



# Inside India's IP Market: a Guide

2024

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The first edition of Inside India's IP Market provides invaluable on-the-ground intelligence and analysis on a range of trademark and patent topics, covering every stage of the IP lifecycle and the unique challenges and opportunities facing rights holders in India.

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**Generated: July 3, 2024**

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# Overcoming the Inventiveness Barrier to Patentability

**Sujata Chaudhri, Pradeep Bhupatiraju and Tushar Baranwal**

Sujata Chaudhri IP Attorneys

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**INTRODUCTION TO INVENTIVENESS IN PATENTS**

**UNDERSTANDING INVENTIVENESS UNDER INDIAN PATENT LAW**

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## INTRODUCTION TO INVENTIVENESS IN PATENTS

In the realm of intellectual property, inventiveness serves as the linchpin of patent law. It is one of the fundamental requirements in determining the patentability of an invention alongside novelty and industrial applicability. While the novelty requirement evaluates new aspects of the invention, the inventiveness requirement evaluates the obviousness of the invention given public knowledge at the time.

It is relatively easy for an invention to overcome the novelty requirement as compared to the inventiveness requirement – the latter is far more subjective. Recognising this, several countries encourage small-time inventors by granting utility model patents for a shorter term based on novelty criteria alone. These are loosely referred to as small/tiny/petty patents, and countries such as China, Australia and Malaysia are known for granting these patents.

Raising the bar high, the inventiveness requirement ensures that patents are granted only for inventions that represent a significant leap forward in their respective fields. This is essential to promote genuine innovation and prevent the proliferation of patents for trivial improvements. In general, this requirement is termed an 'inventive step' in some jurisdictions and 'non-obviousness' in others. While the need for an invention to exhibit an inventive step is common in patent laws worldwide, the specific methods used to assess and apply this requirement differ from one jurisdiction to another.

## UNDERSTANDING INVENTIVENESS UNDER INDIAN PATENT LAW

In India, the Patents Act 1970 (the Act), which is aligned with World Intellectual Property Organization laws, governs the patent system. To secure a patent in India, an invention must fulfil a set of requirements, and the inventive step is a difficult requirements to overcome.

The concept of inventive step has evolved significantly over the years. The Act initially distinguished between 'product' and 'process' patents. This distinction was blurred by a 2005 amendment, which made the inventive step a requirement applicable to all types of patents uniformly. The Act defines an inventive step as 'a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art'.

The interpretation of 'inventiveness' has evolved in India through judicial decisions. The Supreme Court's landmark judgment (AIR 1982 SC 1444, Bishwanath Prasad Radhey Shyam v Hindustan Metal Industries) emphasised that:

for an invention in order to be patentable an improvement on something known before or a combination of different matters already known, should be something more than a mere workshop improvement and must independently satisfy the test of invention or inventive step.

Further, several Indian courts have time and again reiterated that a patent examiner must consider three critical elements before rejecting a patent application for the lack of inventive step:

1. the prior art's disclosure of inventions;
2. the invention disclosed in the application under review; and

3. the manner in which the subject invention would be perceived as obvious by a person skilled in the relevant field.

An invention in India is considered inventive when it offers a technical advancement or economic significance, or both. Moreover, it should not be obvious to a person skilled in the relevant field. In essence, the Act requires an invention to be non-obvious and offer some form of technological or economic benefit to society.

### **THE INDIAN PATENT OFFICE'S APPROACH TO INVENTIVENESS**

It is common practice in the Patent Office to combine multiple prior art documents and raise an objection under the inventive step requirement. Patent examiners are largely of the view that if all the documents are published before the date of the invention, then combining them would render the invention obvious to a person skilled in the art; hence, there is no technical advancement over the combination of prior art documents.

The burden is on an applicant to demonstrate how the invention is inventive in view of the combination of prior arts. The scope of such a demonstration is largely limited to the information provided in the patent specification at the time of filing. This signifies the importance of patent specification drafting and incorporating certain details in the patent specification beyond the mere working of the invention. These details would be of great help in overcoming the inventive step requirement during patent prosecution and in subsequent phases.

To provide stakeholders with a clear understanding of how the inventive step is evaluated, the Patent Office has provided an illustrative example of invention assessment in its pharmaceutical guidelines. The example lays down a four-step analysis for determining the inventive step of an invention, which is based on a House of Lords judgement (*Windsurfing International Inc v Tabur Marine Ltd* [1985] RPC 59):

- Step 1: identifying the inventive concept embodied in the patent application.
- Step 2: imputing to a person of ordinary skill with ordinary creativity what was common general knowledge in the art at the priority date. This step involves defining the skilled person and the common general knowledge of the skilled person, which is essential for assessing the inventive step.
- Step 3: identifying the differences between the cited prior art and the alleged invention covered in the patent application.
- Step 4: deciding whether those differences constituted steps that would have been obvious to the skilled person or required any degree of invention. This step is the final assessment, determining whether the changes between the prior art and the invention were obvious or involved a degree of inventive thinking.

### **STRATEGIES TO OVERCOME INVENTIVENESS HURDLES**

In India, for an invention to be considered inventive, apart from absolute novelty, the following two criteria must be fulfilled:

1. the invention must be technically advanced as compared to prior art; and
2. the invention should not be obvious to a person skilled in the art.

Although terms such as ‘technically advanced’, ‘person skilled in the art’ and ‘economic significance’ are not clearly defined in the Act, the guidelines from the Indian Patent Office, court judgements and patent office decisions help in interpreting these words. The lack of a clear definition naturally makes it the biggest hurdle when it comes to overcoming the inventiveness requirement. The following strategies can be considered at various stages based on the type of invention and the field of invention to overcome such hurdles.

### **CONDUCTING THOROUGH PRIOR ART SEARCHES**

Conducting a thorough prior art search should be the first step for understanding the prior art in the field of the invention. Prior art refers to all the publicly available information, such as patents, scientific publications and products, that pertains to the invention's subject matter. To prove the inventive step, an inventor must demonstrate that their invention is not an obvious extension of existing knowledge.

Inventors and their patent attorneys must explore a wide range of databases, journals and resources to identify relevant prior art. Collaborating with experienced patent search professionals can enhance the quality of the search and uncover relevant documents. This would help the patent attorneys prepare for possible objections from the Patent Office.

Further, the Indian Patent Office is receptive to the interpretation of prior art documents by patent offices in other jurisdictions. If a patent is granted in a foreign jurisdiction for the same prior arts cited by the Indian Patent Office, the chances of overcoming the inventive step objections are generally high in India.

Additionally, the Hon'ble Delhi High Court has set a precedent (*Avery Dennison Corporation v Controller of Patents and Designs*, (2023) 93 PTC 26) emphasising that the time gap between prior art documents and the invention under examination should be considered when assessing the inventive step. This factor should be taken into account during the analysis of the inventive step. Consequently, it can be leveraged as a persuasive argument against the patent examiners to demonstrate that the prior art is, in fact, teaching away from the proposed invention.

### **DOCUMENT THE TECHNICAL ADVANCE**

The scope of an invention in India is largely limited to the information disclosed in the patent application. A well-drafted patent application is essential to overcome inventiveness hurdles. The patent application should include a detailed description of the invention, claims that clearly define the scope of protection and evidence to substantiate the inventive step. The application should provide a comprehensive overview of the invention, highlighting its technical advancement over the prior arts in the patent specification. It should emphasise how the invention is an improvement over existing knowledge or technology. Providing detailed explanations, diagrams, experimental results and real-world examples can help substantiate the claim of inventiveness.

Inventors should work closely with their patent attorneys to create a comprehensive and detailed description of the technical advancement. The description should highlight the specific technical problems that the invention addresses and how it overcomes these challenges. This level of detail can make it easier for patent examiners to recognise the inventive step.

### **COMPARATIVE ANALYSIS**



A comparative analysis can be a powerful tool in demonstrating inventiveness. Inventors can compare their invention to existing solutions or technologies, highlighting the differences and advantages their invention offers. Incorporating a comparative analysis in a patent application can help illustrate the inventiveness of the invention. This analysis should address specific features or elements of the invention that distinguish it from the prior art and explain why these distinctions are not obvious. Including visual aids, such as tables and diagrams, can make the comparative analysis more compelling.

### **ECONOMIC SIGNIFICANCE**

Economic significance is an important factor that contributes towards the inventive step requirement in India. Emphasising the economic significance of the invention can strengthen the case for inventiveness. If the invention has the potential to solve a critical problem at a lower cost, results in an inexpensive product or process of public importance, helps a significant invention reach the public at large faster or results in a commercially successful product or process, all these aspects can contribute to economic significance. Further, real-world applications of the invention and case studies can provide concrete evidence of economic significance. The patent application should clearly articulate the potential economic benefits of their invention, including examples of industries or sectors that could benefit from the innovation. Such a demonstration of the invention's economic significance can further strengthen the inventiveness of the invention.

### **TECHNICAL AFFIDAVITS AND DECLARATIONS**

During the prosecution stage, Indian patent examiners allow an applicant to provide additional information through technical affidavits in support of their invention to overcome the inventiveness requirement. Although it is not a norm in all cases, where possible the applicant should request the patent examiner and supplement the technical affidavit to overcome the inventive step objection. Incorporating technical affidavits from experts can be valuable in patent applications. Statements from professionals in the relevant field can support the claim that the invention is not obvious to a person skilled in the art. These professionals can provide a written declaration or testify in support of the patent application during the examination process. Their expertise and credibility can bolster the case for inventiveness.

### **CONCLUSION**

The requirement of inventiveness is a critical element of the Indian patent system, serving as a safeguard against the grant of patents for obvious and trivial improvements. While overcoming the hurdles of inventiveness can be challenging, it is not insurmountable. By conducting thorough prior art searches, documenting technical advances, providing comparative analysis and highlighting economic significance, inventors can strengthen their patent applications and increase their chances of securing patents in India.

Navigating the complexities of Indian patent law requires a deep understanding of the inventive step requirement and the ability to present a convincing case to the Patent Office. Therefore, inventors are encouraged to seek the guidance of experienced patent professionals who can help them overcome the hurdles of inventiveness and protect their intellectual property in India's dynamic and fast-growing economy. With careful planning, expert guidance and a thorough approach, inventors can successfully navigate the challenges of inventiveness and secure valuable patents in India.



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**Sujata Chaudhri**  
**Pradeep Bhupatiraju**  
**Tushar Baranwal**

sujata@sc-ip.in  
pradeepb@sc-ip.in  
tushar@sc-ip.in

---

106, Express Trade Towers 2, First Floor, B-36, Sector 132, Expressway, NOIDA, Uttar Pradesh 201301, , India

**Tel:** +91 120 6233100

<https://www.sc-ip.in/>

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# Securing Registration For Non-Traditional Trademarks in India

Ishani Chandra, Tanvi Srivastava and Sanket Singh Sengar

Sagar Chandra & Associates

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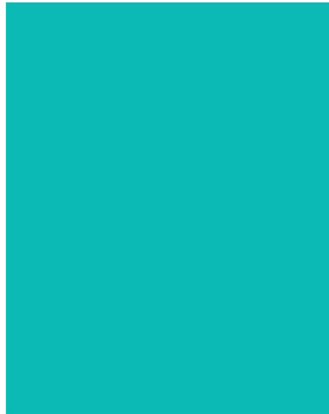
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## INTRODUCTION TO NON-TRADITIONAL TRADEMARKS

Does this shade of blue (Figure 1) or this red-soled heel (Figure 2) ring a bell? This shade of blue, also more popularly known as the 'Tiffany Blue', has been associated with the brand Tiffany & Co since at least 1845 and is probably the most powerful source identifier in today's world. As for the heels, this red-soled heel is the famous Christian Louboutin heel that has been associated with the brand for decades and is a registered trademark in various jurisdictions, after winning notable legal battles worldwide.

**FIGURE 1**



**FIGURE 2**



Trademarks are an essential part of any business as they help in identifying and distinguishing the goods and services of one person from those of another. Trademarks play a crucial role in aiding consumers in identifying the source of a product, which in turn contributes to the establishment of a positive reputation, brand value and goodwill. Conventionally, a traditional trademark comprises a name, word, phrase, logo, symbol, design, image or a combination of these elements. However, with the advancement of technology and changing consumer preferences, non-traditional trademarks have gained prominence. Non-traditional trademarks are those that do not fall under traditional marks and include sound marks, odour marks, colour marks, three-dimensional marks, taste marks and motion marks, among others. Modern industry is actively involved in inventing items that engage senses like smell, touch and sound aiming to cater to the needs of contemporary consumers who seek more sensory experiences from their goods and services. While these non-traditional trademarks have not gained acceptance in all jurisdictions, their usage is quite

common in today's market. Non-traditional trademarks are still an evolving practice in the marketplace, with developments in case law on this subject matter in various jurisdictions.

Under the Indian Trade Marks Act 1999 (the Act), the registration of trademarks is contingent upon their capacity to distinguish themselves from the products of others and their ability to be represented graphically. Non-traditional trademarks, also called non-conventional or unconventional trademarks, that serve the fundamental purpose of a trademark, face some challenges when it comes to registration in India. This is primarily due to the requirement of distinctiveness and the difficulty in graphically representing such marks. Nonetheless, the law of non-conventional trademarks is still evolving in India as in other jurisdictions in the world, and day by day, more and more unconventional trademarks are gaining prominence and getting registered under the Indian trademark law.

