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PATENT TROLLS: AN INDIAN PERSPECTIVE

Dr. Monica Raje[1]

ABSTRACT

India's patent policy focuses on balancing developmental concerns with the need for promoting innovations. The Patents Act, 1970 tries to strike a balance between the rights of the patent holder and his obligation to the government that grants him such rights. The basic philosophy of the Act, as laid down in Section 83, is that patents are secured to ensure their working in India on a commercial scale. Further, patents are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article. A Patent troll is fundamentally opposed to this basic object of patent law. Patent troll is a negative term used to describe an entity that enforces its patents against one or more alleged infringers in a manner that is considered unduly aggressive or opportunistic. Patent trolls usually have no intention to manufacture or market the patented invention and their sole purpose is to make some quick money through legal notices and patent infringement suits. This paper seeks to understand the concept of patent trolls, how patent trolls are a menace and impede the innovation environment in a country and also the mechanisms in place in the Indian framework that attempt to curb the problem of patent trolls.

[1] Associate Professor, National Law Institute University, Bhopal. E-mail: mraje02@gmail.com. Mobile No: 7222900242.

INTRODUCTION

Patent is an exclusive right granted by the government of a country for a specific duration to an invention. In India patents are governed by The Patents Act, 1970 (The Act). The Act defines the term patent[2] as:

> "patent" means a patent for any invention granted under this Act;

The definition of a patent makes it clear that the subject matter of a patent is an invention. However, the term invention may be different from the perspective of a scientist and that of the law. In order to qualify for patent protection, the subject matter on which patent protection is being sought must meet the legal requisites of the term invention. The term invention[3] is defined in the Act as

> invention" means a new product or process involving an inventive step and capable of industrial application

This definition of an invention identifies what is ordinarily referred to as the requirements of patentability. In order to be granted patent protection, the applicant must satisfy the patent office that the product or process on which protection is sought is new, involves an inventive step and is capable of industrial application. The terms 'new invention'[4], 'inventive step'[5] and 'capable of industrial application'[6] have been defined under the Act

The main aim of the Patent Act has been identified by the Supreme Court in *Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries*[7] as under: The main aim of Patent law is to promote scientific research, new technology and industrial progress. Providing exclusive

[2] Section 2(1)(m).
[3] Section 2(1)(j).
[4] Section 2(1)(l).
[5] Section 2(1)(ja).
[6] Section2(1)(ac).
[7] AIR 1982 SC 1444.

privilege to own, use or sell the method or the product patented for a limited period, stimulates new invention of commercial utility.

Once a patent is granted by the patent office nobody can make, use or sell the patented invention without seeking the permission of the patentee. The Act defines a patentee[8] as:

> the person for the time being entered on the register as the grantee or proprietor of the patent

Such permission to make, use or sell the patented invention is granted by the patentee by way of licenses. The Patents Act, 1970 also casts an obligation on the patentee to commercialise his invention in the market by giving licences on terms and conditions which are reasonable.

However sometimes inventors misuse the exclusive right which has been granted to them. They seek to abuse their patent right by filing infringement suits against individuals/ companies who use products similar to their patented product. Such companies do not themselves manufacture or license their patented product but simply seek to make money by filing infringement suits. Such non-practising entities are referred to as patent trolls.

PATENT TROLLS

The coining of the term patent trolls is generally attributed to Peter Detkin, former Assistant Counsel of Intel. He explained patent trolls as under:

companies that buy rather than create patents and then extract disproportionately high license fees by threatening expensive litigation in the alternative.[9]

Britannica Encyclopedia defines "Patent troll", also called non-practicing entity or nonproducing entity (NPE) as a "pejorative term for a company, found most often in the American information technology industry that uses a portfolio of patents not to produce

[8] Section 2(1)(m).

[9] Jennifer Gregory, The Troll Next Door, 6 J. Marshall Rev. Intell Prop.L.(2007).

products but solely to collect licensing fees or settlements on patent infringement from other companies"[10]

Most patent trolls do not use their patents, that is, they do not manufacture any goods or services based on the patents they own. Rather, they acquire patents solely to pressurise companies to pay licensing fees. The modus operandi of these patent trolls is to acquire patents with no intention of practicing the invention or developing their products and with the sole purpose of instituting lawsuits against infringers.[11] Despite the difficulty of defining exactly what a patent troll is, it appears clear from contemporary definitions that a patent troll is an entity that neither develops novel technologies nor uses technologies to provide goods or services to the market.[12]

As mentioned above, defining a patent troll is a very difficult task. Hence, identifying the activities of the troll would be a better approach. A troll does not:

1. Intend to actually practice a patent.
2. A patent troll does not produce anything of value but merely acquires patents with a view to obtain licensing revenue.
3. They do not make use or sell new products and technologies but solely aim to force third parties to purchase licenses.[13]

As litigation cost is very high in most jurisdictions, the trolls take advantage of this by threatening litigation. As the trolls threaten litigation, the alleged infringer, even if in a position to defend himself, may prefer to settle the matter out of court in order to avoid the time and cost involved in lengthy litigation. Generally, the license fee demanded by the troll

