the Paris Convention, 1983, even though it was not exclusive mentions it, Art. 1(2) used the expression 'appellation of origin' and 'indication of source'. The scope of the aforesaid expression has been delineated in Lisbon and Madrid agreement²³³. The TRIPS agreement under Art. 22 defines GIs as indications that identify a good 'as originating in a specific place where a given quality, reputation, or other characteristic is essentially attributable to its geographical origin'²³⁴. Requires member countries to provide protection against any use of GIs that misleads the public or constitutes unfair competition. The protection is meant to prevent the use of GIs that would be misleading or deceptive about the origin of the goods. Basically, Art.22(2) sets out two key requirements to establish a violation. Firstly, legitimate users must demonstrate that the public is misled by the false use of the GI. Secondly, it must be shown that this misleading use constitutes 'unfair competition.' The concept of unfair competition is to be interpreted in accordance with Article 10bis of the Paris Convention (1967)²³⁵. While Article 22 of the TRIPS Agreement provides basic protection for Geographical Indications (GIs), Article 23 offers enhanced protection specifically for GIs related to wines and spirits. This provision requires member countries to prevent the use of such GIs, even if there is no likelihood of confusion²³⁶.

The absence of consistent international protection for GIs under the TRIPS Agreement, coupled with the failure to achieve global consensus on addressing this issue, has left many GIs vulnerable to becoming generic. A GI becomes generic when it evolves into a common term for a type of product, losing its ability to signify a specific origin. Names like "French Fries," and "Rasgulla"

²³³ Suresh C. Srivastava, "Geographical Indications and Legal Framework in India" 38 *Economic and Political Weekly* (2003).

²³⁴ Andrea Zappalaglio, "The Transformation of EU Geographical Indications Law - the Present, Past and Future of the Origin Link" 52 *International Review of Intellectual Property and Competition Law* 1136 (2021).

²³⁵ UNCTAD-ICTSD, Resource Book on TRIPS and Development, available at https://unctad.org/en/PublicationsLibrary/ictsd2005d1_en.pdf (last visited on August 20, 2024).

²³⁶ Peter Thanthwe Chisama, *A Critical Analysis of The Legal Framework for The Protection and Enforcement of Geographical Indications Rights in Malawi* (2012) (Unpublished LL.M Dissertation, University of Pretoria).

have become generic because their respective rights holders were unable to control production and restrict usage exclusively to producers within the designated geographical region²³⁷. GIs and their protection help in boosting the market value of traditional Indian products by ensuring their authenticity and origin. This, in turn, support local economies and promote fair trade. GI protection also contributes to the preservation of India's rich cultural heritage. It helps maintain the reputation and quality of traditional goods associated with specific regions.

GIs are acting as effective tools in promoting traditional Indian products²³⁸. Compliance with TRIPS has strengthened India's position in international trade by aligning its GI protection standards with global norms. This helps in resolving trade disputes related to GIs and enhances India's ability to protect its products internationally. While the legal framework is in place, challenges remain ineffectively implementing and enforcing GI protections, particularly in combating counterfeit goods and unauthorized use. The approach taken by some developed countries in the use, adoption, and application of the term 'generic' seems to be more 'subjective' than 'objective.' A group of countries believes that the term 'generic' is being misused to deny protection for certain products or goods that should qualify as GIs. In the European Union, GI are classified into two basic categories – Protected GI and Protected Destination of Origin (PDO). Only PGI category is recognised in India. This certification also applies to non-agricultural products, including handicrafts, which are distinguished by the unique combination of human skills, local materials, and resources specific to certain regions. In India, handicrafts account for approximately 45% of GI products, while agricultural products make up around 30%²³⁹.

CASE STUDIES:

Blue Pottery – Jaipur

Jaipur's blue pottery is a remarkable form of traditional ceramic art, renowned for its vibrant cobalt blue colors and intricate patterns. This distinctive craft has its roots in Persian and Turkish influences, which were introduced to India by early Muslim rulers and later thrived under the Mughal Empire. Deeply influenced by Persian and Mughal artistry, blue pottery combines specialized techniques and materials to produce visually captivating designs. Jaipur, the capital of

²³⁷ Ipsita Kaushik, “Geographical Indication Under the Trips Agreement: Commercial Interest Served but Equity Declined” 6(6) *Rostrum’s Law Review* (2022).

²³⁸ Union Minister of External Affairs, Dr. S. Jaishankar and Union Commerce and Industry Minister Shri Piyush Goyal inaugurate Aatmanirbhar Bharat Utsav 2024, available at: <https://pib.gov.in/PressReleasePage.aspx?PRID=1992950> (last visited: August 22, 2024).

²³⁹ India’s Geographical Indication Landscape, available at: <https://www.drishtias.com/daily-updates/daily-news-analysis/india-s-geographical-indication-landscape> (last visited on August 17, 2024).

Rajasthan, emerged as a key center for this craft, supported by royal patronage and the city's rich cultural heritage. Over time, traditional designs have been adapted to create a wide range of products, including tea sets, cups, saucers, plates, glasses, and jugs.²⁴⁰ Jaipur's blue pottery has undergone notable changes in materials, styles, and forms over time. To enhance the recognition and protection of this cherished art form, it was granted Geographical Indication (GI) status in 2006 with support from NABARD. Additionally, NABARD facilitated the registration of artisans and producers from this community as authorized users.²⁴¹

The striking blue hue in Jaipur's pottery is achieved using cobalt blue dye, which imparts a vivid shade to the pieces. The predominant colour, known as Persian blue, is a blend of turquoise and cobalt and is highly sought after worldwide. Green tones are produced using copper oxide, while yellow, pink, and additional shades are created through less traditional techniques.²⁴² The GI registration documents and protects the unique techniques, materials, and designs used in Jaipur Blue Pottery, ensuring this TK is preserved by registering artisans as authorized users, GI status empowers the local community of craftspeople, giving them control over their traditional product also it recognizes Jaipur Blue Pottery as a significant part of cultural heritage, raising awareness and appreciation for this traditional art form, it helps to ensure that cultural traditions like Jaipur Blue Pottery can continue to thrive in a globalized world, maintaining their unique identity and cultural significance.

Case study on Kota Doria

Kota Doria fabric is crafted from a blend of cotton and silk yarns woven in varying combinations of warp and weft, creating distinctive square check patterns known as khat. This check pattern is a hallmark of the fabric, giving it a unique transparent appearance. Recognizing this special attribute of handloom-produced Doria fabric, the Kota Doria Development Hadauti Foundation (KDHF) sought Geographical Indication (GI) status with assistance from the United Nations Industrial Development Organization (UNIDO). Their application was successful, and Kota Doria was awarded GI status in July 2005 under the Geographical Indications of Goods (Registration and Protection) Act, 1999.

²⁴⁰ Pooja Khushwaha and Dr Amrita Rajput, "Blue Pottery in Fashion: Fusing Jaipur's Traditional Craft with Modern Sustainable Design" 11(6) *Journal of Emerging Technologies and Innovative Research* 266-270 (2024).

²⁴¹ Blue Pottery of Jaipur, NABARD, available at: <https://www.nabard.org/GI/Blue-Pottery-Of-Jaipur.aspx> (last visited on 28th August, 2024).

²⁴² "Blue Tales of Pink City: How Jaipur's GI-tagged Blue Pottery moved from palaces & tombs to living rooms across the world" available at: <https://30stades.com/2022/01/26/How-Jaipurs-GI-Tagged-Blue-Pottery-Moved-From-Rajasthan-Palaces-Royalty-Global-Exports/> (last visited on 31st August 2024).

Despite the GI designation granted to Kota Doria fabric, the production of nearly identical fabrics using power looms, particularly in Uttar Pradesh, remains widespread. These power loom fabrics are marketed under the Kota Doria name but are sold at significantly lower prices, which undermines the demand for the authentic Kota Doria, a designation legally reserved for the handwoven fabric from Kota. Challenges in enforcing the GI regulations hinder efforts to preserve the value of the authentic product. Additionally, a major obstacle within the supply chain is the rigid, almost feudalistic governance structure between weavers and master weavers, which fosters conflict and mistrust rather than collaboration.²⁴³

The handloom industry, a traditional weaving technique integral to India's cultural heritage, is the second largest employment sector after agriculture. Given its significance to rural livelihoods, it is crucial to protect the interests of millions of artisans through GI tags. Such protection enables weavers to benefit economically while preserving their traditional practices. Product quality significantly influences consumer purchasing decisions, and GI certification plays a key role in ensuring authenticity and maintaining the integrity of traditional knowledge. This demonstrates how GIs not only safeguard cultural heritage but also bolster economic development.