### **TYPES OF NON-CONVENTIONAL TRADEMARKS: A GLOBAL PERSPECTIVE**

1. Sound marks: sound marks, also known as auditory marks, encompass auditory elements and are the most frequently registered and protected, enjoying significant popularity in various countries, notably the United States. They play a vital role in helping consumers uniquely identify specific products in the competitive market without generating undue confusion. Unlike other non-conventional trademarks, sound marks can be visually represented using musical notations, with or without accompanying words. Some of the earliest and most well-known registered sound trademarks include the Harley Davidson sound, the Nokia tune and the Tarzan yell. In 2008, the Indian Trademark Registry granted the first sound trademark to Yahoo Yoodle. Later, ICICI Bank became the first Indian entity to secure a trademark registration for its corporate jingle, 'Dhin Chik Dhin Chik'. Our firm has also successfully assisted Britannia Industries Limited in registering their distinctive sound mark 'Ting Ting Ti Ting' for various goods covered under Classes 29 and 30.
2. Smell marks: among the human senses, smell holds a unique and potent capability to effortlessly evoke memories of the past. While several countries have acknowledged the registration and protection of product scents as trademarks, their registration process remains challenging owing to the inability to represent scents graphically and the formidable task of demonstrating their distinctiveness from the product. In numerous instances, scents have been represented by documenting the chemical composition of the fragrance. Nevertheless, some companies have successfully completed all the requisite tests and obtained trademark registrations for scents. Notable examples include a UK tire company's aroma of roses and the scent of beer in the dart flights of a London-based company called Unicorn Products Limited.
3. Colour marks: colour is omnipresent, and its inherent distinctiveness remains a question without a definitive answer. While colour trademarks are accepted for combinations of colours, registering a single colour mark remains a complex area owing to its inherent challenge of achieving distinctiveness. In addition to the Tiffany Blue, some well-known examples of colour trademarks include Cadbury's distinctive royal purple, Barbie's protected shade of pink and 3M's Canary yellow. Some of the colour marks registered in India can be seen below: Figure 3 by Deutsche Telekom AG, Figure 4 by Tata Sia Airlines Limited and Figure 5 by Victorinox.

### **FIGURE 3**



**FIGURE 4**



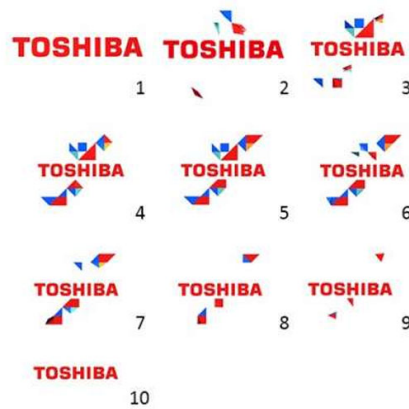
**FIGURE 5**



1. Motion marks: motion marks are those that are represented in the form of a moving image or in any other form of description. They encompass a wide range of elements, including holograms, gestures, dynamic movements and animated features that can incorporate aspects of colour, sound and product design. These marks are the product of multimedia and often involve a combination of sensory elements to create a unique and memorable brand identity. Only a handful of nations permit the registration of trademarks involving, for example, moving images, videos, cinematography, video clips from documentaries or films. Prominent examples of such motion trademarks encompass iconic brands such as 20th Century Fox Movies and Columbia Pictures, and the dynamic Microsoft Windows logo that greets users when they open a Windows desktop. In India, the first motion mark to be filed was

Nokia's 'CONNECTING HANDS' mark. However, the Registry's records show that the mark has been registered as a device mark rather than a motion mark, until 2019 when Toshiba Corporation secured registration for its motion mark (Figure 6).

**FIGURE 6**

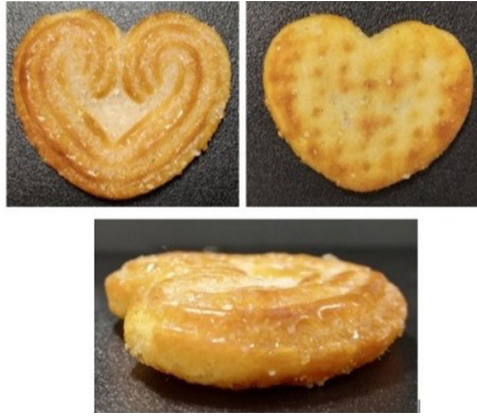


1. Shape marks: by getting a registration for the shape of products, a brand can protect the aesthetic value of their core products. However, the shape should not result from the nature of the product itself, or give substantial value to the product, or be necessary to obtain a technical result. 3D marks are also a variant of shape marks that uses the three-dimensional shape of a commodity or packaging to make it appear different from other products. Some examples of shape marks are the Manolo Blahnik shoe, the Coca Cola bottle and the shape of Toblerone chocolate. Our firm successfully assisted Britannia Industries Limited in registering their 3D marks (Figure 7 and Figure 8) for various goods covered under Class 30.

**FIGURE 7**



**FIGURE 8**



1. Taste marks: taste marks cover the taste or the flavour of an item. They need to be represented by way of written descriptions; however, there is a challenge of functionality. It is a topic of debate as to how the taste could function as a source indicator, as customers usually have no access to the flavour or taste of an item before they purchase it.

There are various other types of trademarks falling within the ambit of non-traditional trademarks that have been gaining momentum, such as hologram marks (an image that changes its appearance when looked at from different angles), position marks (a mark that is affixed to or placed on a product) and texture marks (the feel of a product or its packaging can act as the source identifier).

### **METaverse AND NON-TRADITIONAL TRADEMARKS**

The metaverse represents an immersive digital realm that integrates elements of social media, online gaming, augmented reality, virtual reality and cryptocurrencies enabling virtual interactions among users. Similar to real-world scenarios, numerous legal challenges emerge within the metaverse. One such challenge pertains to the relevance and safeguarding of intellectual property rights, particularly trademarks. Brand owners need to prioritise the protection of their brands in this virtual environment, necessitating the development of a legal strategy to participate effectively in the metaverse.

### **SCOPE OF PROTECTION OF NON-TRADITIONAL TRADEMARKS IN METaverse**

Securing trademarks in the metaverse extends beyond traditional forms, such as word marks or logo marks, to encompass non-traditional trademarks such as sound marks, smell marks and motion marks. This expansion holds the potential for substantial gains for companies and brands operating in the metaverse, creating a compelling brand allure among the virtual world's extensive user base. Consequently, the protection of their trademarks becomes a matter of utmost significance.

As the metaverse continues to evolve, brands have increasingly started to offer virtual products and services. In such a scenario, the distinguishing factor is predominantly the brand's value. The stronger the brand protection, the higher the brand's worth. If a company is considering entering the market for branded virtual products and services within the metaverse, safeguarding the brand becomes imperative. Some enterprises have already initiated trademark registration programs for this purpose. Numerous companies, including MasterCard, McDonald's, Nike, Walmart, Skechers, the Brooklyn Nets (an NBA Team), Puma



and various brands in the fashion, cosmetics, sports and entertainment sectors, have initiated trademark applications for their marks in connection with virtual offerings. Our firm successfully assisted Ekanek Networks Private Limited in obtaining registration for their mark 'BOHOVERSE' for virtual goods covered in Class 09, such as digital materials like non-fungible tokens (NFTs), digital collectibles and NFTs with blockchain technology.

To effectively serve their intended purpose within the immersive realm of the metaverse, trademarks are likely to take on non-traditional forms. These may include dynamic marks, such as moving image marks, sound marks, architecture and layout, holograms, patterns, smell and taste marks. This shift will necessitate an expanded scope of protection for these non-traditional trademarks. For instance, brand owners looking to promote their trademarks within the metaverse may have opportunities to do so through virtual billboards, sponsored virtual events and even virtual shopping centres where consumers can explore a brand owner's virtual products. In fact, some brands are already engaging with customers in the metaverse through decentralised gaming applications and the sale of exclusive virtual clothing lines utilising NFT technology.

### **LEGAL FRAMEWORK FOR NON-TRADITIONAL TRADEMARKS IN INDIA**

The legal framework for trademarks in India is governed by the Trade Marks Act 1999 and the Trade Marks Rules 2017. The Act defines a trademark as 'a mark capable of being represented graphically and which is capable of distinguishing the goods/services of one person from those of another'. The Act also provides for registration of non-traditional trademarks; however, the possibility of securing their registration can be a bit complex at times.

In India, the law does not specifically address the eligibility of non-traditional marks, leaving a gap in clarity. However, the criteria for registration of non-traditional trademarks in India is the same as that for traditional trademarks. The mark should fulfil the primary criteria (ie, it must be capable of being represented graphically and distinguishing goods and services of one person from those of another). In addition, the trademark must not be similar or identical to any existing trademarks. As regards graphical representation of any non-traditional trademark, the prominent forms in which these marks are represented are pictorial representation or a written description, or a combination of both. Most importantly, it must allow the ordinary customer to comprehend what is being claimed as a trademark as ultimately that will end up being the source identifier of a brand.

### **CHALLENGES IN REGISTRATION OF NON-CONVENTIONAL TRADEMARKS**

One of the biggest challenges is while getting a non-traditional trademark registered is the requirement of graphical representation. The Act requires that a trademark must be capable of being represented graphically, which sometimes poses a significant challenge for registration of non-traditional marks such as for sound marks and smell marks. However, this challenge has been somewhat overcome by the Trademark Rules 2017, which provide for the submission of an MP3 file or a video file for sound marks and a chemical formula or a description for smell marks.

Another challenge is the requirement of distinctiveness. Non-conventional trademarks are generally not deemed distinctive under the Act, rather they are deemed to have acquired secondary distinctiveness for the purpose of registration as such. This means that the trademark must have acquired distinctiveness through use over a period of time.

When it comes to the protection of trademarks in the metaverse, given the current scenario, it is safe to assume that a large number of frivolous filers and squatters will try to get registrations for the most popular marks in the virtual world and metaverse. Thus, it becomes very important for the right holders to protect their trademarks in the metaverse as well. It can thus be said that the protection of trademarks in the virtual world would greatly influence the value and rights of trademarks already existing in the physical world.

## CONCLUSION

Despite existing for so long, the ownership of non-traditional trademarks remains an evolving concept. While there are challenges in registering them, they should not be viewed as reasons to deter applicants from seeking protection for such marks. Instead, these hurdles serve as evidence of the evolving nature of intellectual property law and should be regarded as milestones in the adoption of innovative ways to set one's business apart.

One of the most striking features of a non-traditional trademark is the psychological impact it has on the consumers, making them associate it with brands even subconsciously. In the ever-so developing world, companies and brands come up with various out-of-the-box ideas for branding their products that are based on taste, smell and sound, etc. As technology has advanced and customer preferences have changed, non-traditional trademarks have become extremely popular. The Act and Rules govern the legal foundation for non-conventional trademarks in India. Despite the challenges as described above, non-conventional trademarks can be registered in India with the proper legal advice and supporting documentation.



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**Ishani Chandra**  
**Tanvi Srivastava**  
**Sanket Singh Sengar**

ishani@scalegal.in  
tanvi@scalegal.in  
sanket@scalegal.in

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Tel: +91 114 610 7580 / 114 102 3510

<https://www.sagarchandraassociates.com>

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# A Closer Look at Patent Registration Strategies

[Govind Kedia](#), [Christian Bunke](#) and [Sarasija Padmanabhan](#)

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## INTRODUCTION

Any framework designed to safeguard intellectual property aims to achieve two basic economic objectives:

- to establish exclusive rights to use and market newly developed technologies, products and services to encourage investments in knowledge development and commercial innovation; and
- to encourage or mandate rights holders to commercialise their ideas to advance the wide diffusion of new information.

India is an emerging global hub for research and development. With a rich history of science and innovation, India has, over the decades, crafted a unique patent framework. Given the nation's current trajectory in technological development, understanding its patent landscape is crucial for businesses, inventors and policymakers alike.

The development of a knowledge economy, the support of the start-up environment, technological innovation and scientific research all depend on an effective intellectual property regime.

In the last reporting year, India saw a 13.57 per cent uptick in patent filings as compared to 2020–2021, with domestic applications making up 44.41 per cent of the total – up from 41.58 per cent in the previous year.<sup>1</sup> Over the past seven years, patent filings have surged by over 50 per cent, and patent grants increased five-fold just between 2021 and 2022.<sup>2</sup> This growth spans multiple sectors, notably in tech fields such as computer science, electronics and engineering.

For the first time in over a decade, more Indians than multinational companies are filing for patents. As per the Indian Economic Service, the proportion of Indian applicants has doubled in the past 10 years, jumping from 20 per cent in 2010–11 to 44 per cent in 2021–22. In the final quarter of 2021–2022, domestic patent filings surpassed those from non-Indians.<sup>2</sup>

Changes in the patent process over the past five years have fuelled these recent gains, catapulting India's Global Innovation Index rank from 81st to 40th.<sup>3</sup>

Despite progress, India lags behind global leaders like China, the United States, Japan and Korea, accounting for just 3.8 per cent of all patent filings in 2020. In 2020, China led with 1.5 million patent filings, dwarfing the US's 597,000. They were followed by Japan, Korea and the European Patent Office with 288,000, 227,000 and 180,000 applications, respectively. The top five collectively accounted for 85.1 per cent of applications globally, a 7.7 per cent increase from their combined share in 2010.<sup>4</sup>

India's booming economy and vast markets influence patent plans.

Consider the following:

- Market size and consumer base: India's large, diverse population encourages R&D investment and innovation, as companies aim to meet local needs. Patenting for the Indian market can offer a competitive edge.