[10] Eric Gregorson, Patent Trolls, ENCYCLOPEDIA BRITANNICA, http://www.britannica.com/EBchecked/topic/1816645/patent-troll. Last visited on 02/02/21.
[11] Prachi Agarwal, Patent Troll: The Brewing Storm of Patent Reforms in the United States of America, 15 J. Marshall Rev. Intell Prop. L. (2015).
[12] Jason Rantanen, Slaying the Troll: Litigation As An Effective Strategy Against Patent Threats, 23 Santa Clara High Tech. L.J. (2006).
[13] Rajkumar V., The Effect of Patent Trolls on Innovations: A Multi – Jurisdictional Analysis, 1 Indian Journal of Intellectual Property Law (2008).

is less than the cost and effort that would be involved in the litigation and the alleged infringer gives in to the demands of the troll. This vicious cycle continues as the patent troll can use this money to buy more patents and in the name of infringement target more companies.[14]

PATENT TROLLS IN INDIA

The Patents Act, 1970 does not specifically prohibit patent trolls however it is possible to largely curb this problem due to several provisions of the Act. The following provisions of the Act may be said to constitute a hindrance in the functioning of patent trolls in India.

1. **Post grant opposition:**

The Patents Act, 1970 provides for post grant opposition which acts as a hindrance to patent trolls. According to Section 25(2) of the Patents Act, any person interested can file a post-grant opposition within 12 months of the date of publication of the grant of a patent on any of the grounds specified therein, by giving a notice of opposition to the Controller. After receipt of the notice, the Controller informs the patentee of the opposition and forms an opposition board to examine the opposition and give the Controller its recommendation. This provision ensures that even after the patent is granted it can still be challenged on the grounds mentioned in section 25(2) of the Act.

2. **Compulsory License**

The Patents Act, 1970 includes provisions on compulsory licence.[15] The essence of the work onvision is that the law casts an obligation on the patentee to work his invention to the fullest scale that is reasonably possible without undue delay. If the patentee fails to make his invention available to the public, by manufacturing the invention himself or by giving licenses it may result in the grant of a compulsory license. In India a patentee has a period of three years from the date of grant of patent to work his invention after which any person interested may apply to the Controller for grant of a compulsory license. In this context, it is

[14] Id.

[15] Section 84.

to be noted that section 83 of the Act deals with general principles applicable to working of patented inventions. Clause (a) reads as under:

> (a) that patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay;
>
> (b) that they are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article

Further the Controller also has the power under Section 146, to give a written notice to the patentee or a licensee requiring them to furnish to the Controller necessary information regarding the extent to which the patented invention has been commercially worked in India. Once such notice is received by the patentee or his licensee they are required to provide details regarding working of the patented invention within the prescribed time period.
Thus, the mechanism of compulsory license along with the requirement of working of patent curbs trolls who fail to work their patents.

3. **Patent Validity**

In *Bishwanath Prasad Radhey Shyam vs Hindustan Metal Industries*,[16] the Supreme Court observed as under:

> it is noteworthy that the grant and sealing of the patent, or the decision rendered by the Controller in the case of opposition, does not guarantee the validity of the patent, which can be challenged before the High Court on various grounds in revocation or infringement proceedings.

The Patent Act, 1970 under section 13(4) now expressly provides that the validity of a patent

[16] See *supra* 10.

is not guaranteed by the grant of a patent.

Section 13(4) reads:

> The examination and investigations required under section 12 and this section shall not be deemed in any way to warrant the validity of any patent, and no liability shall be incurred by the Central Government or any officer thereof by reason of or in connection with any such examination or investigation or any report or other proceedings consequent thereon.

As there is no presumption as to the validity of a patent the burden of proving the validity in a patent infringement suit vests on the patentee. This is likely to discourage trolls from instituting infringement action against alleged infringers.

4. **Intellectual Property Appellate Board**

The availability of specialised Boards like the Intellectual Property Appellate Board (IPAB), ensures the speedy disposal of intellectual property disputes also reducing the cost of litigation. This allows smaller companies targeted by patent trolls to defend themselves without having to worry about the high cost of litigation.

CASE LAW

In two recent judgements, the Intellectual Property Appellate Board (IPAB) revoked three patents, one belonging to Ram Kumar in the case of *Spice and Samsung v Somasundar Ramkumar*[17] and two belonging to Bharat Bhogilal Patel in the case of *M/s Aditi Manufacturing Co. Vs. M/s Bharat Bhogilal Patel*.[18] Both patentees can be regarded as classic patent trolls, not only in the sense of non-practicing entities but in the context of

[17] ORA/ 17 of 2009/PT/CH/ & ORA/31 of 2009/PT/CH.