LEGAL AND ENFORCEMENT ISSUES RELATING TO GI AND BALANCING MODERNIZATION AND TRADITION

Intellectual property rights (IPRs) have gained considerable importance and become a focal point of debate in modern economic and political discussions. They play a central role in conversations about various issues such as public health, food security, education, trade, industrial policy, traditional knowledge, biodiversity, biotechnology, the Internet, and the entertainment and media industries. In our current knowledge-based economy, having a comprehensive understanding of IPRs is crucial for crafting effective policies across different areas of human development.²⁴⁴

In India, GIs are governed by common law principles. The lack of consistency in international perspectives on GIs leads to conflicting approaches on GI protection between jurisdictions. GIs have faced various legal and enforcement issues in India²⁴⁵. Many consumers have been unaware of the significance of GIs and the rights associated with them. This has made it very difficult to

²⁴³ CUTS Centre for International Trade, Economics and Environment, *available at: https://cuts-citee.org/Pdf/Briefing_Paper10-Geographical_Indications_in_India-A_Case_Study_of_Kota_Doria.Pdf* (last visited on 27th August, 2024).

²⁴⁴ Geographical Indications: Indian Scenario *available at: <http://eprints.rclis.org/7878/1/EF6C0C53.pdf>* (last visited on 25th August, 2024).

²⁴⁵ Bassem Awad and Marsha S. Cadogan, "CETA and the Future of Geographical Indications Protection in Canada" *available at: [Paper no.131 WEB.pdf \(cigionline.org\)](#)* (last visited on 25th August, 2024).

generate demand for genuine GI products and reduce the market for counterfeits to enter. Many local producers, especially the small-scale ones, often lack the awareness about the GI rights and how there are supposed to be enforced. This limits their ability to protect their products effectively. India's lacks the adequate domestic protection under the IP laws. This has been seen in the Basmati Rice case²⁴⁶.

With lack of awareness and understanding, a lot of counterfeiting and misuse of GIs products have entered the market. The market is flooded with counterfeit goods that misuse GI tags, undermining the reputation of the genuine products with a GI registration. The lack of effective monitoring mechanisms exacerbates this issue. Further, inadequate penalties for GI tags are often not stringent enough to deter the counterfeiters in the market, leading to continued infringement of the products. Moreover, GIs often represent products rooted in traditional knowledge and methods passed down through generations. The use of these methods is integral to authenticity and cultural significance of the product. Modernization can lead to dilution of tradition knowledge and practices, which may result in the loss of unique qualities that make GI products special. This is particularly concerning for products where traditional methods are essential to their identity. Many GI holders, particularly in rural areas lack the financial resources to pursue legal action against infringers. The intellectual property system provides a legal framework that allows individuals and communities to secure ownership rights over biological resources, products, and related processes²⁴⁷. Without proper legal safeguards, indigenous communities frequently face the risk of their cultural heritage and resources being exploited, leading to significant harm and loss of their traditional rights. Access to legal expertise is limited in rural and remote areas, making it difficult for GI holders to navigate the enforcement process.

While the government has taken steps to promote and protect GIs, more proactive measures are needed to support enforcement. This includes better infrastructure for monitoring and greater collaboration with stakeholders. The process of registering and enforcing GIs can be slow, leading to delays in protecting rights. Also, the challenge lies in balancing the commercial exploitation of GIs with the preservation of cultural heritage. Traditional methods may result in variations in quality, which can be a challenge in large-scale production. Modern techniques can help standardize quality, but may compromise the product's unique characteristics. There is a risk that adopting modern production techniques could lead to the production of inauthentic products that

²⁴⁶ Jinghua Zou, "Rice and Cheese, anyone? the Fight Over TRIPS Geographical Indications Continues" 30(3) *Brooklyn Journal of International Law* 1143 (2005).

²⁴⁷ K. Rangarajan, et.al., "Impact of IPR on SMEs: Special Reference to Textiles and Processed Food" 42(1) *Foreign Trade Review* 59 (2007).

do not fully represent the original GI product. Maintaining authenticity while scaling up production is a delicate balance.

A significant drawback of using GIs for protecting traditional knowledge is that GIs do not safeguard the knowledge inherent in the product or its production process. As a result, GIs do not offer protection against the misappropriation of traditional knowledge, and employing GIs does not preclude the use of other methods to protect traditional knowledge.²⁴⁸ Documenting traditional knowledge is also recognized as a way to properly acknowledge and credit the holders of such knowledge. Although GI tags offer legal protection for traditional knowledge and assist in preserving cultural heritage, there are increasing concerns about the necessity for sustainable practices and biodiversity conservation. These measures are essential to ensure the long-term cultivation, production, and manufacturing of these products.²⁴⁹ Robust legal frameworks are essential to protect GIs and ensure that communities retain control over their traditional knowledge and resources. This includes enforcing rights against unauthorized use and ensuring compliance with GI standards. Communities should have access to legal representation and advocacy to protect their interests in the commercialization process. This helps prevent exploitation and ensures that their rights are respected. Ongoing monitoring and evaluation of the commercialization process can help identify potential risks to cultural values and address them promptly. This includes assessing the impact on the community and making adjustments as needed. Establishing feedback mechanisms allows community members to voice concerns and contribute to the continuous improvement of commercialization strategies. India is a leading advocate for extending higher protection to GIs beyond wines and spirits. There is an urgent need to extend this enhanced protection to all other products as well²⁵⁰.

For manufactured goods, GIs can indicate that at least part of the production process occurs in the designated region. Under the Act, weavers and artisans can register as "authorized users" of GIs. The certification prohibits the sale of GI products that do not meet the Act's production standards. However, these individuals often work independently and may lack awareness of essential forward and backward linkages. To avoid duplication of efforts and enhance outcomes, improving interdepartmental coordination and connectivity is crucial. A coordinated approach could greatly

²⁴⁸ Kasturi Das, "Protection of Geographical Indications: An Overview of Select Issues with Particular Reference to India" available at: [\(PDF\) Protection of Geographical Indications: An Overview of Select Issues with Particular Reference to India \(researchgate.net\)](#) (last visited 27th August, 2024).

²⁴⁹ GI tags protect Indian tradition amid impacts of climate change, biodiversity loss, available at: <https://india.mongabay.com/2024/06/gi-tags-protect-indian-tradition-amid-impacts-of-climate-change-biodiversity-loss/> (last visited on August 20, 2024).

²⁵⁰ V.K. Ahuja, "Protection of Geographical Indications: National and International Perspective" 46 *Journal of the Indian Law Institute* 271 (2004).

facilitate the commercial and social benefits of GIs in India and help secure additional advantages from this collective intellectual property right.²⁵¹

A GI right allows authorized users to prevent others from using the GI if their products do not adhere to the established standards. For instance, producers of Darjeeling tea, which is safeguarded by its GI, can prevent the use of the "Darjeeling" name on teas that do not follow the specific cultivation guidelines set by the GI. However, a protected GI does not provide the right to block others from making products using similar methods described in the GI's regulations. GI protection is typically achieved by securing rights over the specific identifying symbol linked to the GI.²⁵²

Unauthorized use of GI harms both consumers and legitimate producers. Consumers are misled into purchasing what they believe is an authentic product with specific qualities, only to receive a substandard imitation. Meanwhile, legitimate producers are harmed as they lose valuable business and their established reputation suffers due to the presence of counterfeit products.

The protection of GIs is based on two key legal principles within the common law tradition:

1. **Protection Against Misleading Use:** This principle is designed to safeguard consumers by preventing misleading use of a GI. For an indication to be deemed misleading, the public must perceive it as referring to a specific geographic area. Terms that have become generic do not fall under this protection.

2. **Protection Against Dilution:** This principle focuses on protecting producers from 'free riding' on the reputation of the GI. Even if an indication does not mislead the public, using it in a way that exploits its reputation—such as using a translated form of the protected name with additional information—can be considered unethical and detrimental to the product's reputation.

Although GIs and individual trademarks (excluding collective and certification marks) share similar economic and legal principles, they differ considerably. The interplay between GIs and trademarks is intricate and frequently subject to debate. The GI registration process necessitates comprehensive documentation of production methods, which helps preserve traditional practices that might otherwise be lost. The protection of GIs has become a major and contentious issue

²⁵¹ Sunil Sudhakar Varnekar and Dr. Upankar Chutia, "Geographical indication and handicrafts: A critique" 3(1) *International Journal of Civil Law and Legal Research* 3-4 (2023).