- **Competitive landscape:** India’s growing economy attracts global and local firms, heightening competition. Patent protection becomes key to avoid copycats and keep market exclusivity.
- **Innovation and R&D:** India’s economic growth often boosts R&D investment, leading firms to patent in growing sectors like IT, pharma, biotech and renewables.
- **Licensing and collaboration:** India’s market growth opens doors for local partnerships. Licensing or teaming up can help tap into this market while safeguarding IP rights.
- **Counterfeiting and piracy:** rapid economic growth can increase counterfeiting risks. Strong patent plans are vital to defend brand and market share.
- **Global expansion:** India’s economic growth attracts international business interest, making international patent protection crucial for safeguarding innovations in India and multiple key markets.
- **Policy and regulatory changes:** India’s shifting economy can bring new IP laws. Keeping current is key for adapting patent strategies.
- **Cost considerations:** India’s affordable R&D can shape patent plans. Innovators may opt for local R&D while filing patents for protection globally.
- **Market entry timing:** timing matters for capturing markets. Filing patents should align with product launches or market entry for optimal protection.

Businesses and innovators need tailored strategies that consider India’s unique market conditions and economic shifts while aligning with their business goals.

Comparison of patent strategy under the influence of economic growth and market potential of the European Union and the United States with India		
India	European Union	United States
Market potential: India offers a vast and rapidly growing market, which can incentivise companies to focus on patenting innovations tailored to the local market.	Regional protection: the EU offers a unified patent system, with the European Patent Office (EPO) and the unitary patent allowing businesses to protect their inventions across multiple EU member states with a single application.	Innovation hub: the US is a global innovation hub, with a strong emphasis on R&D and technological advancements across various industries.
Cost efficiency: India’s lower R&D and patent filing costs can make it attractive for companies to conduct research and file patents locally while considering global protection	Highly developed economy: the EU is a mature and affluent market, making it attractive for companies to invest in R&D and innovation for both local and global markets.	Patent - friendly environment: the US has a patent - friendly legal environment and a strong tradition of patent protection, making it a preferred destination for patent filing.
Complex regulatory environment: India’s nuanced patent laws and regular policy updates require businesses to craft	Strong IP protection: the EU has robust intellectual property protections and a well - established legal framework for patent enforcement, providing	Stringent examination: the US Patent and Trademark Office (USPTO) conducts rigorous patent examinations, ensuring the

innovative and adaptive patent strategies.	companies with a high level of confidence in their patent rights.	quality and validity of granted patents.
Challenges with enforcement: enforcement of patent rights in India can be challenging, with issues related to litigation timelines and potential infringement risks.	Global export hub: many EU countries are known for their exports and global reach, making it important for businesses to consider international patent strategies.	High litigation activity: the US also has a relatively high level of patent litigation, which influences patent strategies, as companies may need to defend their patents in court.

India strategies may be shaped by its emerging market status, cost-effectiveness and unique regulatory challenges. In contrast, the EU and the US benefit from well-established IP ecosystems and more mature markets, which can affect the focus and scope of patent strategies. Companies often tailor their patent strategies to align with the specific opportunities and challenges presented by each region.

### **PATENTABILITY CRITERIA DEMYSTIFIED**

India's patent laws and regulations include several key aspects that impact patentability criteria determining whether an invention can be granted a patent in India.

Listed are the key aspects of India's patent laws and regulations that influence patentability:

- novelty (new invention) (section 2(1)(l));<sup>5</sup>
- inventive step (section 2(1)(ja));<sup>5</sup>
- industrial applicability (section 2(1)(ac));<sup>5</sup>
- subject matter eligibility (section 3);<sup>6</sup>
- subject matter eligibility (section 4);<sup>7</sup>
- exemptions for software and business methods (section 3(k));<sup>6</sup>
- sufficiency of disclosure (section 10(4));<sup>8</sup>
- filing requirements (section 7 and 8);<sup>9, 10</sup>
- priority claims (section 138);<sup>11</sup>
- patent examination and opposition (sections 11 and 25);<sup>12, 13</sup>
- term of patents (section 53);<sup>14</sup>
- compulsory licensing (section 84);<sup>15</sup> and
- parallel imports certain acts not to be considered as infringement (not limited to import only) (section 107A).<sup>16</sup>

Largely patentability criteria aligns well with the UKIPO and the EPO.

### **THE ROLE OF THE NATIONAL BIODIVERSITY AUTHORITY**

India's National Biodiversity Authority (NBA) regulates patents related to biological resources and associated traditional knowledge with the aim to protect local biodiversity while ensuring fair benefit sharing.<sup>17</sup>

Listed is an overview of the process of the NBA:

- check if your invention uses bio-resources such as plants, animals, microorganisms or derivatives to know if it falls under NBA regulation;
- make sure your R&D or business activities follow India's Biological Diversity Act of 2002 and its related rules;
- get prior informed consent from the state's biodiversity management committee or local body if your work involves using bio-resources;
- negotiate an ABS agreement for terms of access, benefit-sharing mechanisms and any mutually agreed benefits when using bio-resources and related knowledge;
- apply to the NBA for bio-resource and associated knowledge access, including in your application resource details, ABS agreement info and any other NBA-required docs;
- the NBA reviews your application and may grant permission if it aligns with ABS rules;
- fulfil your ABS agreement terms, which could involve payments, tech transfers or local community support;
- send NBA regular reports or updates on your activities, such as research, commercialisation and benefit-sharing;
- for extensions or project changes, submit renewal or amendment forms to the NBA; and
- non-compliance risks penalties like patent loss or legal action under the Biological Diversity Act and ABS rules.<sup>18</sup>

It is imperative that patents that are referencing biological resources check the NBA processes.

### SOFTWARE-RELATED INVENTIONS

In India, the domain of software or computer-related inventions (CRIs) patenting is nuanced and surrounded by specific criteria. The evolution of CRI guidelines and jurisprudential interpretations has paved the way for a more defined pathway for patenting software.<sup>19</sup>

### DETAILED EXPLORATION

For a software to be patentable in India, it must demonstrate technical progression or effect.

A mere digital transformation of a business method is insufficient for patent eligibility.

The term 'technical effect' remains undefined in the 2017 CRI Guidelines. However, references from the 2013 Draft CRI Guidelines provide clarity, citing examples such as 'enhanced hard drive access speed, optimal memory usage, efficient data compression, and an advanced user interface'.

Section 3(k) of the Indian Patent Act delineates exclusions from patentability, which includes 'mathematical or business methods, computer programs per se, or algorithms'.

Interpretatively, while stand-alone computer programs are not patentable, those with a technical effect can qualify for patent protection.

The 2022 judgment in the case of Ferid Allani and Others v Union of India and Others (2022 SCC OnLine Del 1701) became a cornerstone for CRI jurisprudence.

Considerations include the invention's technical contribution, novelty, inventive step, industrial application and economic impact.

The Indian Supreme Court's stance resonates with the patentability standards for software-related inventions in global jurisdictions such as the European Union and the UK.

The Ferid Allani case judgement has clarified rules for patenting software in India, aligning it with global standards. This makes it easier for innovators to effectively protect their tech intellectual property and highlights the need for innovators to understand the details to effectively protect their creations.

### **EXPEDITED EXAMINATION STRATEGIES**

In India, patent reviews can sometimes take years owing to the backlog, but faster options exist for quicker decisions.

Below are some options to expedite patent examination in India.

### **REQUEST FOR EXPEDITED EXAMINATION**

The most common way you can request an expedited examination of your patent application is under Rule 24C of the Indian Patents Act 1970.<sup>20</sup>

To request an expedited examination, submit Form 18A along with the required fees.<sup>21</sup>

These are conditions under which an expedited examination can be requested:

- if India is designated as the international searching authority or the international preliminary examining authority in a corresponding Patent Cooperation Treaty application;
- if the applicant is a start-up (as defined by the government) or a small entity;
- if there is a national emergency or if the Controller of Patents deems it expedient to expedite the examination;
- if the applicant or one of the applicants is female; or
- if the applicant is a department of the government or wholly or substantially financed by the government.

Foreign entities can also claim this benefit by providing relevant evidence to help them qualify for start-ups and avail this benefits.

### **PATENT PROSECUTION HIGHWAY**

In 2019, the Indian Patent Office (IPO) and the Japan Patent Office have started a Patent Prosecution Highway (PPH) pilot programme. The Controller General of Patents, Designs and Trade Marks has publicised the guidelines on its website.<sup>22</sup>

The procedure mandates the submission of documents to the Office of Later Examination (OLE), after fulfilling criteria set by the Office of Earlier Examination.

For participation in the PPH, details should be submitted as per the form in Chapter 5 to the OLE.

PPH requests to the IPO are capped at 100 cases yearly, based on the first-come-first-serve principle.



A single applicant can't exceed 10 PPH requests to the IPO per annum.

### **UNDERSTANDING FOREIGN FILING LICENCES**

Consider a multinational corporation with a thriving R&D centre in Bangalore. They develop a groundbreaking technology with both local and foreign talents. While the Indian market's potential remains vast, they identify a greater market share in Europe. To navigate this, they would require a foreign filing licence (FFL) from India before filing a patent in Europe, ensuring transparency and adherence to India's national interests.

Navigating the patent landscape is not without its hurdles. One challenge is the potential consequence of violating section 39 of the Act. Without obtaining an FFL, Indian residents risk application denial and might incur fines if they file abroad. This presents a substantial barrier for uninformed inventors.<sup>23</sup>

### **THIRD-PARTY OPPOSITION IN INDIA**

The Indian patent framework provides mechanisms for third parties to challenge patent applications or granted patents, ensuring that only genuine innovations receive patent protection. The two mechanisms employed are pre-grant and post-grant oppositions, each serving its unique purpose in maintaining patent integrity.

#### **PRE-GRANT OPPOSITION**

This aims to prevent the grant of patents that do not meet the necessary criteria for patentability and is governed by section 25(1) of the Indian Patents Act 1970.

They can be filed by individuals, companies and organisations, and these oppositions must be filed after the patent application's publication but before its grant. (Typically, patent applications are published within 18 months of the earliest filing or priority date, but exact timelines may vary).

They act as a checkpoint, ensuring only deserving inventions are patented, while facilitating third-party interventions against patents that may curb innovation or competition.

#### **POST-GRANT OPPOSITION**

This aims to allow for the challenging of already granted patents, questioning their validity based on patentability or other grounds. It is governed by section 25(2) of the Indian Patents Act 1970.

They can be filed by any entity, be it individuals, companies or organisations, and these oppositions must be filed within one year of the patent's grant publication date in the Indian Patent Journal. Oppositions after this duration are disregarded.

They ensure maintenance of patent quality by offering a window for third parties to challenge patents that might not truly deserve protection.

The Indian patent system, through pre-grant and post-grant oppositions, ensures a rigorous screening of patent applications and grants. By offering third-party intervention, it ensures that only deserving inventions receive patent protection, preserving the integrity of the patent landscape. This structured approach echoes the system's commitment to fostering genuine innovation and preventing unwarranted monopolies.

### **EXPECTED RULE CHANGES**

The Indian government's Patent Draft Amendment Rules 2023 proposes the following alterations to the Patents Rules 2003, aiming to enhance the patent application process's efficacy in India:

- a decrease in the request for examination (RFE) timeline from 48 months to 31 months to accelerate the patent examination process;
- introduction of provisions for voluntary filing of divisional applications without dependence on previous rejections, so that greater application flexibility for patent protection is offered;
- mandated disclosure of details for all foreign filings concerning the same or essentially similar inventions, irrespective of their filing sequence. This is to avoid potentially bypassing Indian patent laws via prior foreign applications;
- giving permission to the controller to utilise publicly accessible databases for information on patent processing in foreign nations;
- enhancing clarity regarding patent application abstract requirements; and
- giving six months' grace for restoration requests for forsaken patent applications.

Public participation: current draft rules are open for public feedback, with final rules to be issued post review of these comments.<sup>24</sup>

### **IMPLICATIONS FOR PATENT APPLICANTS**

- Prompt action required: the curtailed RFE timeline necessitates early application preparations.
- Increased patent protection flexibility: with divisional applications, complex applications can be segmented, or varied invention facets can be distinctively protected.
- Foreign applications scrutiny: the emphasis on foreign filings disclosure necessitates vigilance in initial foreign applications before Indian application filing.

The Patent Draft Amendment Rules 2023 primarily seek to elevate the Indian patent application process's efficiency. For prospective patent applicants, while the draft rules promise improved operational efficiency, it's imperative to stay updated and strategise in accordance with these impending changes.

### **CONCLUSION**

India's patent landscape, rich in its nuances, reflects the nation's commitment to innovation and its pivotal role in the global R&D ecosystem. A well-informed, collaborative approach will ensure that India continues its trajectory as a global leader in innovation, balancing the interests of inventors, businesses and the public at large. To anyone aiming to innovate in India, understanding this landscape is not just beneficial, it's imperative.

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### **Endnotes**



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**Govind Kedia**  
**Sarasija Padmanabhan**

govind@arcticinvent.com  
sarasija@arcticinvent.com

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C44 – First Floor, Sector 2, Noida, India

**Tel:** +91 96282 35468

<https://www.arcticinvent.com/>

[Read more from this firm on WTR](#)



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**Christian Bunke**

christian@basck.com

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New Delhi C44, First Floor Sector 2, Noida, India

**Tel:** +44 (0) 1223 654547

<https://basck.com/>

[Read more from this firm on WTR](#)

# Advantages and Drawbacks of Trademark and Design Protection in India

**Amit Aswal**

AnovIP

## Summary

**INTRODUCTION**

**TRADEMARK REGISTRATION IN INDIA**

**DESIGN REGISTRATION IN INDIA**

**FORGING A RESILIENT PROSECUTION STRATEGY: HARNESSING THE SYNERGY OF TRADEMARKS AND DESIGNS**

## INTRODUCTION

The Indian market offers significant opportunities for businesses seeking growth and expansion. Within this dynamic environment, intellectual property rights have emerged, covering diverse categories such as patents, trademarks, copyright, trade secrets and geographical indications. Patents grant inventors exclusive rights to their innovations for a specific period, while trademarks protect logos, symbols and brand identities. Copyright safeguards artistic, literary and musical works, while trade secrets shield confidential proprietary trade information. Geographical indications safeguard product names originating from specific regions renowned for their unique characteristics or reputation. These various forms of intellectual property rights are governed by distinct sets of laws, including the Patents Act 1970, the Copyright Act 1957, the Trade Marks Act 1999 and the Designs Act 2000.