[18] M.P. Nos. 41 & 42 0f 2012 in TRA/05 of 2008/PT/MUM & TRA/06 of 2008/PT/MUM.

patentees who seek to exploit the weaknesses in the legal system to enforce equally weak patents.[19] In both the cases the patentees did not file any civil suits for patent infringement. Instead both patentees had filed complaints with Customs Commissioners at various ports of entry requesting the Customs Department to seize 'import consignments' on the grounds that the said consignments were infringing their patents.

Spice Mobile Ltd. v. Somasundar Ramkumar[20]

A patent No. 214388 had been granted to the respondent in the year 2008. The patent relates to mobile phones with a plurality of SIM cards allocated to different communication networks.

In the present case before the IPAB Spice Mobiles Ltd. and Samsung India seek revocation of the patent granted to the respondent under section 64(1) of the Patents Act, 1970 on the following grounds:

1. **Claim Amendment During Prosecution: -** The first ground on which revocation was sought before the IPAB by the applicant was the several amendments to the patent specification during the prosecution of the patent application. It was argued by the counsel for the first applicant that the respondent No.1 has amended the patent application in such a way that the basic nature of the invention as originally filed and granted has been completely altered from a Dual SIM card phone to a phone capable of simultaneous communication.

It was argued by the applicants that the law relating to amendments does not permit widening/broadening of the disclosure/claims. In the present case the scope of protection as well as disclosure in the patent specification have been altered by the incorporation of entirely new features which were not disclosed or claimed in the original patent specification. The applicants argued that this is contrary to sections 57 & 59 of the Patents Act, 1970. The extensive amendments during the prosecution resulted in the number of claims increasing

[19] See *supra* 12.
[20] See *supra* 16.

from the initial 4 to 20 at the time of grant. As a result, it was argued before the IPAB that the amendments were secured through fraud and also that the amendments were invalid since they were much broader than the original claims as filed by the respondent.[21]

The IPAB in setting aside the amendments to the respondent's patent made the following observation:

We are convinced that the amendments carried out during the prosecution of the application in the specification, drawings and claims extend the scope of the disclosed matter and the claims, which is particularly prohibited by section 59. The applicants therefore succeeded in proving that new matter has been added by Respondent No. 1 during prosecution of the application which was allowed by Respondent 2. The Respondent 2 ought to have sought an explanation from Respondent 1. Respondent 2 ought to have applied his discretion more cautiously and judiciously under section 57 especially when there are large scale amendments as in the present case. Therefore, we are constrained to set aside the amendments allowed during prosecution of the application.[22]

ii. **Lack of novelty.** The applicants also challenged the grant of patent to the respondent on the grounds of lack of novelty, that is to say the invention was anticipated by prior art. The applicants provided the IPAB with a list of prior art references which anticipated the respondents' invention. The IPAB held in favour of the applicants and held that respondents' invention was anticipated by prior art.

iii. **Lack of inventive step:** The third ground on which respondents' invention was challenged was that the invention lacks an inventive step. The validity of a patent can be challenged on the ground of inventive step, as defined in section 2(1)(ja) of the Patents Act,

[21] See *supra* 12

[22] See *supra* 16.

1970, if the claimed invention does not involve technical advance as compared to the existing knowledge or is obvious to a person ordinarily skilled in the art. The applicants were able to establish through various prior art references that the obviousness in the respondent's patent.

On the basis of the above-mentioned grounds the patent granted to the respondent was revoked by the IPAB.

Aditi Manufacturing Co. v. Bharat Bhogilal Patel[23]

The respondent held two patents, Patent No.189027 granted for a process of manufacturing engraved design articles on metals or non-metals and Patent No. 188787 granted for an improved laser marking and engraving machine. The applicant sought to revoke the patent on the ground that inventions related to laser technology and engraving machines are not novel and it was already a part of the prior art. The invention also lacks an inventive step as per the requirement of Section 2(1) (ja). The applicant provided the IPAB with extensive evidence to establish prior art. Some of this prior art included US patents, Japanese patents, trade magazines, expert witnesses' affidavits of one professor & one engineer and bills and invoices to show how similar inventions were being transacted in the Indian marketplace even prior to the patent applications filed by the patentee.[24]

The IPAB held as follows:
In the present case, prior arts have the features of the invention and there is nothing new in the features that have been claimed as new. The three experts have testified to this. We have evidence before us that the very same machine has been purchased by others prior to the date of invention.

On the basis of the above, the IPAB revoked the patent granted to the respondent.

[23] See *supra* 14.
[24] Id.

CONCLUSION

One of the objects of the patent law is to strike a balance between the rights of the patent holder and his obligation to the society that grants him such rights. The basic philosophy of the Act, as laid down in Section 83, is that patents are securing their working in India on a commercial scale. And, those patents are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article. A Patent troll is fundamentally opposed to this basic object of patent law. Patent trolls discourage innovators, who despite being visionaries are unable to commercialise their technology and contribute towards the welfare of the society due to the threat of litigation created by the trolls. However, provisions such as working of patents, compulsory license, post grant opposition and establishment of a specialised body like the IPAB to handle intellectual property disputes to a large extent have tackled the menace of patent trolls.

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