²⁵² *Ibid.*

within the framework of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO).²⁵³

THE IMPACT OF GLOBALIZATION AND MARKET DEMANDS ON TRADITIONAL PRACTICES

The impact of globalization and market demands on traditional practices of goods with GIs is a complex and often challenging issue. Global demand can lead to pressure to increase or scale up production. This may compromise traditional methods of production in order to meet the demand and maximize profit. Global markets often demand consistent products, which can lead to standardization which may lead to vanishment of unique traditional practices or methods leading to potential loss of diversity. The uniqueness could be eroded or replaced with standardization. With the increase in demand the production methods will gradually have some technological advancements creating modifications traditional practices or methods and altering the essence of the GI product. Example: Introduction of mechanized looms in handloom textile GIs like Chanderi fabric.

Apart from this there could be Economic Pressures, Environmental Challenges like competition from non-GI products may force producers to cut costs this could lead to compromises in traditional production methods. Climate change and environmental degradation can affect traditional production areas. This may necessitate changes in practices or even relocation, challenging GI specifications. International trade regulations may require modifications to traditional practices. In some cases, globalization has led to a renewed interest in traditional products.

STRENGTHENING FOR EFFECTIVE GI PROTECTION AND CULTURAL PRESERVATION

GI rights allow authorized users to restrict third parties from using the indication if their products do not meet the established standards. To ensure economic benefits of GIs reach the local communities, implementation of stricter rules on fair trade practices would allow producers to earn a fair premium for their GI-protected products and also promoting environmentally sustainable production methods that would help in preserving the natural resources and ecosystems associated with the GI products. Many consumers today are willing to spend more on

²⁵³ Geographical Indications: An overview, available at: https://www.wipo.int/Edocs/Pubdocs/En/Wipo_pub_952_2021.pdf (last visited on 20th August, 2024).

GI-registered products because they prioritize quality. The true benefits of GI tags are realized when these products are actively marketed and protected from counterfeit.²⁵⁴

Many Indian GI products are steeped in captivating stories and legends, offering a unique opportunity for India to leverage its rich historical lore to enhance brand recognition on the global stage. By drawing on the myths and legends surrounding these traditional GIs, India can create a compelling narrative that resonates with international consumers. European experiences demonstrate that products with a rich history and tradition can leverage both the advantages of their geographic origin and the authenticity of their production methods—including secret techniques—alongside local folklore to enhance their mystique and cultural charm. This approach not only sets these products apart in the market but also adds a layer of cultural value that can boost their appeal and market worth.²⁵⁵

As production methods evolve and markets expand, it is crucial to maintain and honor traditional knowledge and practices. A GI solely protects the product's name and does not safeguard the traditional production processes or the quality derived from these methods. It should ensure that any innovations are in harmony with the cultural heritage associated with the GI. Document traditional knowledge and practices associated with GIs to safeguard them for future generations. This can be done through written records, videos, or digital platforms. GI are crucial for recognizing the importance of protecting intellectual property and cultural heritage. GIs play a vital role in preserving traditional knowledge, boosting local economies, and offering consumers authentic, high-quality products. By acknowledging and supporting the value of GIs, we can help ensure the sustainability and preservation of diverse cultural traditions across the globe²⁵⁶.

To protect GIs and promote sustainable economic development, technology and innovation play a very important role. The government can create a comprehensive national digital repository to store and preserve traditional knowledge which include various recipes, techniques, and cultural practices. AI algorithms can analyse and categorize traditional knowledge, to make it easier to identify and protect unique cultural expressions. Use of e-commerce platforms for Indian GI products to connect producers to worldwide consumers directly and ensure the authenticity of products. This would the producers as well as consumers to know various GIs. Issuing of digital

²⁵⁴ Nidhi Suhag and Dr. Neeraj Rawat Sharma, “Assessing the Impact of GI on Kota Doria: Weaver’s Viewpoint” 6 *International Journal of Trend in Scientific Research and Development* 1315 (2022).

²⁵⁵ *Supra* note 27 at 11.

²⁵⁶ Geographical Indications: Protecting Intellectual Property and Cultural Heritage, *available at*: <https://fastercapital.com/content/Geographical-Indications--Protecting-Intellectual-Property-and-Cultural-Heritage.html> (last visited on 25th August, 2024).

certifications to Indian GI products would provide consumers with verifiable information about their authenticity and origins.

With this, international cooperation also could play a major role in promoting the products. Collaboration with other countries to protect GIs and traditional knowledge through various agreements and treaties. This would also protect country's relations with other countries. With that, digital campaigns and social media would educate and create awareness among various consumer around the globe about the importance of supporting Indian GIs and traditional knowledge. Also, with the rise of social media influencers, collaborations with various influencers and celebrities would help a lot in promoting GIs products and traditional knowledge. By leveraging technology and innovation, India can effectively protect its rich cultural heritage, promote sustainable economic development, and enhance the global recognition of its unique GI products and traditional knowledge.

GIs are gaining global popularity as a tool for preserving and promoting traditional knowledge. They help communities protect and market their handicrafts by distinguishing their products from competitors, enabling manufacturers to build a strong reputation and command higher prices. GIs grant manufacturers the authority to prevent others from using the name if their products do not meet established criteria. Premium pricing for authentic, regionally-specific goods. Increased tourism to regions known for specific products. Protection against counterfeit goods or avoiding third party involvement. Apart from economic benefits the GIs also contribute to community identity as it fosters a sense of pride in local traditions and products. They help maintain traditional livelihoods in rural areas. These GIs help protect the reputation of the products and ensure that consumers are getting authentic goods from the specified regions of their origin.

CONCLUSION

In summation, protecting GIs is extremely important because it is one of the ways of safeguarding indigenous knowledge and heritage. As far as the Geographical Indications of Goods (Registration and Protection) Act, 1999 is concerned, further refinement and stringent enforcement to fully realize it's potential.

On one hand, conventional strategies for the production of GI products are at risk with the advent of globalisation and the influence of the market. Therefore, the delicate relation between modernization and tradition must be diligently maintained to ensure the integrity and authenticity of these cultural artifacts. We must balance modernization with tradition to maintain the

authenticity of these cultural treasures, any changes or innovations in production methods should align with the cultural heritage of the GI.

GI serve as a shield or a safeguard against the erosion of community identity, fostering a sense of pride in local traditions and products. Moreover, they play a significant role in maintaining traditional livelihoods in rural areas, thereby contributing to sustainable economic development. The judicious application of technology can significantly contribute to the protection and promotion of GIs.

In conclusion, while GI represent as an instrument for preserving cultural heritage and promoting traditional knowledge, their full potential still remains unfolded. Through dedicated efforts, can we ensure that the rich tapestry of cultural traditions embodied in GI products continues in an increasingly globalized world, serving as a testament showcasing human creativity and cultural diversity.



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BRICK AND BRUSH: LEGAL EXPLORATION OF STREET ART IN INDIA

Harshita Agrawal²⁵⁷

ABSTRACT

Having garnered the worthy acclamation of being seen as the “next big thing” in the contemporary social discourse, Street Art has only recently stirred recognition and attained mainstream consciousness. A discernible trend has been witnessed wherein street art has undergone a process of reproduction and adaptation, finding its way into items of commercial utility ranging from clothing to posters. Oftentimes the medium of expression for a street artist is someone else’s property. In fact the most unadulterated version of street art depicts dissonance against the authority and the prevailing law and hence finds expression without the permission or knowledge of the owner of the concerned public or private property – implying that the creator of the unsanctioned street art may have committed trespass, committed a tort against the original owner and also violated vandalism laws of the state in the process of curating his art. Hence, the transition in the perception of street art from delinquent behaviour and vandalism to finding its way into admirations of artistic skills has spawned in complex legal considerations about its ownership, moral rights and IP protection. This has led to the cyclical visitation of a legal grey area – whether the street art can or cannot claim protection under copyright provision considering the constant tussle between the inherent illegality of the act and the requirement of shielding an artist’s particular expression of intellectual effort. This paper seeks to explore the intersection between illegality and appreciation of the street art.

KEYWORDS: Copyright, Constitution of India, Craftsmanship, Artistic work, de minimis.