Intellectual property encompasses the fruits of intellectual creativity, spanning a broad spectrum from inventions and artistic or literary creations to symbols, names, images and designs intended for commercial use. It encompasses manufacturing methods, product launch schedules, confidential formulas and lists of countries where specific patents are authorised. IP extends to elements such as brand names, logos, products, services and operational procedures offered by a company. Unauthorised use of these concepts can lead to significant losses for an organisation.

However, comprehending the intricate rules surrounding the protection of intellectual property can be a challenging endeavour. Intellectual property rights laws differ from one country to another, yet their primary aim is to foster innovation and creativity while striking a balance between the interests of creators and the public. These laws grant creators exclusive rights, enabling them to reap the benefits of their creations, all while ensuring that the public can access and utilise creative works under specific circumstances.

In India, intellectual property protection encompasses both trademarks and designs. Trademarks, which can include words, phrases, symbols, logos or combinations, are governed by the Trade Marks Act 1999. Registering a trademark ensures legal protection against unauthorised use, granting exclusive usage rights.

On the other hand, design protection pertains to the visual aspects of a product, covering shape, surface and ornamentation. The Designs Act 2000 governs this area, offering exclusive rights for typically 10 years. This is crucial for industries like fashion, automobiles and consumer electronics, where aesthetics significantly impact consumer choices.

## TRADEMARK REGISTRATION IN INDIA

### NATIONAL TRADEMARK REGISTRATION IN INDIA

Trademarks represent a vital facet of intellectual property, encompassing various aspects, such as patents, industrial property, trade secrets, copyright and geographical indicators. They furnish distinct identities to products and services, encompassing elements like words, symbols, sounds, logos, colour combinations and even unique fragrances. In India, trademark protection is governed by the Trade Marks Act 1999.

National trademark registration in India entails submitting an application directly to the Indian Trademark Registry, conferring exclusive usage rights for the mark within the Indian borders. Here are the advantages and disadvantages of adopting this approach.

### **ADVANTAGES**

National trademark registration in India offers several advantages. First, it provides strong protection, granting exclusive rights to use the mark for specified goods and services across the entire country, thus bolstering defence against infringement. Additionally, it offers flexibility as applicants can modify or revise their applications during the prosecution procedure, ensuring that the trademark aligns with their evolving business needs. This strategy also operates independently of international agreements or registration in the home country, providing a level of autonomy. Furthermore, it enhances the value of a company, making it more attractive to potential buyers. A well-known brand with protected assets adds substantial value to the business, increasing its market appeal. Finally, trademark registration safeguards the brand name, logo and tag lines from infringement, allowing for legal action against unauthorised use, thereby maintaining the integrity of the brand.

### **DRAWBACKS**

There are several drawbacks to pursuing national trademark registration in India. First, the process can be time-consuming, mainly owing to the backlog of applications at the Indian Trademark Registry. Second, the protection offered is limited to the boundaries of India and does not extend to other countries, thereby requiring separate applications in foreign jurisdictions for international protection. Finally, this approach can be cost-inefficient, as filing individual applications in multiple countries may incur higher expenses compared to regional or international trademark registration options.

### **MADRID PROTOCOL: INTERNATIONAL TRADEMARK REGISTRATION**

The Madrid Protocol stands as an international treaty that facilitates the process of obtaining trademark protection across multiple member countries through a single application submitted via one's home country's trademark office. India is a proud member of the Madrid Protocol, and here are the advantages and disadvantages associated with this approach.

### **ADVANTAGES**

The Madrid Protocol offers several advantages for trademark owners seeking international protection. First, it simplifies the process by allowing one application and a unified fee structure to protect trademarks across multiple member countries. This not only enhances convenience but also reduces administrative complexity. Second, it is cost-effective, making it an attractive option for companies looking to protect their trademarks in multiple jurisdictions. Consequently, filing applications through the Madrid Protocol is recommended for efficiency and cost savings. Third, the system allows for centralised management, simplifying administrative tasks, renewals, and changes. Finally, the International Bureau manages the international registration, streamlining fee collections and ensuring a single renewal date for all member nations, further enhancing the convenience of international trademark protection.

### **DRAWBACKS**

Indian trademark protection comes with several considerations. First, it relies heavily on the stability of the initial application or registration within the home country. Any

issues encountered during this stage can potentially affect the international application. Additionally, there are limitations when designating additional member countries later on; these designations are bound by the same constraints as the original application. Another risk involves a central attack scenario: if the home country application faces cancellation or restrictions within the first five years, it can impact the international registrations in other member countries. Furthermore, international registrations are closely linked to their primary registration or application. Any modifications made to the basic registration directly influence the international registration. If the basic registration expires within the initial five years, the international registration will also lapse. Although conversion to national registrations is an option, it can be financially burdensome as there are no provisions for refunds. These complexities highlight the nuanced nature of international trademark protection, necessitating careful consideration and strategic planning.

## **TRADEMARK PROTECTION IN INDIA**

In India, trademark protection is governed by the Trade Marks Act 1999 and is administered by the Office of the Controller General of Patents, Designs and Trademarks. Here are some strategies for protecting trademarks in India:

1. registration: registering a trademark is the most effective way to protect it. A registered trademark provides exclusive rights to the owner and prevents others from using similar marks. Applicants can register their marks online through the Trademarks Registry's official website.
2. Trademark search: conducting a comprehensive trademark search before applying for registration helps in identifying any conflicting marks and allows the applicant to make necessary adjustments to avoid potential infringement issues.
3. Trademark watch services: utilising professional trademark watch services to monitor potential infringements helps with timely detection of trademark violations is essential for effective enforcement.
4. Renewal: trademark registration in India is valid for 10 years and can be renewed indefinitely. It is crucial to keep track of renewal dates to maintain protection continuously.
5. Trademark licensing and assignment: be cautious when licensing or assigning trademarks. Ensure that any agreements are properly documented and registered with the Trademarks Registry.

## **DESIGN REGISTRATION IN INDIA**

### **NATIONAL DESIGN REGISTRATION**

In India, design registration involves applying for protection under the Designs Act, granting exclusive rights over the visual appearance of a product. Here are the pros and cons of national design registration.

### **ADVANTAGES**

National design registration in India boasts several advantages. First, it provides comprehensive protection, granting exclusive rights within India and effectively safeguarding against unauthorised use or replication. Additionally, this approach offers independence,

as it does not depend on international treaties or registrations in foreign countries. Finally, it is considered a cost-effective option when compared to the expenses associated with international design applications.

### **DRAWBACKS**

National design registration in India has its limitations. First, it offers protection exclusively within the borders of India, necessitating the filing of separate applications for international protection in other countries, which can be administratively burdensome. Second, national design registration does not automatically grant recognition and protection outside of India, leaving the design potentially vulnerable to infringement in foreign jurisdictions. Finally, the registration process in India can be time-consuming, often resulting in delays in securing the desired protection.

### **THE HAGUE SYSTEM: SIMPLIFYING INTERNATIONAL DESIGN REGISTRATION**

The Hague System for the international registration of industrial designs stands as an efficient mechanism, enabling applicants to secure design protection across multiple participating nations through a single application. This international framework streamlines the traditionally complex and time-consuming process of pursuing design rights in various countries by offering a centralised and standardised approach. In a notable development in 2023, India joined the ranks of Hague System members, marking a significant advancement in the realm of intellectual property rights. This move aligns with global endeavours to bolster intellectual property protection and simplify the procedures for international design registration. Let's explore the advantages and disadvantages of this system.

### **ADVANTAGES**

The Hague System offers several advantages for those seeking international design protection. First, it streamlines the process by enabling applicants to file a single worldwide application in one language, simplifying the often complex task of seeking protection in multiple member nations. This not only saves time but also significantly reduces administrative burden. Second, it presents a cost-effective solution for businesses looking to protect their designs across various jurisdictions. By opting for the Hague System, companies can save on costs compared to filing individual applications in each separate country. Finally, the system supports centralised management of renewals and changes, further easing administrative responsibilities and enhancing the efficiency of design protection efforts.

### **DRAWBACKS**

International design registration has certain characteristics worth noting. First, it depends on the initial application or registration in the home country, meaning any issues with the primary application could impact the extent of international protection. Second, when making subsequent designations after the initial filing, they are bound by the same constraints as the original submission. Finally, there is a risk of central attack, where if the home country application faces cancellation or restrictions within the initial five years, it could have repercussions on the international design registrations. These aspects underscore the interplay between the home country and international registration processes.

### **DESIGN PROTECTION IN INDIA**



In India, design protection is governed by the Designs Act 2000. Here are some strategies for protecting designs in India:

1. **Registration:** registering a design is a primary step in protecting it. It grants the owner exclusive rights to use, make, and sell the design for a specific period. The registration process can be completed through the Designs Office's online portal.
2. **Novelty search:** as with trademarks, conducting a novelty search is crucial for design protection. It helps in ensuring that the design is unique and does not infringe on existing designs.
3. **Priority applications:** India is a member of the Paris Convention, which allows foreign applicants to claim priority based on their initial design applications in other member countries. This can be advantageous when seeking international design protection.
4. **Publication:** once registered, the design is published in the Official Gazette, making it accessible to the public. Enforcement becomes more straightforward as the publication serves as a public notice.

### **FORGING A RESILIENT PROSECUTION STRATEGY: HARNESSING THE SYNERGY OF TRADEMARKS AND DESIGNS**

In the quest to develop a formidable prosecution strategy tailored specifically for the nuances of the Indian market, enterprises can enhance their intellectual property protection by seamlessly blending trademark and design registrations. This strategic fusion allows companies to capitalise on the inherent strengths of each system while proactively addressing potential vulnerabilities. Here's an in-depth exploration of how businesses can intricately integrate these strategies:

1. **National registrations:** the bedrock of this comprehensive approach lies in obtaining national trademark and design registrations in India. This initial step serves as the foundation for a robust shield of protection within the Indian borders. It safeguards intellectual property assets from potential infringement while establishing a strong presence in the local market.
2. **International reach through the Madrid Protocol and Hague System:** to fortify global protection for trademarks and designs, businesses should consider the advantages of international registrations offered by mechanisms such as the Madrid Protocol and the Hague System. By carefully designating specific member countries, companies can extend the reach of their intellectual property rights well beyond India's boundaries. This approach not only enhances international presence but also ensures a cost-effective strategy for safeguarding intellectual property on a global scale.
3. **Strategic timing considerations:** an essential element of this integrated approach involves meticulously planning the timing of international applications through the Madrid Protocol and Hague System. Businesses can maximise efficiency and minimise costs by strategically deciding when to initiate these applications. Waiting for the basic home country registration to mature before filing international applications can be a prudent move, streamlining the entire process and presenting a cohesive global protection strategy.
- 4.

Vigilant enforcement and monitoring: the crux of any robust prosecution strategy lies in the active enforcement of trademark and design rights. Enterprises must maintain vigilant oversight of the market, deploying advanced monitoring tools and techniques to promptly identify potential infringements. In the face of unauthorised usage, immediate and decisive legal action must be taken to protect the integrity of brand and design assets. Regular, proactive monitoring ensures that any violations are addressed swiftly, preserving the exclusivity of intellectual property.

5. Ongoing maintenance and portfolio management: beyond the initial registration phase, a comprehensive strategy should encompass ongoing maintenance and management of the intellectual property portfolio. Regularly renewing and updating registrations, conducting periodic audits to assess the portfolio's effectiveness and strategically expanding protection as the business evolves are integral components. This proactive approach ensures that intellectual property assets remain current, robust, and aligned with the company's goals.

By integrating these detailed and holistic elements into their prosecution strategy, businesses can navigate the intricacies of the Indian market and beyond with finesse. This comprehensive approach not only bolsters protection but also enables enterprises to adapt swiftly to the dynamic landscape of intellectual property laws and regulations, safeguarding their innovations and brands effectively for long-term success.

Thus, in India, protecting trademarks and designs extends beyond registration. Effective enforcement involves regular market surveillance to spot infringements, both online and offline. Cease-and-desist letters can resolve issues amicably, but legal action via civil and criminal proceedings is an option if negotiations fail. Custom recordal enhances protection by preventing the import of counterfeit goods. These strategies ensure robust intellectual property rights in India.



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**Amit Aswal**

amit@anovip.com

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45/1 Corner Market, Malviya Nagar, New Delhi 110017, India

Tel: +91 11 4183 5550

<https://www.anovip.com/>

[Read more from this firm on WTR](#)

# The Latest View on India's Life Sciences IP Ecosystem

**Shweta Singh, Khushal Juneja and Hamza Nizamuddin**

Ennoble IP

A country's greatness can be measured by its visionaries. Nevertheless, in today's paradigm, becoming a visionary and being competent enough to bring innovations to market is insufficient. In modern times, entrepreneurial and research rivalries have become too fierce, and any idea is capable of being duplicated and stolen, so they must be safeguarded. This is why intellectual property rights (IPR) have now been recognised as one of the core assets anyone can hold. Patenting new inventions, among other things, protects the inventor's rights, promotes entrepreneurs and simplifies the exchange of technology among recipients.