²⁵⁷ Final Year Law student (BBA LLB (Hons.)), University – O.P. Jindal Global University

ECHOES ON THE ANCESTRAL CANVASES

The coruscating mosaic created by the Indian culture unfolds not only on its pristine canvases but is also remarkably storied on its walls. With its earliest tracing to the Ajanta Caves of Maharashtra, street art forms a testament to the human desire for artistic expressions²⁵⁸. The Maharashtrian caves display street art not as a rebellion but as a conduit for established artistic traditions wherein tribal and folk art not only find a permanent home but also serve as silent, aesthetic deterrents to public defacement.

The expression of human artisan in the vehicle of street art, finds convergence in the bold graffiti strokes of the populace of United States. However, the origin of the art diverges from its arrival in the Indian spectrum as street art in the United States arose from the embers of counter-cultural movements, a defiant roar against societal inequities of race, gender, and political oppression. Today, both India and the United States witness a vibrant tapestry of artistic voices of dissent, social critique, and the exploration of issues that hold deep societal and cultural significance taking root on urban walls.

While the artistic merit of street art finds undeniable recognition, its legal status remains a complex legal conundrum. While some view street art as vandalism, others recognize it as a legitimate form of public art. This ongoing discourse necessitates a nuanced approach, one that acknowledges the artistic value of street art while safeguarding private and public property rights. Perhaps, through the collaborative efforts of artists, legal minds, and urban planners, a framework can be established that fosters artistic expression while preserving the urban aesthetic.

TAGGING THE LAW FOR STREET ART IN INDIA

With the bricks of legal uncertainty serving foundations for international chaos around street art, the boundaries between the creativity and regulation behind street art stand blurred. In this section of the paper, we understand the prism of India's legal framework, in an attempt to piece everything together, and decipher the protection offered by intellectual property rights to street art especially in context of the vitality of artistic expression and the reality of its illegal medium.

Before venturing into the Copyright Act of 1957, it is significant to first understand the relevance

²⁵⁸ Kumbhar, Avilash. "Art Meets Law: The Uneasy Tussle of Street Art and Intellectual Property Law." *Fox Mandal*, available at: www.foxmandal.in/art-meets-law-the-uneasy-tussle-of-street-art-and-intellectual-property-law/ (last visited on July 23, 2024).

of expression and the scope of such expression allowed, in one of the most important pillars of Indian democracy – **Article 19 (1) (a) of the Constitution of India**²⁵⁹. Protecting the very essence of civil liberties, the Article empowers individuals to express their thoughts and views through channels like media, article writing, newspapers, without the whip of censorship²⁶⁰. While this agility is subject to restrictions involving but not limited to threats to integrity and sovereignty of the nation²⁶¹, it is pertinent to note that expression of thoughts and ideas can range from printing to visual representations, or any other form of publication which appeals to the public eye and plays in the public domain.

In other words, a street art, which is essentially an artistic representation of a thought or idea, not necessarily rebellious, on a property defaced by such art, but in nature of a public display or a conveying a message to the larger public, irrespective of its execution, remains a valuable form of expression which must be protected by intellectual property rights. Additionally, one cannot forego the cultural enhancement which is almost complimentary to the act of producing street art as it enhances urban environments. In context of these factors, safeguarding the artist's rights becomes crucial for acknowledging her social contributions, especially when her expression does not fall within the reasonable categories of restrictions enshrined under Article 19 (2)²⁶².

In light of a more specialised statute, the Indian Copyright Act of 1957, it can be inferred that under its section 2 (c)²⁶³, a mural could be unequivocally categorised as an 'artistic work' irrespective of whether it possesses an artistic or rebellious quality. Whether the defacement happens on a wall privately owned or on walls which constitute a part of public infrastructure, so long as it is original and its intrinsic component is legal, street art would stand to meet the criteria of being a work of artistic craftsmanship under section 2 (c)(iii). Therefore, any claim of copyright protection by an artist in regard to a mural curated by them should be fully aligned with the Indian copyright regime. In context of the reproduction or execution of the murals, the Act in its section 2 (ff)²⁶⁴ outlines its inherent attribute of being a communication to the public. In this provision, the statute hints at those works which are available for being seen or heard or enjoyed by the public directly or by any means of display or diffusion other than by issuing physical copies of

²⁵⁹ Article 19 (1) (a) of the Constitution of India – all citizens shall have the right to freedom of speech and expression;

²⁶⁰ Karan Bedi, 'Navigating Copyright and Ownership Complexities in Street Art: An In-Depth Analysis' (2023) *Mondaq* <https://www.mondaq.com/india/copyright/1415796/navigating-copyright-and-ownership-complexities-in-street-art-an-in-depth-analysis> accessed 14 January 2025.

²⁶¹ Article 19 (2) of the Constitution of India

²⁶² *Ibid*

²⁶³ Section 2 (c) of the Indian Copyright act 1957.

²⁶⁴ Section 2 (ff) of the Indian Copyright act 1957.

it²⁶⁵. Hence, irrespective of whether the public actually sees, hears or otherwise interacts with street art, so long as it is available for such interaction, street art would be considered an artistic work open to communication to the public.

PITCHING THE DEFENCE OF ILLEGALITY AGAINST INHERENT ARTISTIC RIGHTS

While the *'dirty hands doctrine'* denies such possibility, multiple interpretations advocate that the enjoyment of copyright protection must be a consequence of a creative effort, simultaneously highlighting the lack of original requirement of 'legality' of the purpose (considering that the laws do not acknowledge those artistic productions which may be conflicted with the rules)²⁶⁶.

The issue in consideration finds its genesis in the fact that the rawest version of street art depicts dissonance against the authority and the prevailing law and hence finds expression without the permission or knowledge of the owner of the concerned public or private property – implying that the creator of the unsanctioned street art may have committed civil and criminal wrongs both against the state and the concerned private party. Additionally, the extension of the shield of copyright laws could lead to a situation where the claim for copyright infringement would end up restricting the right of the property owners to absolutely enjoy the property in the form and structure they want to²⁶⁷. Contradictorily, despite the possible illegality associated with the art, the need for extending legal insulation for such artists keeps intensifying as general public and stakeholders are often found appropriating the concerned work without the curator's permission²⁶⁸. The latter reasoning is substantiated by the fact that irrespective of the medium, the artist employs skill and labour, the art still continues to depict creativity and artistic value and the medium remains a tangible building surface. Despite the medium being the rightful property with absolute rights alluding to someone else, the creative utilization of that medium would not have been possible without the application of the concerned artist's specialized knowledge and skills.

The duality of this situation wherein an infringement is countered with another violation of law leads to the invocation of the doctrine of unclean hands – a relief in equity that one cannot benefit from one's crimes hence indicating that if they have engaged in wrongful action with respect to the matter in concern, they cannot seek simultaneous protection under a law for the infringement

²⁶⁵ Id at 3.

²⁶⁶ Id at 1.

²⁶⁷ Ibid

²⁶⁸ Ibid

suffered by them²⁶⁹. Thus, in the aforestated factual matrix, on account of the violations caused by him, the street artist stands disqualified to file for infringement since his approach to the court was marked with unclean hands. However, multiple precedents have upheld that the *defence of unclean hands* is essentially a defence in equity²⁷⁰ indicating that it can be available only to a party who acts fairly and honestly in the commencement of litigation. In *Tekla Corporation & Anr v Survo Ghosh & Anr*²⁷¹, the court analyzed whether a defendant who is in violation of the plaintiff's right can be permitted to negate the entitlement of the plaintiff to take an action against him merely because the plaintiff is also in violation of some other law. It was held that the party seeking relief should approach the court with clean hands and such defence of unclean hands would succumb if the street art is found to be worthy of copyright and the defendant is found to be in violation of such copyright.

The aforestated discussion thereby leads to the conundrum of whether such artistic expression should be classified as merely immoral or should it be categorized as illegal – it interrogates what would happen if someone stole a paper and drew a captivating portrait on it; would Intellectual Property Rights' protection be extended to it by virtue of its increase in utility by the application of the artist's personalized skill or should the illegality of the medium exclude it from such applicability because law should not impede social justice²⁷². The exploration of pure statutory requirements without acknowledgement of the illegality of creation concerned would suggest that such graffiti or street art would qualify for Copyright protection as “painting, graphic or sculptural works”²⁷³ and since the creative ideas and facts have been fixated in a medium (irrespective of whether the medium is illegally procured), this sufficiently permanent or stable conception of ideas would be considered eligible to be perceived, reproduced or communicated for more than a transient duration – thus insulating it with copyright protection. The defence of illegality of the work was brought up in *Villa v Pearson Education Inc.*²⁷⁴, wherein the graffiti artist brought an action against Pearson for publishing a book featuring his murals however, Pearson sought dismissal on the grounds that the murals were illegal graffiti and therefore not protected via copyright laws. The court finding this argument unpersuasive held that it is presumed that the work was copyrightable and was at some point fixed in tangible form.

²⁶⁹ Nandrekar, Saurabh. “Illegal Street Graffiti Deserves Copyright Protection. Here’s Why.” *Medium*, IP Bloke, available at: <https://medium.com/ipbloke/illegal-street-graffiti-deserves-copyright-protection-heres-why-e2c3425719a8>, (last visited on July 20, 2024).

²⁷⁰ *Id* at 1.

²⁷¹ AIR 2014 DELHI 121

²⁷² *Id* at 12.

²⁷³ *Ibid*

²⁷⁴ *Villa v. Pearson Educ., Inc.*, No. 03 C 3717, 2003 WL 22922178 (N.D. Ill. Dec. 9, 2003).

In addition to the grounds of illegality, the lack of a legal precedent expressly recognizing the magnitude of copyrightability attributable to a street art has pushed defendants to appeal to exceptions of copyright liability – the doctrine of fair use. In a dispute that involved *Peter Rosenstein's book Tattooed Walla*²⁷⁵ which included over a hundred murals found in New York City, Rosenstein argued to his defence that the permission of the curators of such street art was not required because the murals were displayed in public spaces and his usage was shielded by the doctrine of fair use. The usage of an exception to a copyright infringement thereby implied that Rosenstein accepted that a copyright existed in the first place, a consequent infringement occurred and hence an exception could be triggered to the same. A corresponding fair use exception can be located in the Indian Copyright Act of 1957 which can be interpreted as an exception to infringement of copyright wherein the “*work is permanently situated in a public place or any premise to which the public has access*”²⁷⁶, thereby meaning that the work itself enjoys copyright but the disputed conduct is not an infringement of the copyrighted work.

MORAL RIGHTS – A SILENT GUARDIAN OF STREET ARTISTS' INTEGRITY?

The confluence of street art with copyright protection, still remains an exercise in monumental complexity. The unique aspects of street art - its transient or fleeting nature, anonymous authorship and the flexibility of the de minimis doctrine introduce immense complexities to the street art copyright regime²⁷⁷. For instance, in case a legal dispute arises, determining the rightful owner can become an intricate puzzle because unlike traditional art forms, street artists often operate under pseudonyms or remain completely anonymous. Hence, notwithstanding the various flaws that plague the operability of intellectual property rights on street art, one can lean on the interpretation of moral rights within the copyright regime in India²⁷⁸.

Emerging from the profound recognition that a work of art is not a mere economic commodity but an extension of the creator's personal expression, moral rights advocate that an artist's dignified connection to their art transcend monetary concerns²⁷⁹. As rights of attribution and integrity, moral rights acknowledge that creativity is not merely a commercial transaction but a sacred act of personal, artistic representation that demands protection from misattribution or distortion.

²⁷⁵ Id at 12.

²⁷⁶ Section 52(1) of the Indian Copyright Act 1957.

²⁷⁷ Id at 3.

²⁷⁸ Ibid

²⁷⁹ K&S Partners, 'Street Art and Copyright in India' (2023) *K&S Partners* <https://ksandk.com/intellectual-property-rights/street-art-and-copyright-in-india/> accessed 14 January 2025.

Guaranteed under *Section 57 of the Indian Copyright Act*²⁸⁰, these exclusive rights of the author thrive independently of copyrights preserving both the rights to paternity and integrity of the artist. Through a cascade of precedents, the Indian judicial landscape has been successful in moulding the contours of moral rights²⁸¹.

The scope of moral rights was primitively restricted to only literary works, however, post the *Mannu Bhandari v Kala Vikas Pictures Pvt. Ltd*²⁸² case, a critical interpretation of section 57 expanded its applicability to a spectrum of works which were not in nature of literature or derived from literature. Here, the appellant's argument that a film based on her novel, deviated her creative rights, thereby mutilating her work's essence was accepted by the court, and it was ruled that the movie could be released only if the adaptations did not alter the novel's core narrative. Furthermore, another landmark judgment in *Amar Nath Sehgal v Union of India*²⁸³, emphasised on the pertinence of moral rights for protecting an artist's work by clarifying that moral rights could continue to exist even when the work concerned has been sold. Here, a renowned sculptor when embroiled in a dispute with the state claimed that his piece suffered damage when his mural was removed and consequently placed in another building. The court while granting compensation to the artist held that mutilation of artwork was a clear violation of the author's rights guaranteed under section 57, and due compensation was granted to him²⁸⁴.

While courts have deliberated upon progressive judgments which protect moral rights, there are cases like *Raj Rewal v Union of India*²⁸⁵, in which the judiciary has noted a contradiction between the plaintiff's moral rights and the defendant's property rights. The court here ruling favour of the defendant, stated that constitutional right to property overruled moral rights and that Copyright laws could not override Constitutional provisions²⁸⁶. With such conundrum between the plaintiff's moral rights and the defendant's property rights being eligible to be extended to street art, a fresh obstacle arises²⁸⁷ – whether the individual rights to property by virtue of being in nature of constitutional rights, can undermine the inalienable moral rights of an artist?

²⁸⁰ Section 57 of the Indian Copyright Act 1957.

²⁸¹ Id at 3.

²⁸² AIR1987DELHI13

²⁸³ 117(2005)DLT717

²⁸⁴ Aumirah, 'Is Street Art Protected by the Copyright Act?' (2023) Aumirah <https://aumirah.com/is-street-art-protected-by-the-copyright-act/> accessed 14 January 2025.

²⁸⁵ AIRONLINE 2019 DEL 911

²⁸⁶ Id at 27.

²⁸⁷ Id at 3.

IN A NUTSHELL

In the midst of ongoing dialogue between art, ownership and the law, troubles commensurate when the illegality of such art is taken into account, while courts have not explicitly held such works to be holding valid copyrights, they continue to analyse cases of unsanctioned street arts on the premise that they are copyrightable thus dismissing cases not on the basis of defence of illegality but on the basis of copyright defences. However, in the opinion of the author of this paper, the act of painting on a wall without sanction from the owner *is not tied* to the issue of adjudicating regarding the nature and extent of intellectual property of the concerned work as long as the content of the work in itself is not illegal. The content of the artwork must be disassociated and viewed in disconnection to the criminal activity of trespass or vandalization, for instance, if the ‘moral and non-obscene’ art was instead painted on a canvas it would have been insulated by copyright provisions but if the act was in itself immoral or obscene or impermissible in law (child pornography) it would be illegal irrespective of the medium utilized. This line of argument also stands substantiated in the principle of distinction of the work and its material carrier. Copyright infringement concerns itself with the intangible work which should stand protected irrespective of its physical embodiment hence, the wrongdoing and its negative consequences should be addressed under civil and criminal sanctions while simultaneously being irrelevant to the copyrightability of the work concerned.

Additionally, the extension of copyright (including the Indian IP regime) to street art has been primarily justified under *incentive based theory*²⁸⁸ of Intellectual property which deems it necessary to curate an incentive for authors and artists to “*create and disseminate works of social value*”. In *Sony Corp. of America v. Universal City Studios, Inc*²⁸⁹, it was held that the monopoly privileges of a copyright are intended to motivate the author’s creative activity and stimulate their artistic creativity for the good of the general public because if free-riders are permitted to appropriate their work, artists will cease to create²⁹⁰. However, the disadvantage with this theory is its inherent ability to incentivize and illegal activities of trespass. Additionally, the author of this paper perceives that the mere concern that the lack of a formal Intellectual Property Right protection will discourage street art’s creation is a defunct justification for extending Copyright protection to the same. This finds reason in the fact that economic incentives are not always necessary to motivate the continued output of street art because street artists create artwork to express themselves or send a message to the public (if not, then why would they not publicize

²⁸⁸Id at 1.

²⁸⁹ 464 U.S. 417 (1984)

²⁹⁰ Id at 3.

their art in private, closed room exhibits). Their lack of concern for exclusivity and requirement of freedom of being rebellious and creative is fuelled by the public display of their dissonance, and not driven by monetary or financial incentives²⁹¹.

²⁹¹ Smith, Cathay Y. N. "Street Art: An Analysis under U.S. Intellectual Property Law and Intellectual Property's Negative Space Theory ." DePaul Journal of Art, Technology and Intellectual Property Law, vol. 24, no. 2, Spring 2014, pp. 259-294.