The same goes for the life sciences domain as inventors are additionally safeguarded by intellectual property rights, but he or she must establish the novelty and ingenuity of the specific item they are proposing. Section 2(1)(j) of the Patents Act 1970 discusses the innovation, highlighting that the breakthrough must be unique for it to be protected. The ongoing IPR architecture has enabled the commercialisation of a lot of life sciences and biotechnology-centric products, such as seeds, monoculture, new plant varieties, microbes and hereditarily altered organisms. But for a long time, it was necessary to find a means of developing a robust methodology that reconciles the standard intellectual property (IP) structure with the sustainable components of life sciences. That soon got revolutionised as it became very prominent as IP protection is among the major cornerstones in many companies' prospective ambitions and many Indian corporations were impacted by the covid-19 pandemic, which wreaked havoc on the worldwide economy, meaning they had to rethink their entire research and development and intellectual property procedures. The biotechnology and life sciences sectors are forecasted to increase to be worth over US\$3 trillion by 2030, ushering in a new era of intellectual property and life sciences.

Owing to multiple ethical issues that legislatures and magistrates around the world have taken into consideration, it has been a major obstacle for all nations, especially for India, to adequately protect scientific advances as well as additional innovation-oriented endeavours within the disciplines of life sciences and biotechnology. Adoption of knowledge about living beings, particularly human anatomy, is typically viewed as illegal. Some laws expressly restrict patents in some fields. In other cases, courts may declare them unconstitutional for reasons unconnected to any of the normal patentability standards. Another source of uncertainty in intellectual asset protection is the flexibility given by the Treaty on Trade-Related Intellectual Property Aspects (TRIPS). This agreement requires patents to be granted in all disciplines of technology except biological sciences, including genetically modified organisms if there has been an aspect of human intervention. In India, intellectual property rights in the life sciences sector have long been a cause of contention. This is because inventions within the life sciences sector have an impact on governance, ethical standards and the macroeconomic situation. Life sciences entities often work with an assortment of goods and procedures that can be generally categorised according to the industry in which they operate. A key issue for life sciences scholars and institutions in the past has been that patents for linked innovation are particularly vulnerable to deterioration from minor changes and technology transfer in the life sciences area, as sometimes it takes longer owing to complicated and stringent government compliance around the safety of new ideas and technologies. These challenges would eventually have an impact on the practical long-term sustainability of the substantial expenses innovation and the final product, reducing the odds of recuperating economic benefits and restricting people from implementing their IPs. Supplementary to the conventional patentability necessities of unconventionality and substantial measures, life sciences breakthroughs in India had

to meet the obstacles set by section 3 of the Patents Act. Section 3 creates exclusions referred to as 'non-patentable inventions', which have been created primarily to defend the nation's economic and social concerns. As a large amount of innovation and technological advancement in the life sciences area has a connection to the healthcare industry, the limits of section 3 of the Act's subsections (b), (c), (d), (i) and (p) have to be addressed accordingly for one to get over the novelty aspect. Aside from the aforementioned concerns, India has witnessed a big turn of fortune and plenty of improvements in its IP practices over the preceding 10 years, with the enactment of various administrative and legislative changes that have contributed to the protection of IP. Innovative individuals, entrepreneurs and major organisations in the life sciences sector capitalised on India's position as a signatory to the Convention on Biological Diversity, which calls for them to make contributions to the preservation of the domain, its sustainable utilisation and equitable distribution of the rewards that result from the utilisation of biological resources and specialisation.

During the recent decade's change, a slew of creative solutions to the problem of adequate safety have emerged. The most effective tactics are those that combine quantifiable and acknowledged approaches to protecting IP with the last phases of the procedure to record correct information about the innovation. These approaches are employed across nations and jurisdictions and can be beneficial commercially as well as environmentally as the life sciences have permeated into every field of technological development, culminating in one of the most complex systems of contemporary times. The field of life sciences is no longer an isolated subject; rather, it is a constantly evolving fluid realm that is swiftly extending and incorporating many different fields of study, restoring the development of an increasing number of multifaceted areas, such as the field of biotechnology computational biology, the use of nanotechnologies and biopharmaceuticals. So, in the case of IP, it has evolved into a vital tool for a wide spectrum of business operations.

The ownership and utilisation of intellectual property are essential factors in establishing a business's cognitive and monetary viability. In general, advances in biosciences-related firms need a greater investment in terms of time and resources. Such a move necessitates effective development and secure retention of extraordinarily valuable IP. IP creation and oversight for life sciences companies in India necessitate not only compliance with national IP laws, but also compliance with other national laws, restrictions and mandates. Even though numerous regulatory bodies are regularly revamping and facilitating the removal of limitations, complex regulations and laws are a key obstacle for life sciences businesses in India and interest-appropriate and timely assessment.

What is more fascinating to note other than the research segment in India is the start-up culture in India. With over 210 incubation centres and approximately 15–20 start-up engagement expeditions, India is making advances toward developing a start-up community. Entrepreneurs have also provided much contributing seed funding to take the domain to a new height and also advise emerging companies on strategies that will result in success. The Indian government has also dipped in and launched the 'Start-up India' programme, which supports entrepreneurs and innovators to start as well as transition into the start-up game. A lot of life sciences-based start-ups in India helped reform and support the nation during covid-19 crisis. One example is when going to hospitals for ordinary ailments is perilous, online pharmacies have helped to reduce the need for unneeded travel and the likelihood of infection, opening a new gateway for pharma-based organisations. Life sciences start-ups in India surged at a 50 per cent compound annual growth rate, making up 14 per cent of the 9,200 start-ups established during this time frame. What's most fascinating is that life

sciences are not just linked to biological fields, but have also taken the aspect of artificial intelligence used by 65–67 per cent of the aforementioned start-ups, while Internet of Things technologies are employed by 45–46 per cent. Even though India's entrepreneurial scene is still in its infancy, the nation currently ranks in the top 10 for global patent applicants, as most life sciences patents are getting filed in India, followed by South Korea, Australia and Japan. Although many of the companies have only filed patents in single digits, they opted to protect their innovations in many jurisdictions and have proven that IPRs are crucial to the life sciences industry. To maintain the current uptrend of the IPR ecosystem in India, the government has come up with the recent National Intellectual Property Awareness Mission (NIPAM) initiative, a prestigious initiative for imparting IP exposure and foundational education. It was launched on 8 December 2021 during the Azadi Ka Amrit Mahotsav celebrations. The effort is being carried out by the Intellectual Property Office, the Office of the Controller General of Patents, Designs and Trade Marks, and the Ministry of Commerce and Industry. Over a million students have received IP education and core training from the NIPAM, which continues to work closely with researchers and innovators to build a brighter future. As the risks are connected with these lengthy developmental periods and legal constraints, business interests tend to get the highest quality IP rights. As new technologies, personalised medicine and specific therapies offer potential treatments for chronic diseases, novel viewpoints on agricultural repercussions and industrial breakthroughs, the life sciences industry is extremely competitive. The simplicity of sequencing search and patent synthesis may now yield significant financial and strategic benefits. In an industry seeing expansion in the biosimilar and equivalent marketplaces, information and exclusivity in the marketplace are becoming increasingly crucial.

India has been and is traversing a new world setup, transitioning from an era of complete lack of IP attention to where it is now, with a proactive pursuit of IP in the margins of creativity as it begins turning into an international centre of world-class IPR solutions in every sector, with life sciences at the forefront. Having seen India's IP potential in the past, the time has come to embrace the vitality of the biotechnology and life sciences sectors. Although development has been made after the first patent legislation was introduced in the last century, known as the Patents Legislation of 1970, while the need to conserve IPR has been recognised in government circles, the amount of safeguarding may not be limited. In 2023, the government announced a number of national IPR policies to foster innovation and entrepreneurship, as well as to review and reinforce existing rules.

For many years, there has been a lot of backlash to greater IPR protection from people who fear it will harm India's interests. A tighter IPR policy is expected to make pharmaceuticals and therapies substantially more difficult to develop and distribute. This is not the case, as it is merely an absence of awareness. According to a study titled 'Intellectual Property: Rights, Need, and Awareness', a startling number of students, scholars, professors and managers from more than 200 educational institutions in South India were unaware of the benefits of IP and other related issues. Ensure a prosperous future of IPR in India in the field of life science will depend on three major things:

- awareness of IPR benefits;
- streamlined and robust enforcement; and
- promoting a more innovative culture.

India has begun to take IPRs much more seriously and has started developing ways to foster IPRs and the culture of start-ups in populous India, making enormous strides in fields such as scientific and academic producing, agriculture and culture, in particular in the field of life sciences, which have recently experienced a tremendous boom. To maintain this increasing trend, government officials must strike a delicate balance between national interests and the protection of intellectual property, as well as incubation and acceleration devices, because creative and innovative ideas cannot survive without strong intellectual property protection. The Indian Institutes of Technology, Centre for Scientific and Industrial Research and Council of Industrial Innovation and Research are institutions that have contributed significantly to the advancement of science. However, owing to a shortage of IPR streaming platforms and utility, much research is stalled and is unable to be commercialised. Probably, large firms and organisations are not going to be the sole ones to benefit. Improved legal protection will spur grassroots innovation and improve the lives of regular Indians. When dealing with these problems and laws, authorities, such as the patent office or other associated premises, have struck a balance between encouraging innovation, preserving socioeconomic rights in society and defending domain interests. Bottom-up, decentralised, evidence-based and inclusive stakeholder interactions are critical in achieving legal and regulatory reforms in the intellectual property ecosystem as India gradually grows into the hub of innovation and research that we all envision.



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**Shweta Singh**  
**Khushal Juneja**  
**Hamza Nizamuddin**

shweta.singh@ennobleip.com  
khushal@ennobleip.com  
ipec@ennobleip.com

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Ennoble IP B-17, B-Block Sector 6, Noida 201301 Uttar Pradesh, India

Tel: +91 120 421 0639

<https://www.ennobleip.com/>

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# Top Tips and Advice for Brand Owners to Get the Best Out of Their Relationship With Customs

[Bidyut Bikash Tamuly](#), [Ronil Goger](#) and [Sandhya Parimala](#)

[Archer & Angel](#)

## Summary

[ROLE OF INDIAN CUSTOMS OFFICE IN IP ENFORCEMENT IN INDIA](#)

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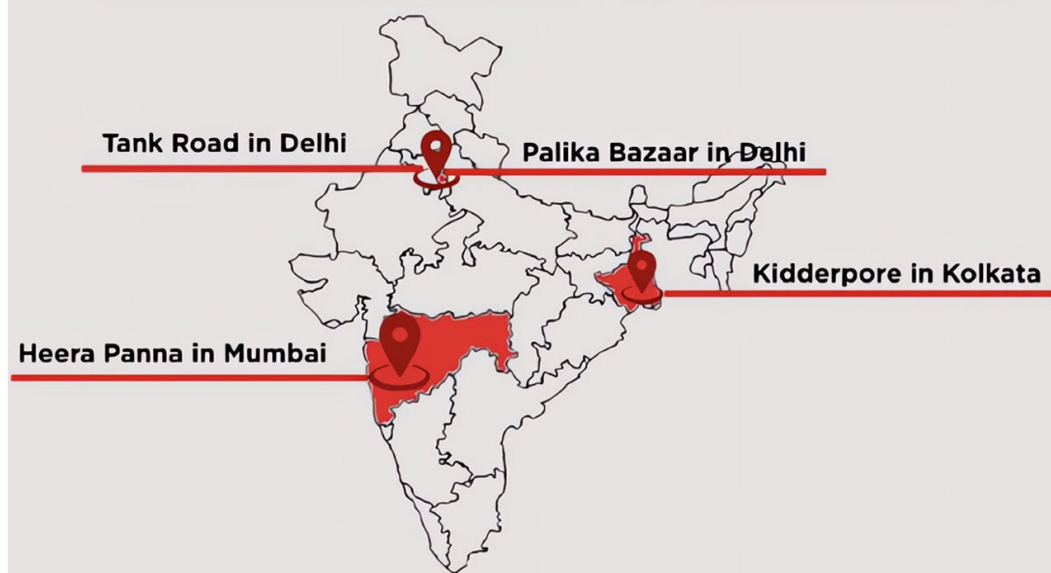
One good product is better than many fake goods

Lailah Gifty Akita

In the burgeoning wave of technological advancements and the globalisation of market access, numerous developing and developed nations have reaped substantial benefits. However, this meteoric rise has ushered in a surge in unregulated market forces, thereby providing fertile ground for the insidious proliferation of counterfeit, pirated, illegal and fake goods. Among the nations grappling with the repercussions of this unsettling trend, India, nestled alongside its Asia-Pacific counterparts, bears the brunt of these nefarious market dynamics. Presently, the Indian economy finds itself ensnared in an ongoing battle with growing intellectual property (IP) infringement challenges – wherein approximately 25–30 per cent (Source: Livemint) of products sold in India are counterfeit.