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CULTURAL HERITAGE AT RISK: ADDRESSING CHALLENGES IN IPR PROTECTION FOR TRADITIONAL KNOWLEDGE

- Preeti*

ABSTRACT

The protection of traditional knowledge (TK) through intellectual property rights (IPR) is a critical area of study that bridges cultural heritage and legal frameworks. This paper explores the intricate relationship between TK and IPR, examining the limitations of existing laws in safeguarding the intellectual and cultural assets of indigenous communities. With India being one of the world's megadiverse countries, rich in biodiversity and agricultural heritage, the need for an effective system to protect TK becomes evident. The research delves into the challenges posed by biopiracy, inadequate legal recognition, and the complexities of defining ownership within collective knowledge systems.

The paper evaluates the adequacy of current IPR mechanisms, including patents, copyrights, trade secrets, trademarks, and geographical indications, in addressing the unique characteristics of TK. Furthermore, it discusses alternative approaches such as sui generis systems and community-based intellectual property management to ensure equitable benefit-sharing and the prevention of cultural appropriation. The study also emphasizes the ethical dimensions of TK protection, advocating for respect for indigenous rights and the sustainable use of traditional knowledge.

By critically analyzing the legal frameworks and their limitations, this paper contributes to the ongoing dialogue on developing robust and culturally sensitive mechanisms to safeguard TK. It concludes with recommendations for reforming international agreements, enhancing community participation, and establishing global funds to encourage the protection and promotion of traditional knowledge systems.

*Preeti is an LL.M. Student at National Forensic Science University, New Delhi.

KEYWORDS - Traditional Knowledge, Intellectual Property Rights, Biopiracy, Indigenous Communities, Sui Generis Systems.

INTRODUCTION

India is one of the world's 17 Megadiverse Countries²⁹² and is a land to rich biological diversity heritage and has recorded over 1,02,718 animal species and 54000 plant species.²⁹³ Our nation has also been recognized as one of the 12 centres of crop diversity, containing many wild varieties of crops. Furthermore, India has made its space in the group of 12 main centres of plant production and needless to say is abundant in agricultural biodiversity.

Due to its great biodiversity and natural abundance, India has a wealth of traditional knowledge (hereinafter referred as TK) regarding the characteristics and applications of these biological resources. Cultural patrimony is built on traditional knowledge. Indigenous and local communities predominate in most biodiverse and bio-rich environments. For them, living in the natural world is a way of life and an integral element of their culture. Indigenous organizations provide a source of historical knowledge on environmental preservation and sustainable use. It was always a treasure that was easily accessible and open to abuse.

This paper examines the complex interplay between 'traditional knowledge' and 'intellectual property rights', analyzing the challenges and exploring potential solutions for effective protection. It delves into the limitations of existing IPR frameworks in safeguarding TK and explores alternative approaches, including sui generis systems, community-based intellectual property management, and international legal instruments. Furthermore, the paper analyzes the ethical dimensions of TK protection, emphasizing the importance of respecting indigenous rights, promoting equitable benefit-sharing, and preventing biopiracy and cultural appropriation. By exploring these multifaceted issues, this research aims to contribute to the ongoing dialogue on developing robust and culturally appropriate mechanisms for protecting traditional knowledge while fostering its sustainable use and transmission to future generations.

²⁹²WORLDATLAS, "Ecologically Megadiverse Countries of the World," available at: <https://www.worldatlas.com/articles/ecologically-megadiverse-countries-of-the-world.html> (last visited on Jul. 20, 2024).

²⁹³HT Correspondent, "India Added at Least 800 Species of Plants, Animals in 2020," Hindustan Times (Sep 21, 2021), available at: <https://www.hindustantimes.com/environment/india-added-at-least-800-species-of-plants-animals-in-2020> 101632207311999.html> (last visited on Jul. 20, 2024).

TRADITIONAL KNOWLEDGE VIS-A-VIS INTELLECTUAL PROPERTY RIGHTS

The terms “traditional knowledge” and “IPR” combined, are not frequently heard together. Although the term “IPR” refers to intellectual property rights, traditional knowledge is something that has often been taken for granted without an appreciation of its importance. The delectable family recipes, for instance, grandmothers learn from their grandmother or the myths and legends about the indigenous tribes and how their way of life is quite different from others? Yes, all of these are illustrations of traditional knowledge, the kind of knowledge that is passed down orally to succeeding generations.

According to WIPO, Traditional Knowledge comprises:

*“Tradition-based literary, artistic or scientific works, performances, Inventions Scientific discoveries; designs; marks, names and symbols; undisclosed information; and, all other tradition-based innovations and creations resulting from intellectual activity in the industrial, scientific, literary or artistic fields”.*²⁹⁴

Presently, at the international level, there is no accepted definition of TK at the international level.

Though, it can be expressed as:

- In a *broad* sense, TK includes both the knowledge itself and conventional cultural representations, such as particular signs and symbols connected to TK.
- When used in its *stricter* sense, TK refers to knowledge in general, especially knowledge that comes from intellectual work within a conventional setting. It also includes know-how, practices, skills, and innovations.

Traditional knowledge, according to *Article 8(j)* of ‘*The Convention on Biological Diversity*’, refers to the understanding, innovations, and customs of local and indigenous cultures around the world.²⁹⁵

Precisely, it is the indigenous, local, or native community's knowledge base that has been kept and passed down the generations to such an extent that it has become the community's spiritual and cultural identity.²⁹⁶ Traditional knowledge can be found in a wide range of ideas, including time measurement, food items, plant qualities, spice usage, yoga techniques, etc. The fact that

²⁹⁴ Daniel J. Gervais, “Traditional Knowledge & Intellectual Property: A TRIPS-Compatible Approach,” 137 *Michigan State Law Review* (2005), available at: <https://scholarship.law.vanderbilt.edu/cgi/viewcontent.cgi?article=1723&context=faculty-publications> (last visited Jul. 21, 2024).

²⁹⁵ Convention on Biological Diversity, available at: <https://www.cbd.int/traditional/> (last visited on July 21, 2024).

²⁹⁶ WORLD INTELLECTUAL PROPERTY RIGHTS (WIPO) https://www.wipo.int/pressroom/en/briefs/tk_ip.html#:~:text=When%20community%20members%20innovate%20within,by%20conventional%20intellectual%20property%20systems (last visited Jul. 21, 2024).

traditional knowledge has ancient roots and is frequently oral is its most important component. As times have changed, there is a greater need to conserve traditional knowledge, particularly to prevent its unlawful and commercial abuse. The indigenous people must be shielded from such harm and assisted in maintaining their old customs. Protection of TK must encourage its effective and widespread usage.²⁹⁷ The preservation of traditional knowledge was long neglected. Mankind is surrounded by it, and yet has devalued and degraded its importance. Traditional knowledge can now be guarded by intellectual property rights; however, it is a difficult process.

PREVAILING INTELLECTUAL PROPERTY REGIME WITH AN ASSESSMENT OF THE ADEQUACY Systems of Traditional Knowledge Protection

Particularly in developing and disadvantaged nations, traditional knowledge should be given effective security. Such protection would be in place to prevent illegal third parties from acquiring rights to traditional knowledge as well as the acknowledgement of the rights of the original traditional knowledge holders. Due to current globalization, traditional information must be efficiently protected and grown with a great deal of international collaboration and cooperation; any such protective plan must take into account the national, regional, and international components of the society. Additionally, the frameworks for traditional knowledge must take the original knowledge bearers' perspectives into account. The economic components of protection must be addressed by these systems. The most important aspect of any protection should be that it is affordable, clear, and available to those who retain traditional knowledge.

In the light of Traditional Knowledge, there are two types of intellectual property protection systems. It is recommended that these two strategies be used in conjunction with one another because it is doubtful that a comprehensive strategy for the safeguarding of traditional knowledge will completely rely on any one form. The two strategies are:

²⁹⁷Vatsala Singh, IPR Vis- à- Vis Traditional Knowledge, MONDAQ, (Oct. 8, 2018), <https://www.mondaq.com/india/patent/743482/ipr-vis--vis-traditional-knowledge> (last visited Jul. 22, 2024).

Positive protection:

The processes to maintain conventional knowledge are referred to as "sui-generis" steps. It entitles owners of traditional knowledge to legal action or other remedies in the event that their information is misused. Any system for the positive protection of traditional knowledge must include:²⁹⁸

- Promotion of respect for traditional knowledge systems and recognition of their significance.
- A Responsive behaviour to the genuine requirements of those with conventional expertise.
- The suppression of unjust and unequal uses of traditional knowledge, as well as other forms of appropriation.
- The preservation of innovation and creativity is based on tradition.
- Support for systems of traditional knowledge and empowerment of those who hold that knowledge.
- A bottom-up approach to development is encouraged by the utilization of traditional knowledge, as well as the equitable benefit sharing from its use.

Defensive protection:

It is the defence of traditional knowledge against unauthorized intellectual property rights obtained by third parties. Any strategy for the defence of conventional knowledge must include:²⁹⁹

- The customary knowledge meets the standards for prior work that qualifies as relevant.
- A system to make sure search authorities have access to and are aware of the conventional knowledge that makes up prior art.

Patents

According to Section 3(p) of the 'Indian Patent Act', 1970, traditional knowledge cannot be protected.³⁰⁰ An innovation that effectively duplicates or aggregates previously known qualities of conventionally recognised constituents is not an invention and cannot be patentable. However, IP safeguards can be sought if there is a sufficient modification to the present TK that enables the innovation to meet the requirements of Indian IP legislation.

The law provides for appropriate provisions to protect TK. Conventional knowledge is public

²⁹⁸ *Supra note. 5.*

²⁹⁹ *Ibid.*

³⁰⁰ Indian Patent Act, 1970, (Act 39 of 2000), s. 3(p).

knowledge by definition, thus any claim for a patent pertaining to TK cannot really come under an invention under Section 2(1)(j) of the Patents Act, 1970,³⁰¹ which specifies that ‘invention means a new product or method requiring an innovative phase and capable of industrial use.’ Furthermore, “a substance obtained through a mere admixture which results only in the aggregation of the properties of the components thereof or process for producing such substances” is not an invention and hence, not patentable.³⁰²

The patent system may provide protection for a number of aspects of TK. A patent application can be used to protect novel and inventive techniques that address technical problems in the prior art globally. For instance, patents may be applicable to the trademark, which comprises modern subject matter. Processes used to prepare items that have been extracted from biological resources including microorganisms, plants, and animals can be covered by patents. The codified TM is not patentable since it fails to satisfy the conditions for innovation.

Copyrights

Copyright may be used for the protection of TK holders’ artistic manifestations, in specific artists belonging to the indigenous and migrant peoples, against illegal development and abuse. This can include written works like novels, legends, and poems; theoretical works; visual works; textile works like garments, tapestries, and carpets; musical works; and three-dimensional works like pottery and ceramics, paintings, carvings in wood and stone, and various things. The involvement of singers, dancers, and performers in theatre productions, puppet shows, and other related activities may be guaranteed by the use of public rights. The WIPO also acknowledges the performances by the local communities and indigenous peoples as common knowledge. The performance is protected by copyright law by ancillary rights or privileges of the artist.³⁰³ As a result, traditional, indigenous, and local performances can generally be protected under the purview of copyright and, more particularly, under the category of performer rights.

The expression form is protected by copyright, not the ideas themselves. Any of the acts listed in Section 14 of the 1957 Copyright Act are permissible for copyright holders. Copyright can be used to protect the artistic expressions of TK holders, especially those created by artists from indigenous and immigrant cultures, from unlawful duplication and misuse. Moral rights concern how authors, artists, and other creators relate to their works. These rights may offer a crucial

³⁰¹Id. s. 2(1)(j)

³⁰²Id. S. 3(e).

³⁰³ Srividhya Ragavan, *Protection of Traditional Knowledge*, 2 MINN. INTELL. PROP. REV. 1 (2001).

means of protecting the interests of indigenous peoples in works produced from their knowledge.

Trade Secrets

According to Srividhya Ragavan, the most effective intellectual property system for protecting traditional knowledge is the trade secret law.³⁰⁴ For instance, trade secrets may imply that a photographer has a duty to withhold copies of their work from the sale or public display without their consent. The best intellectual property to protect any kind of secret knowledge is this one. The first step in protecting indigenous knowledge through trade secrets is for its owners to recognise its value. They must be aware of their rights and the long-term gains that will result from such protection. It is necessary to make the incentives offered by the secrecy regime known among the relevant sectors and communities for policing the use and distribution of TK. Holders of TK can also choose whether or not to disclose the information. TK has several advantages over other types of IPRs thanks to its security and diverse trade secret representations. Delivery is easier, faster, and less expensive. The legal requirements to establish a trade secret are varied. Information that cannot be protected by a patent or copyright may be under trade secret law. By suing for misappropriation of trade secrets, incidents of unlawful use of the information without the consent of the community can be effectively avoided.

India, however, lacks specific legislation to protect sensitive information and trade secrets. Either contract law or the equal confidentiality infringement doctrine protects trade secrets in India.

Trademarks

Even agricultural and biological products can be shielded against locally produced goods under the Trademark Act of 1999. By using trademarks and service marks, native and indigenous producers, practitioners, craftspeople, and dealers as well as the organizations (cooperatives, guilds, etc.) that represent them can distinguish their goods and services from those provided by others that offer similar products and services.

Authenticating artisanal and cultural goods can be done via collective markings. From traditional art and artwork to food, clothing, and tourism services, certification marks can be used to distinguish a wide range of goods and services. Indigenous organizations may register their trademarks and use this sign to advertise their products, differentiating their brand and assuring their distinctive quality. Therefore, the trademark scheme can protect the reputation of

³⁰⁴ Ragavan, *ibid.*

conventional knowledge to some extent, but it cannot protect the contents of such knowledge. It will guarantee defensive protection against practices that pass off imposter goods or services.

If a patent prevents the indigenous community from selling the goods, they could register the trademark and then license the use of the trademark to ensure authenticity for the businesses. A community could carry out and accept already-existing procedures on products as a way to improve a product that has the potential to earn royalties from sales.

Geographical Indications

The most effective method of TK conservation is GI, which is held collectively by the indigenous populations. A group in a particular region is rewarded under the Geographic Indications of Goods Act (Regulations and Protection). Although GI protection is only effective for ten years, it can be renewed numerous times to provide protection for all time. Products become higher quality as production techniques advance throughout time. The reputation and goodwill of the items are earned over many years or decades. GIs recognise the prestige of a given product, are not constrained by a specific manufacturing process, and also permit evolution. The indigenous civilizations have maintained and improved their ancient techniques for giving objects special characteristics over time. The GIs respect their sacrifices and ban anyone from abusing their prestige. As long as the natural and cultural qualities of the provided item are preserved at the proper place of cultivation, the GI is conserved. As collective rights, GI rights cannot be freely transferred from one person to another. Furthermore, GIs may be used to protect conventional medicinal products.

Industrial designs

An example of intellectual property that focuses on the aesthetic function of a product that is deduced from its visual appeal is an industrial design. Industrial designs can be used to describe the form and shape of historically made items like clothing, furniture, receptacles, wooden objects, leather goods, pottery, etc. that are created by indigenous people or associations on their behalf. Traditional handicrafts like carpets and cotton bedclothes that are woven by hand may also be categorized as industrial designs for safety. The vast cultural legacy of India is profoundly ingrained in countless varieties of traditional patterns.

CHALLENGES INVOLVED IN PROTECTING THE TRADITIONAL KNOWLEDGE UNDER THE PURVIEW OF INTELLECTUAL PROPERTY RIGHTS

The conflict between the developed and developing countries regarding the protection of traditional knowledge has a long history. It has always been argued by the Developed countries that, traditional knowledge is in the public domain and thereby there are no such things as “biopiracy”, and in the light of the same it can be patented.³⁰⁵ While the developing nation has always argued that the intellectual property right system creates an unfair situation. For instance, unauthorised use of biodiversity and traditional knowledge, as well as biopiracy. The developing country asserts that they are the specifications for origin disclosure, and they can't be patented. It is evident from history that India on several occasions has witnessed many cases of bio-piracy of traditional knowledge. If we trace the first instance of such a case, we will find the case of ‘*Haldi*’. It was the first patent on wound healing properties, and now patents have been obtained in other countries on *hypoglycemic* Properties of Karela, brinjal, etc.³⁰⁶

It is an irony that the law which was made for the protection of Intellectual Property Rights ultimately ends with securing failure because of its Rules and Regulations.³⁰⁷ There have been many cases where the indigenous people tried to protect their knowledge within the preview of Intellectual Property Laws but have failed to fulfil the requirements of intellectual protection laws.³⁰⁸ We are aware of the fact that the *Patent* provides a legal monopoly for a period of 20 years³⁰⁹ in which the patent holder is entitled to the use, production, and sale of an invention.³¹⁰ The criteria which have been laid down by the legislature in which the inventions can be patented are – (a.) Novelty (b.) non-obviousness, and (c.) Industrial Application.³¹¹ It is also notable that all these three criteria must have to be fulfilled in order to get the patent otherwise the patent can't be granted.³¹²

³⁰⁵ Jay Erstling, *Using patent to protect traditional knowledge*, 15 TEXAS WESLEYAN LAW REV., 295, 296 (2009).