#### MARKETS IN INDIA WHEREIN MOST OF THE COUNTERFEIT PRODUCTS ARE FOUND

**The four Indian markets that are on the list are:**

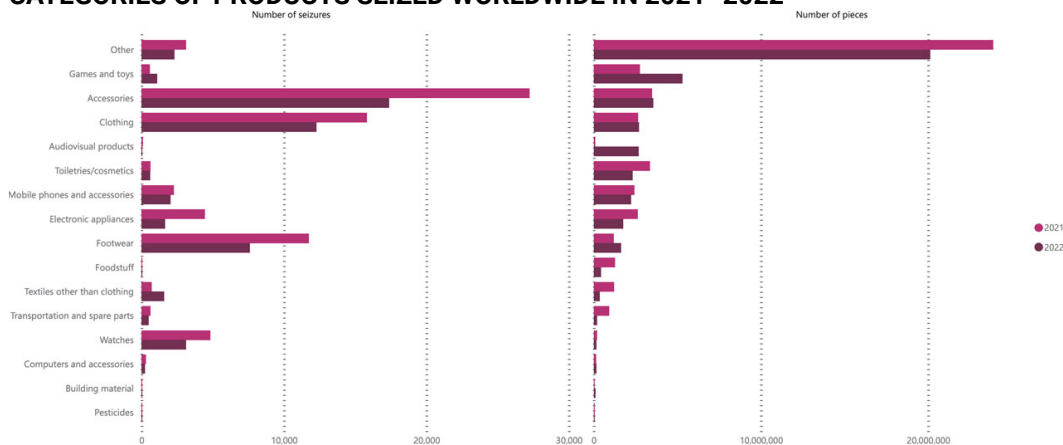


(Source: India TV, YouTube)

Legitimate businesses are experiencing a significant decline in sales, profits and reputation due to the proliferation of infringing and counterfeit products. These inferior imitations not only fail to meet the high standards of luxury goods but also leave customers dissatisfied with the original product. The industries most affected by this scourge include footwear, clothing, accessories, pharmaceuticals and medical products, cosmetics and electronic devices. Surprisingly, the World Customs Organization's Illicit Trade Report of 2022 reveals that counterfeit accessories were the most frequently seized, with over 17,300 cases containing an estimated 3.55 million pieces, followed by clothing, with around 12,200 cases with 2.7 million pieces. The Forbes Report of 2022 further highlights the staggering value of global counterfeit products sold annually, estimated to be between US\$1.7 trillion and US\$4.5 trillion. This illicit activity has caused numerous high-end companies and global players to

suffer significant losses in their operations, tarnishing their reputation and undermining their brand value.

### CATEGORIES OF PRODUCTS SEIZED WORLDWIDE IN 2021–2022



(Source: World Customs Organization, Illicit Trade Report, 2022)

As the global economy continues to flourish, the customs departments of nations across the world have assumed a pivotal role in safeguarding the interests of IP holders against counterfeiters and infringers. This is a boon for IP holders, as there is no more efficacious means of protecting their valuable IP than by intercepting and confiscating illicit goods at the border itself. For instance, the Mercedes-Benz Intellectual Property Competence Centre works in close collaboration with various law enforcement agencies worldwide, including customs departments, to thwart the nefarious activities of counterfeiters and infringers who seek to peddle spurious products in the market. Recently, the United States Customs and Border Protection seized a cache of shoes and purses that were found to be counterfeit products of prestigious brands such as Chanel, Louis Vuitton and Hermes, with the total value of the confiscated items exceeding US\$700,000.

In accordance with the border protection measures outlined in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), holders of IP rights can get the cooperation of the relevant customs department to seize goods at the border and forestall their release into the market. As a signatory to the TRIPs, India is obliged to take decisive measures against any goods that contravene the regulations of international commerce. In light of this, and with the utmost regard for the protection of IP rights in India, the government of India has meticulously formulated the requisite laws.

### ROLE OF INDIAN CUSTOMS OFFICE IN IP ENFORCEMENT IN INDIA

The government of India has repeatedly taken significant measures to reduce the influx of fake, pirated, illicit and counterfeit products into the Indian market and the curb growth of the grey market. One of the most significant steps taken by the Indian Customs Office (ICO) was to implement the Customs Recordal System to further its objective of preventing the cross-border circulation of counterfeit and infringing goods. Apart from this, the ICO has also introduced ICEGATE (Indian Customs Electronic Gateway), which is an interface between the ICO and the trade users for exchanging information and provides e-filing services to the cargo carriers and other trading partners. This interface has more than 160,000 thousand registered users serving more than 1.25 million importers and exporters.

The ICO, through the customs recordal platform, offers IP holders to directly notify customs authorities about both original and infringing products, which enables the customs authorities to identify the counterfeit and infringing products and take appropriate action. To facilitate this, the e-portal for customs registration in India provides various advanced features for the IP holders that allow them to upload and update photographs of the original as well as the counterfeit and infringing products, the distinguishing features and characteristics of the original product and any infringement to the jurisdictional officers.

To prevent the importation of counterfeit and low-quality products into India, IP owners are encouraged to record their IP rights with the ICO to monitor and confiscate them. This can be done in accordance with the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007 and the Customs Act 1962, which serves as a safeguard for brand owners. Further, the relevant provisions allow for the detection and disposal of infringing and counterfeit goods at the border. Under the customs recordal, an electronic application is required to be filed with the ICO along with the necessary documents and information on the Indian Customs IPR Recordation Portal – [www.ipr.icegate.gov.in](http://www.ipr.icegate.gov.in). In this regard, except for patents, all other IP such as designs, copyrights, trademarks, copyrights and geographical indications can be registered with the ICO. Once the goods have been seized, they are typically communicated to the legitimate IP holders for review. Substantial fines are imposed on those who facilitate the importation of such counterfeit products. If the goods are identified as counterfeit or violate the IP rights of the proprietor, they are destroyed (for trademarks and designs) or transferred to the IP holders if desired (for copyright).

Further, it is pertinent to mention that the IP holder only has to apply for a single customs registration with the ICO for the relevant IP, based on which the ICO provides the benefit of broader protection in India across multiple commercial ports.

In addition, the ICO can also suspend or detain the clearance of goods on their own motion and even without the IP holders recording their rights with the ICO, if they have a bona fide reason to believe that imported goods are infringing the IP rights of an IP holder. In such cases, the IP holders are required to register their rights with the ICO within a period of five days, failing which the suspension shall be cancelled. Goods that are imported for personal use and that are non-commercial in nature contained in the personal baggage or in small consignments are not subjected to the Indian Customs Rules.

In the present context, many high-end brands including Casio, Giorgio and Armani have collaborated with the ICO to identify and destroy alleged infringing and counterfeit products. In recent times, the ICO has actively enforced and protected the rights of various legitimate IP holders. For instance, in 2015–2016, the Anti-Smuggling Unit of Customs in Mumbai seized over 100,000 fake and counterfeit luxury goods. In 2017, the ICO seized about 12,000 counterfeit shoes in Chennai, which were supposed to be sold under well-known international brands such as Nike, Adidas and Reebok. According to the 161st report on Review of the IPR regime in India, in 2019, there were close to 187 seizure cases registered by ICO, with a value of around US\$2.7 billion. In 2022, the Indian Ministry of Finance published an article in which it was found that cigarette packets containing 3.02 million sticks under the brands 'Gold Flame', 'Fun Gold' and 'Gold Clock' were seized by the ICO. Few representative photographs of counterfeit goods are provided below.



(Source: [FICCI Intellectual Property Tool Kit for Customs Officials](#))



Source: [Nyka](#)



Original product third from left

Source: [Magzter](#)

Further, the ICO has recorded the following number of cases for commercial fraud and outright illegal goods for the years 2020–2023. Also, the following number of arrests was undertaken by the ICO for the years 2020–2023.

Year	Commercial frauds	Outright illegal goods	Number of people arrested
2020–21	276 (worth about US\$252 million)	39 (worth about US\$199 million)	27
2021–22	323 (worth about US\$335 million)	38 (worth about US\$288 million)	26
2022–23	391 (worth about US\$187 million)	13 (worth about US\$205 million)	17

### ADVANTAGES FOR IP HOLDERS WITH CUSTOMS PROTECTION

1. Preclude counterfeit and infringing goods from entering the market: the confiscation of counterfeit and infringing goods with the ICO is highly advantageous to IP holders, as it effectively eradicates the source of infringement, thereby preventing the availability of such products to the discerning public. Once the counterfeit and infringing goods infiltrate the market, it becomes an arduous task for the IP holders to track and confiscate them. Moreover, the detrimental impact of these counterfeit or infringing goods can be averted, not only in terms of financial losses, but also in terms of the esteemed reputation and goodwill of the IP holders. This, in turn, ensures that the demand for their exquisite products remains steadfast in the market.

2. Cost efficiency and time saving: the detection and confiscation of illicit and spurious merchandise by the ICO would lead to a considerable conservation of valuable time and resources for the IP holders. This would effectively preclude them from embarking on any other arduous forms of IP enforcement, such as initiating legal proceedings, conducting market raids and lodging police complaints. Furthermore, the exorbitant expenses and laborious efforts involved in investigating and tracing the counterfeit products can be averted, thereby saving a significant amount of both time and money.
3. Identifying the source of the problem: having registration with the ICO also helps in identifying the source from where the counterfeit and infringing goods are entering into India, which will further enable the IP holders to strategise and take appropriate anti-counterfeiting actions in relevant jurisdictions. Custom officials may also be in a position to provide valuable information about the entities and individuals involved in the production and distribution of the infringing and counterfeit goods.
4. Proactive steps of the ICO: to safeguard the rights of the IP holders, the ICO can even take suo moto action by suspending or detaining the clearance of goods (where ICO have bona fide reason to believe that the products are infringing or counterfeit) – without the IP holder recording their rights with the ICO. However, to enable the ICO to take swift and conclusive action, it is recommended to have a customs registration.

### **RECOMMENDATIONS TO STRENGTHEN RELATIONSHIPS FOR CUSTOMS PROTECTION**

Considering the immense advantages, IP holders can consider collaborating with ICO for effective protection of their brands and other original work from counterfeits and infringers. In this regard, the IP holders may consider the following steps.

1. Proactively registering and recording of IP rights with the ICO, would be of paramount importance for the IP holder. This facilitates ICO to keep track of data on the entry of counterfeit and infringing goods into India.
2. IP holders can regularly provide a detailed guide for product identification to the ICO and officials to help identify the original products and their distinctive characters – by providing the images of the same, an accurate description of the original product and a detailed explanation on how to differentiate the original product and the counterfeit and infringing products – including through pricing and certifications.
3. IP holders should also conduct specific meetings/trainings/seminars on a periodic basis with ICO and the authorities to give them an overview on possible routes of a counterfeiter or infringer, updates on the identification of genuine products and on any information on the counterfeit or infringing goods that is known to the IP holder or their local counsel or representatives.
4. Active participation by IP holders in the proceedings can help determine the nature of the imported goods and determine if the same are infringing the IP holder's rights. Cooperation in a timely manner may result in faster action and resolution.
5. It is also pertinent for the IP holders to get acquainted with the local laws relating to customs protection and enforcement and IP rights, which would enable them to have better coordination with the ICO and customs authorities in India. In this

regard, the IP holders can also consult local attorneys and experts in India for a better understanding.

## CONCLUSION

Given Indian conditions, protecting IP rights against counterfeit and infringing products can be extremely difficult for IP holders. However, by proactively coordinating with the ICO, following the above recommendations and building strong partnerships (with ICO and local attorneys and experts), IP holders can significantly restrict and curb infringing activities and nip them in the bud. These recommendations are both effective and simple to implement – thus providing comprehensive protection for the rights of the IP holders.



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**Bidyut Bikash Tamuly**  
**Ronil Goger**  
**Sandhya Parimala**

btamuly@archerangel.com  
rgoger@archerangel.com  
sparimala@archerangel.com

---

#5B, 5th Floor, Commercial Towers, Hotel JW Marriott, Aerocity, 110037 New Delhi, , India

**Tel: +91 11 4195 4195**

<https://www.archerangel.com/>

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# What Rights Holders Need to Know as the Court Landscape Continues to Evolve

[Urfee Roomi](#), [Janaki Arun](#) and [Jaskaran Singh](#)

[Sujata Chaudhri IP Attorneys](#)

## Summary

CHANGES IN STATUTORY REGIME

ESTABLISHMENT OF IP DIVISIONS AT HIGH COURTS

NOTABLE DEVELOPMENTS IN THE ARENA OF SEP LICENSING

USAGE OF TRADEMARKS AS AD WORDS

PATENT PROTECTION FOR COMPUTER-RELATED INVENTIONS

JURISDICTION TO DECIDE TRADEMARK/DESIGN/PATENT CANCELLATION PETITIONS

CONCLUSION



The intellectual property enforcement landscape in India has witnessed a cascade of changes and developments in the past few years. With a view towards improving the overall ease of doing business in India, major legislative and institutional changes have been brought in by the Indian government aimed at streamlining the Indian intellectual property (IP) enforcement landscape. From prescribing stricter procedures and timelines for adjudging IP disputes, to transferring powers of erstwhile tribunals to the high courts, the changes have been far and wide. Along with institutional changes, courts are also constantly weaving changes into the fabric of the IP landscape through evolving case law.

Some of the major developments in the Indian IP framework that can help right holders make informed choices about the strategies to be adopted for protecting and enforcing their valuable IP rights in India are as follows.

### **CHANGES IN STATUTORY REGIME**

The Indian judiciary has been, for various sociopolitical reasons, reeling under the pressure of a huge backlog of cases for decades. Overflowing dockets, coupled with lax restraints to discourage parties from indulging in dilatory tactics, resulted in matters getting routinely relisted for hearings, making quick disposal practically unachievable. Realising that these issues, felt ever more strikingly in IP disputes entailing urgent relief, could jeopardise India's aims of attracting foreign investments, certain changes were promulgated by the Indian legislature.

The first was the introduction of the Commercial Courts Act 2015 (CCA) and corresponding amendments to the Code of Civil Procedure 1908 (CPC). Owing to these changes, commercial disputes, including IP disputes, now proceed on much stricter, and largely non-extendible, timelines. The changes have also made it difficult for parties to get away with filing frivolous or vexatious claims and defences. The amendments have further ushered in the concept of case management procedures, allowing judges to monitor the timelines of litigation. Further, the CCA has also mandated exploration of mediation by parties before entering into litigation, except in matters contemplating urgent interim relief.

This was followed by a major institutional change with the introduction of the Tribunals Reforms Act 2021 (TRA). The enactment of the TRA saw the abolishment of the Intellectual Property Appellate Board (IPAB), the erstwhile forum for deciding appeals of orders of the Trade Marks Registries and Patent Office, etc, and for deciding rectification and cancellation actions against IP registrations. The TRA transferred the entire gamut of the IPAB's jurisdictional powers to the Indian high courts.

### **ESTABLISHMENT OF IP DIVISIONS AT HIGH COURTS**

Post the abolition of the IPAB, all matters that were pending before it stood transferred to the high courts. This sudden influx of a large number of matters posed a massive challenge for the high courts to ensure that this transition was smooth and without hiccups.

Leading the way towards dealing with this challenge was the Delhi High Court, which established a dedicated Intellectual Property Division (DHC-IPD) within a few months of the disbandment of the IPAB. The Madras High Court followed suit by establishing its own IP Division early this year.

The DHC-IPD has designated specific benches for adjudication of IP disputes, which are administered under procedural rules tailored specifically for the purpose. The rules adopted

by the DHC-IPD offer some novel and bespoke features, which have not only streamlined the transition from the IPAB, but also generally benefited the process of deciding IP disputes. These include setting up of 'confidentiality clubs' for enabling the exchange of confidential information between parties, as well as the concept of 'hot tubbing', where evidence of two opposing experts appointed by the court for rendering technical assistance is taken concurrently. The DHC-IPD rules also encourages parties to explore mediation, and courts under these rules are empowered to appoint a mediator or panel of mediators for resolution of a matter at any stage of the proceeding, even without the parties' consent. Additionally, recognising the pertinent challenges thrown up in cases involving standard essential patent (SEP) infringement, the rules have also introduced provisions dealing specifically with certain aspects involved in SEP disputes, including enabling courts to pass directions for monetary compensation instead of injunctions, if infringement is prima facie established.

Unfortunately, however, apart from Delhi and Madras, where IP disputes are now, owing to the dedicated IPDs, being disposed of expeditiously, other courts are yet to follow suit; although, there is hope that in the coming months, a structure will be put in place.

### **NOTABLE DEVELOPMENTS IN THE ARENA OF SEP LICENSING**

Notable developments have taken place in the field of SEP licensing that impact the manner in which rights holders traverse the sea of SEP protection and enforcement in India.

The Delhi High Court recently rendered two landmark two-judge bench decisions, in *Intex Technologies v Telefonaktiebolaget LM Ericsson* (2023:DHC:2243-DB) and *Nokia Technologies OY v Guangdong Oppo Mobile Telecommunications Corp Ltd & Ors* (2023:DHC:4368-DB), which have shaped the SEP litigation space in India for the future. Through these decisions, the court condemned holding-out techniques resorted to by implementers during SEP licence negotiations. The court categorically observed that FRAND requirements impose obligations on both the SEP holder as well as implementers, and that the implementers must either accept the offer made by the SEP holder or make a counteroffer with security payment to protect the interests of the SEP holder. The benches in the two decisions also denounced the four-fold test laid down by a single judge of the Delhi High Court in a previous decision for payment of security amount by the implementer. The single judge of the Delhi High Court in this decision had made payment of security amount by the implementer contingent on the SEP holder first showing an admission by the implementer regarding infringement, validity, utilisation and the FRAND nature of the SEP owner's offer. The two-judge bench further observed that there was no requirement for an SEP holder to map an implementer's product to the asserted standard for claiming pro-tem payment in respect of the alleged infringement, and that injunction can be granted on the whole of the infringing device by demonstrating infringement of one SEP alone.

Thus, the Delhi High Court has paved the way for SEP holders to effectively assert and protect their SEPs in India and, after examining the legal position concerning SEPs prevalent in other jurisdictions, has attempted to ensure that implementers are not granted an unreasonable leverage over SEP holders.

### **USAGE OF TRADEMARKS AS AD WORDS**

In yet another development peculiar to the age of the internet, courts in India have been frequently facing the question of whether the use of keywords that are identical or deceptively similar to registered trademarks as part of the Google AdWords program, by advertisers, would amount to trademark infringement.

The position in this regard was dictated until August 2023 by the decision of a single judge of the Delhi High Court in *DRS Logistics v Google India Pvt Ltd & Ors* [2021:DHC:3482], which held that advertisements that do not feature a trademark visibly but use them as a keyword can create confusion as to the origin of goods and services, and that the overall effect of the advertisement needs to be investigated to ascertain if the said advertisement can be said to cause confusion, in which case it would amount to infringement.

Google appealed this judgment and the decision in the appeal was delivered on 10 August 2023, where, while partly rejecting Google's appeal and upholding the decision of the single judge on most counts, the two-judge bench passed some clarifying observations. The appeals court, concurring with the decision of the CJEU in *Google France SARL and Google v Louis Vuitton Malletier SA & Ors* [(2011) All ER (EC) 411], upheld the single judge's observations that use of trademarks as keywords constitutes 'use' in the trademark sense, and that it was not necessary for the registered trademark to physically appear in an advertisement to constitute use. The two-judge bench also observed that as Google's role in promoting and suggesting use of trademarks as keywords is anything but passive, this use, if found infringing, would be considered use not only by advertisers but also by Google. The bench further observed that as use of keywords increases traffic on the subject websites, and results in revenues for Google, it could not be said to be immune from liability for trademark infringement. Notably, however, the bench also held that unless it is established by the registered trademark owner that unauthorised use of its trademarks as keywords has resulted in confusion, no liability for infringement would arise.

The above judgment provides sufficient clarity for right holders who feel aggrieved by unauthorised use of their trademarks for the purpose of advertisements by third parties not only on Google's search engine, but also over any other platform that has a search-based functionality.

## **PATENT PROTECTION FOR COMPUTER-RELATED INVENTIONS**

The position under Indian patent law with respect to patentability of computer-related inventions (CRIs) has been quite murky. This is primarily owing to an express statutory bar existing under the Indian Patents Act 1970 deeming 'mathematical or business method or a computer programme per se or algorithms' to be ineligible for protection. This provision has been the subject of much deliberation by courts in different cases, and the interpretation accorded to the words 'per se' in the provision has been largely inconsistent.

The patentability of CRIs was examined by the Delhi High Court in 2019 in *Ferid Allani v Union of India & Ors* [2019 SCC OnLine Del 11867], which ruled that the statutory provision cannot stand in the way of genuine inventions based on computer programs being protected. The court relied upon the Patent Manual published by the Indian Patent Office in 2019, as well as the latest guidelines issued by the Patent Office in relation to CRIs, which provide that the statutory prohibition must only restrict computer programs as such from being considered patentable, and that inventions that involve a technical contribution or effect beyond the program itself can be considered patentable. However, inconsistency and lack of clarity in the approaches adopted by patent examiners persisted.

The issue thereafter came up in May 2023 before a single judge of the Delhi High Court in *Microsoft Technologies v The Assistant Controller of Patents and Designs* [2023:DHC:3342]. The Patent Office had, in the order under appeal, refused to grant a patent on the ground that

the claimed invention is merely a set of computer executable instructions and algorithms, constituting 'computer programs per se'.

While hearing the challenge to the refusal order, the single judge expressed that despite the observations of the court in *Ferrid Alani* (supra) and the express language contained in the CRI Guidelines and the Patent Manual, examiners at the Patent Office were placing undue reliance on the inclusion of a novel hardware for the patentability of CRIs. The court observed that if a computer-based invention provides a significant technical contribution or effect or has some other technical benefit, then the fact that the invention involves a mathematical or computer-based method would not preclude it from being patentable. Accordingly, the order was set aside.

The single judge also offered a word of advice to the Patent Office, stating that it should consider providing illustrations and examples within the examination guidelines of both patent-eligible and ineligible inventions, for offering clarity to patent examiners while dealing with such matters.

These judgments were recently followed and reaffirmed in another single judge bench decision of the Delhi High Court delivered on 15 September 2023 in *Raytheon Company v CGPDTM* (2023:DHC:6673) where, placing reliance on the decisions in *Ferrid Alani* (supra) and *Microsoft Technologies* (supra), the court found to be unsustainable another order of the Patent Office that had placed undue insistence on inclusion of novel hardware in a CRI for being considered patentable, without giving any findings on the technical effect or contribution of the invention in question.

This judgment comes as a welcome step for inventors looking to patent their CRIs who were, until now, caught in two minds over the ambiguity existing at the level of the patent examiners.

### **JURISDICTION TO DECIDE TRADEMARK/DESIGN/PATENT CANCELLATION PETITIONS**

Post the abolition of the IPAB, questions arose as to which high court would have jurisdiction over original cancellation actions and appeals from the orders of the respective IP offices. While the IPAB was functional, these cancellations and appeals used to lie at one of the five IPAB benches that had jurisdiction over the concerned IP office where either the application for the said IP (patent, trademark, etc) was filed, or that had passed the order under appeal.

The Delhi High Court had answered this question in relation to patents in November 2022 in the case of *Dr Reddys Laboratories Ltd v Controller of Patents & Ors* (2023:DHC:004746); patent revocation petitions would lie at any high court of the petitioner's choosing, if it can show that the petitioner's commercial interest is affected under the jurisdiction of that high court. However, as regards appeals from orders of the patent office, the court ruled that these appeals would continue to lie at the high court within whose jurisdiction the Patent Office where the application for grant of patent was originally filed is situated.

This test of extending jurisdiction for deciding original cancellation actions to any high court where the exclusionary effect of the registration is felt, irrespective of the location of the IP office where the application for registration of the IP was filed, was recently extended by the Delhi High Court to trademark cancellation petitions in the case of *Centre Consortium LLC v Krunal Harjibhai Sardhara* (2022:DHC:6234). The Delhi High Court ruled that a cancellation petition against a registered trademark can be filed before any high court if it can be shown that the 'dynamic' or exclusionary effect of that registration is felt within that high court's

jurisdiction, notwithstanding that the mark was granted registration by a trademark office located in the jurisdiction of another high court.

The decision holds significant value, as not only does it open the floodgates for high courts to hear and decide trademark cancellation petitions that are located even beyond their respective jurisdictions, but it has also made trademark owners susceptible to facing cancellation actions by third parties at any high court across the country.

## **CONCLUSION**

The legislative and institutional changes introduced to the IP regime in the recent years have had a visibly positive impact on the efficiency of courts in disposing of IP disputes. The changes come as a welcome step for IP holders seeking to obtain protection for and enforcing their IP rights in India. The decision rendered by the two-judge bench in *Nokia v Oppo* also offers promising signs for SEP holders, who can look up to Indian courts as a SEP-friendly jurisdiction, with assurance that unwilling licensees will be now put to task by Indian courts.

Further, the regime changes have also increased the oversight of high court judges over the decisions and functioning of the respective IP offices, whose officers are now mindful that any inconsistency in their decisions will be scrutinised. This is expected to bring an increased sense of responsibility and uniformity in the functioning of the IP offices. However, the glaring issue of effectively filling in the void left by the abolition of the IPAB is still left to be addressed, and the government as well as the courts need to work towards remedying this gap as soon as possible.



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**Urfee Roomi**  
**Janaki Arun**  
**Jaskaran Singh**

urfee@sc-ip.in  
janaki@sc-ip.in  
jaskaran@sc-ip.in

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106, Express Trade Towers 2, First Floor, B-36, Sector 132, Expressway, NOIDA, Uttar Pradesh 201301, , India

**Tel:** +91 120 6233100

<https://www.sc-ip.in/>

[Read more from this firm on WTR](#)

# Navigating Patent Protection Within the Context of AI

**Prashant Phillips**

Lakshmikumaran & Sridharan

## Summary

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## **INTRODUCTION ON AI**

While the field of artificial intelligence (AI) has a history spanning more than 50 years, its significant impact has emerged as a relatively recent phenomenon, particularly within the past decade. From applications that are more often used, such as human face recognition and artificial face generation, to generating automated recommendations on online platforms, computer-aided diagnoses, game-playing programs and self-driving cars, the groundbreaking influence of AI is evident in our daily lives. Such innovations utilise machine learning (ML) techniques that implement a learning process that enables the AI-based tools to perform the aforesaid functions. ML techniques are capable of automatically detecting (and learning) meaningful patterns in large volumes of data (referred to as training data) and applying such patterns for accomplishing specific tasks. The determination or identification of such patterns, which would not have been possible through execution of automated instructions (ie, computer programs) or through manual intervention alone, leads to innovations for which protection may be sought.

## **INDIA AND THE DAWN OF THE AI ERA**

A great deal of attention has been given to AI in India. The integration of AI into different sectors has brought about an operational ease, as well as an innovative push. Owing to its widespread applicability, we are currently witnessing a paradigm shift in the creation of novel and creative works. With a proliferation of use of AI, seminal concerns and issues over the interface between AI and intellectual property (IP) have gripped jurisdictions across the world and are now also bracing Indian shores. Resolving these concerns is of great significance for different stakeholders, considering that the AI industry is shaping up to add more than US\$900 billion to the Indian industry by 2035.<sup>1</sup>

## **SCOPE OF PROTECTION FOR AI INNOVATIONS**

Any innovation should be protected. IP protection for innovations provides a slew of benefits, including exclusivity, unique market advantages, revenue generation and strategic business positioning. Patents play a crucial role in fostering innovation while providing innovators and businesses with the necessary platform to capitalise on their inventive efforts. Although legal frameworks for the protection of technological innovation exist, no specific or dedicated legislation has been enacted for protecting AI innovations. This has become important considering certain specific challenges that AI as a technological paradigm itself poses when considered under the current IP framework.