³⁰⁶ Tabrez Ahmad & Jaya Godhwani, *Traditional Knowledge: A New Challenge in Patents* 5 (2012) SSRN: <https://ssrn.com/abstract=1981642> or <http://dx.doi.org/10.2139/ssrn.1981642>. (last visited Jul. 23, 2024).

³⁰⁷ WORLD INTELLECTUAL PROPERTY RIGHTS (WIPO), *Traditional Knowledge and Intellectual Property – Background Brief*, (last visited Jul. 19, 2024).

³⁰⁸ Dr. John Mugabe, *Intellectual Property and Traditional Knowledge: An Exploration in International Policy Discourse*, WORLD INTELLECTUAL PROPERTY RIGHTS, available at https://www.wipo.int/edocs/mdocs/tk/en/wipo_unhchr_ip_pnl_98/wipo_unhchr_ip_pnl_98_4.pdf. (last visited Jul. 19, 2024.).

³⁰⁹ WORLD INTELLECTUAL PROPERTY RIGHTS, *Frequently Asked Questions: Patents*, https://www.wipo.int/patents/en/faq_patents.html#:~:text=Patent%20protection%20is%20granted%20for,filing%20date%20of%20the%20application (last visited Jul 19, 2024)

³¹⁰ Id.

³¹¹ International Bureau, *Enlarged concept of Novelty: Initial Study concerning Novelty and the prior art effect of certain applications under the Draft Article 8(2) of the SPLT*, WORLD INTELLECTUAL PROPERTY RIGHTS 1, 5 (2004), <https://www.wipo.int/export/sites/www/scp/en/novelty/documents/5prov.pdf>. (last visited Jul. 19, 2024).

³¹² AMERICAN ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE, *Traditional knowledge and intellectual property Handbook*, <shr.aas.org/tek/handbook/handbook.pdf> (last visited Jul. 20, 2024).

Now the problem which arises with traditional knowledge is that most of such traditional knowledge is ancient and is in practice for a long period of time. In our discussion, we have seen earlier that one of the ingredients to get the patent is Novelty. Thereby, the criteria get unfulfilled and create hurdles in order to get the Protection.³¹³

Further, the challenge involved with traditional Knowledge is that it is prior art, and it is in the knowledge of many practitioners. Before we go into further discussions let us first understand what does actually 'Prior art' stands for? The term 'prior art' refers to scientific and technical information that exists before the effective date of a patent application.³¹⁴ notably, the date varies from country to country.³¹⁵ Further, if we refer to the US patent Act, Section 102(a) of the said act defines the term as "*A person shall be entitled to a patent unless (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent.*" In the context of India, the Patent Act of 1970³¹⁶ deals with Patent law. By virtue of Section 29 of the said Act³¹⁷, it rejects the patent application on the ground of anticipation of previous publication, or by public display³¹⁸, or communication to the government.³¹⁹ If we once again refer to the ingredients of the Patent holder, there is a requirement called "Inventions' novelty" or 'non-obviousness'. Thereby it again creates a hurdle in securing patent protection.

At this Juncture, another relevant point to note down here is that possession plays a vital role in determining the basis for patent protection. The problem faced in protecting the traditional knowledge is that the traditional knowledge is common knowledge. Further, it is collectively experienced. In the light of the same, it gets precluded from getting the protection.

Another problem related to this topic is that Traditional knowledge either originates within a community or enters from outside of the community. In the second case i.e., 'outside the community, it may not be subject to any Intellectual Property Protection and it may be already in the public domain. However, in the first case i.e., in the case of 'within a community, it creates a complication in itself. For instance, it's really difficult to find the owner or inventor of that

³¹³Intellectual property and traditional knowledge, genetic resources and folklore, available at www.mpil.de/shared/data/pdf/pdfmpunyb/14_thesis_rosa_12.pdf (last visited Jul. 20, 2024).

³¹⁴ Erstling, *supra* note 14.

³¹⁵WORLD INTELLECTUAL PROPERTY RIGHTS https://www.wipo.int/edocs/mdocs/aspac/en/wipo_ip_cm_09/wipo_ip_cm_09_topic7_01.pdf (last visited Jul. 20, 2024).

³¹⁶ Indian Patent Act, 1970, (Act 39 of 2000).

³¹⁷ *Id.*

³¹⁸ *Id.* S. 31

³¹⁹ *Id.* S. 32

Particular Knowledge.³²⁰ In the light of the same discussion, we can conclude that traditional knowledge is facing challenges as the locus of ownership couldn't be identified easily.

Traditional Knowledge ownership structures preclude legal claims to it under any system of personalized rights, such as the TRIPS. Political philosophers Anthony Stenson and Tim Gray contend in a recent study that because traditional knowledge is primarily common knowledge and a result of collective experience rather than an individual act of creation, it cannot be viewed as intellectual property from the perspective of entitlements theory. The lexicon of intellectual property protection law and the complete idiom of western legal procedures grant an individual the sole right to make use of specific works of human brilliance. For a limited time, a patent, for instance, gives an inventor the sole authority to create, regulate the use of, and market a novel industrial method or product. Generally speaking, these types of intellectual property protection do not offer the required protection for indigenous peoples' and locals' rights, innovations, and traditional knowledge. One of the main reasons is that knowledge systems that are essentially intergenerational and the results of collective effort cannot be clearly defined as to who owns what.³²¹

Another challenge involved in protecting Intellectual Property rights is non-obvious or novel, which is one of the ingredients as we have also seen earlier in our previous discussion. One of the main concerns with indigenous knowledge is that it is often orally transmitted, and evolves gradually. Thereby it is never considered a 'novel'.³²²

The traditional cultures have been prevented by these obstacles from benefiting from the patent protection that exists today. Under specific social, economic, and culturally predetermined conditions, intellectual property law permits control over information. If there is no external manifestation or precise delineation, no identified creator or inventor, and no novelty or originality, a claim to legal sovereignty over the information will typically fail. Native knowledge frequently falls short of these standards.³²³

The different case studies (*like* Tumeric case, Neem case, Ayahuasca case) highlight the issues that arise when traditional knowledge property rights are granted patents, how challenging it is to

³²⁰ Manisha Singh, Traditional Knowledge and Intellectual Property, MONDAQ (Nov. 15, 2006), <http://www.mondaq.com/article.asp?articleid=44198&login=true&nogo=1>. (last visited on 22 Jul. 2024).

³²¹ Rajshree Chandra, Knowledge as Property, Issues in The Moral Grounding of Intellectual Property Rights (Delhi, 2010; online edn, Oxford Academic, Oct. 18, 2012), <https://doi.org/10.1093/acprof:oso/9780198065579.001.0001>. (last visited on 23 Jul. 2024).

³²² *Id.*

³²³ *Id.*

challenge the grant of these rights, and how inadequate the current methods are as a remedy for the original holders of traditional knowledge.³²⁴

CONCLUSION AND RECOMMENDATIONS

Protection of Traditional Knowledge, really needs a better system. Traditional knowledge constitutes a backbone of a large section of the world's population. The law which was made for the protection of intellectual rights would become more progressive, if it would get the capacity to protect the traditional knowledge, which is currently lacking. In the light of the same, these are some of the suggestions by the authors which can be a solution.

Firstly, the trips agreement has to be changed because taking national action alone is insufficient because it simply generates rights that cannot be used and enforced in other nations. *Secondly*, Exploitation is likely to increase the prominence of traditional knowledge and local innovation within communities and hence inspire greater involvement by the younger members of the community by bringing together the local inventors and entrepreneurs and whatever told are employed. *Thirdly*, to encourage local inventors and owners of traditional knowledge to file patents globally, a fund needs to be established. *Fourthly*, we have to look at the current sui generis system, procedures & schemes. Last but not least the TK holders must come forward and have to take an active role in protecting the same.

³²⁴ Vincent M. Smolczynski, Willful Patent Filing: A Criminal Procedure Protecting Traditional Knowledge, 85 CHI.-KENT L. REV. 1171 (2010), <https://scholarship.kentlaw.iit.edu/cklawreview/vol85/iss3/10>. (last visited on 30 Jul. 2024)