## **IP ISSUES FACING AI-BASED INNOVATION**

Although the current IP framework is generally sufficient for assessing IP in AI innovation, certain aspects have posed considerable issues. Principal among them are two issues that have been considered as central towards extending IP protection to AI-based innovation. First, improvements in the quality of output of generative AI models have resulted in creative works that may be eligible for IP protection. The issue herein lies in the controversy of whether generative AI models qualify as authors or inventors for the works created by them, especially when created without any human intervention. Secondly, a rather nuanced issue has emerged regarding the patentability of AI inventions. This includes scaling the statutory bars to patentability and also the mandate that requires that sufficient disclosure that would enable a person skilled in the art is present in the written description. This written disclosure



forms a part of the patent bargain, which justifies the grant of limited monopoly over the invention as an incentive for disclosing the same to the public.

AI challenges and raises fundamental questions involving IP protection. The present article, however, focuses on issues pertaining to patents in India and briefly touches upon certain issues pertaining to other fields of IP, such as copyright, trademarks and trade secrets.

### **PATENT LANDSCAPE FOR AI IN INDIA: UNCHARTED TERRITORY?**

A patent gives the patentee a right to exclude others from making, using, selling, offering for sale and importing any product that embodies the claimed invention.<sup>2</sup> Subject to the exclusions specified under the Patents Act 1970 (the Act), a patent may be granted for all fields of technology.

AI-based or AI-related innovation would undoubtedly qualify as a technical field that may be protected under the Act. Broadly, AI inventions may be categorised under the following categories.

#### **INVENTIONS PERTAINING TO AI TECHNOLOGIES**

The present field would include innovation involving the development of one or more AI tools – for example, developing new AI algorithms or improving existing algorithms. Some of the popular machine learning algorithms include, but are not limited to, linear regression, gradient descent, logistic regression, support vector machines and decision trees.

#### **AI-ASSISTED OR AI-BASED INVENTIONS**

These include innovations that use AI tools for implementing certain specific applications. The innovation in such instances does not lie in the AI tools used, but in the use of the AI for achieving a technical objective. Examples include facial recognition, language processing and drug discovery.

#### **AI-GENERATED INVENTIONS**

This refers to innovation or solutions that may be determined or derived by the AI tool without any human intervention. One of the most famous examples of these inventions is the DABUS. DABUS (Device for the Autonomous Bootstrapping of Unified Sentience), is an artificial intelligence system created by Dr Stephen Thaler. DABUS gained attention in the context of patent law since it was designed to autonomously generate inventions, without direct human intervention.

### **PATENT RIGHTS AND AI IN INDIA**

Although the Act was passed in 1970, the Indian patent framework is in a state of change. With the abolishment of the Intellectual Property Appellate Board (IPAB), the high courts have now been charged with handling a large proportion of IP-related issues. This has led to the evolution of the IN patent jurisprudence, with the high courts deciding on many fundamental issues pertaining to patent law in India. Although evolving (and in the right direction), the Act and jurisprudence has yet to specifically factor in certain issues that are unique to AI inventions. Despite the issue of ownership of inventions by AI stealing much of the attention, there are still certain aspects that may create issues that would have to be considered when entering into India. These include:

- subject matter eligibility;

- written description requirements; and
- ownership.

### **SUBJECT MATTER ELIGIBILITY UNDER THE ACT**

Any invention (not only AI inventions) would be examined and assessed with respect to section 3 of the Act. Specifically in the context of AI inventions, the subject matter would be assessed with respect to section 3(k) of the Act. Section 3(k) of the Act is provided below:

The following are not inventions within the meaning of this Act,—

- (k) a mathematical or business method or a computer programme per se or algorithms

The legal basis for assessing patentability under section 3(k) of the Act has been established by the erstwhile IPAB and Delhi High Court in a number of decisions,<sup>3</sup> determining that the presence of technical effect or contribution is the correct basis for assessing patentability under section 3(k). In the case of Microsoft,<sup>4</sup> the Courts have held that the technical effect or contribution can be demonstrated by showing that the invention solves a technical problem, enhances a technical process, or has some other technical benefit.<sup>5</sup> In the same paragraph the courts had proceeded to hold that:

The mere fact that an invention involves a mathematical or computer-based method does not automatically exclude it from being patentable. The invention can still satisfy the patentability requirements, including the requirement for a technical effect or contribution, to be eligible for patent protection. In other words, method claims in computer program patent may be patentable if it involves a technical advancement and provides a technical solution to a technical problem and has an improved technical effect on the underlying software.

Although the term 'technical effect' has not been defined, the IPAB's decision in the case of Ferid Allani had provided some exemplary indications that may be relied on to assess whether the claimed subject matter has a technical effect. AI inventions would be patentable as long as the subject matter is to provide a technical solution to a technical problem. The courts have clearly indicated that such subject matter cannot be held to be non-patentable only because it is implemented on a computing system.

In the context of AI-related/assisted inventions, where an AI tool may be used for an end application or for 'generating' a technical solution, it may be possible to establish the claimed subject matter as being patentable since either end result would be directed towards overcoming a technical problem. Generally in such cases, the claims may relate to a technical process that is implemented using the AI tool (but the claims may not relate to the AI tool itself).

### **EPO AND UK APPROACHES TO AI-INVENTIONS**

Owing to the similarity in the provisions pertaining to subject matter eligibility for computer-related invention, the principles in the European Patent Office (EPO) and the United Kingdom have had persuasive value in India.

In the context of AI-assisted tools,<sup>6</sup> the Guidelines for Examination in the EPO recognise that artificial intelligence and machine learning find applications in various fields of technology. The Guidelines indicate that where the AI and ML may be used for technical applications or for a technical purpose, the subject matter under consideration may be patentable. From the Guidelines, it may be gathered that only such subject matter (ie, the subject matter involving the AI-assisted invention) would be patentable if it serves a technical purpose.<sup>7</sup> Where the subject matter does not involve a technical purpose, such subject matter would not be patentable. These principles would apply in a similar manner to both AI tools and for AI-generated inventions (the resulting output being either an AI-assisted invention or an AI tool).

The position in the United Kingdom is slightly different to the EPO approach for AI tools (ie, inventions that involve the development of one or more AI tools – for example, developing new AI algorithms or improving existing algorithms). The UK High Court in the case of *Emotional Perception AI Ltd v Comptroller-General of Patents, Designs, and Trade Marks*<sup>8</sup> recently held that artificial neural networks (or ANN) (which is nothing but an AI tool) are patentable under UK patent law. The present judgment was handed down for appeal against a decision of the UK patent office that had rejected the patent application, citing that the claimed subject matter fell squarely within the scope of the exclusion defined under section 1(2) of the UK Patents Act 1977. The High Court had held that the ANN as such is not a program for a computer. The Court on the question of technical effect also held that the ANN provided sufficient technical effect outside the computer in providing the audio file determined to be semantically similar to a target audio file. It is pertinent to note that such subject matter was not assessed for want of a technical purpose (as per the EPO approach).

In the context of the Indian patent framework, it remains to be seen which approach is adopted by the Patent Office and the Courts. It may be gathered that the UK approach, if adopted, will make it easier for AI tools (and consequently other AI inventions) to overcome the statutory bar under section 3(k), as generally any AI invention would be affected onto data elements lending it the appropriate technical effect.

### **WRITTEN DESCRIPTION REQUIREMENTS UNDER THE ACT**

The written description requirement is one of the fundamental principles within patent law that is common to many jurisdictions. Similar in principle, the wording of the corresponding provision may differ between different regions. In the United States, section 112 of the Patent Act mandates an 'enabling' written description, encompassing a comprehensive delineation of the invention and the methodological details for its realisation. Under the European Patent Convention (EPC), article 83 requires that detailed description discloses the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art. Similar provisions also exist in India, with the Act providing that the complete specification shall fully and particularly describe the invention and its operation or use and the method by which it is to be performed.<sup>9</sup> The present requirement is assessed during substantive examination and is available as a ground for opposition<sup>10</sup> (both pre-grant as well as for post-grant oppositions) and for revoking a granted patent.<sup>11</sup> As may be gathered, the above provisions require that sufficient information pertaining to how the inventions work should be made available in the detailed description. The requirement of enabling disclosure is a widely followed standard that can be observed from article 29(1) of TRIPS Agreement as well, which requires member states to mandate disclosure of invention in a sufficiently clear and complete manner.

For most computer program inventions, meeting this standard is not controversial and, in many cases, may be considered less burdensome when compared to other technical fields (eg, pharmaceuticals and biotechnology). The nature and operation of the computer program may be described in considerable detail and the output of a computer program or software can be determined.

That is far from the case in relation to AI inventions. ML algorithms are trained on training data to identify patterns and generate predictions. The written description requirements are very relevant in the context of AI inventions. As may be understood, the functioning of the AI model may be so complex that it may not be possible to determine the decision-making process that the model implements. The inability to ascertain such a decision making process by AI models (eg, deep learning algorithms) is commonly referred to as a 'black box problem'. This may pose an issue since the patent description is required to explain how the invention works, which owing to the black box problem may not be possible.

As the number of patent applications (involving AI inventions) being examined increases, this issue may have to be addressed soon or else it may severely impact the grant of patent applications. Considering that it may not be possible to determine how the underlying AI makes decisions, this may pose a challenge when evaluating (or defending) patent applications pertaining to AI inventions.

In India, there is yet to be a case that would define the bounds of the written description requirement for AI inventions. In the United States, patent applicants must provide sufficient implementation details for their AI inventions. Over the past five years, the Patent Trial and Appeal Board (PTAB) in various decisions has preferred specific implementation details over overtly broad or generic description for achieving the claimed result.<sup>12</sup> Where the description may be generic and insufficient (ie, the description does not explain how the AI inventions could be used to achieve the claimed functionality or objective), the patent application is liable to be rejected. The PTAB has also ruled in favour of patent applications where the detailed description omits adequate implementation details to train and use the generic machine learning algorithm to achieve the claimed result.<sup>13</sup>

The standard of scrutiny followed by the EPO is far stricter compared to that followed by the USPTO. For example, in one of the most seminal cases on this subject, T0161/18 Äquivalenter Aortendruck/ARC SEIBERSDORF,<sup>14</sup> the Technical Board upheld the rejection by the Examining Division for lack of sufficient disclosure of training data under article 83 EPC. The Technical Board held that, when claiming specific applications of AI, the detailed description should specifically characterise training data (ie, describe the type of training data and other attributes of such training data) for the patent application to conform with the requirements laid down under article 83. Specifically, the Board held that the training data submitted by the applicant indicates only its broad range and doesn't specify the input data or data set suitable for the artificial neural network that is to be trained. This would inhibit a person skilled in the art from carrying out the invention and, therefore, the application was hit by insufficient disclosure. The USPTO did not find any insufficiency in disclosure and permitted the application to proceed for grant.

It remains to be seen as to whether India will adopt the EPO or the US approach. In any case, it is very likely that the present issue is likely to be settled by courts. In the absence of any specific guidance available for India, it is advisable to err on the side of caution and provide additional details wherever possible. Specifically, patent applications should recite

or characterise their training data and bear in mind that sufficiency as required under patent law should not end up being sacrificed for sake of generality.

## OWNERSHIP OF AI-GENERATED INVENTIONS

Perhaps the biggest technological rush in the field of AI was observed with the proliferation of generative AI. These models allow their users to generate novel and original works through an input of a wide range of data, including text, images and 3D models. Concomitant with this have been the claims of inventors of the AI models requesting grant of IP rights over the works to them or the AI itself. This has stumped IP officials across the map. Primarily, the issue of extending IP protection to AI generated works is observed in claims of patent (and copyright). Traditionally, in both IPs, inventorship and authorship rights are granted to legally recognised persons.

Although not specifically argued before any legal forum, in India, the Patents Act does not define the term 'inventor'. Section 6 of the Act permits only 'persons' to apply for patents. In the absence of any clarity, it would appear that it is only natural persons or legal persons who would qualify as patent applicants. This would be in line with the approach of US courts. The US Patents Act defines an 'inventor' as an individual. This was interpreted to be limited to natural persons in the landmark case of [Thaler v Vidal](#). The Federal Court had refused to interfere with the District Court's decision under appeal that upheld the USPTO's decision of refusing grant of patent to Stephen Thaler's invention on account of lack of mentioning a natural person as the inventor. The application under scrutiny mentioned DABUS, an AI system, as the inventor of the patent. Thaler's applications for a patent in the name of DABUS have been refused in various other jurisdictions as well, including the United Kingdom, EPO and [Australia](#), with the only exception being [South Africa](#). Interestingly, the Australian Federal Court proposed that the following persons may be considered as inventors for autonomous AI inventions:

- the owner of the machine upon which the artificial intelligence software runs;
- the developer of the artificial intelligence software;
- the owner of the copyright in its source code; or
- the person who inputs the data used by the artificial intelligence to develop its output.

## THE WAY AHEAD

AI is currently operating in a vacuum of dedicated legislative attention, and thus it is imperative to understand the implications of the Indian IP framework to several burgeoning issues, and work towards readiness so as to avoid any disruptions. Several IP offices have engaged in [public consultations](#) and have even launched [examination guidelines](#) for AI inventions. On its end, WIPO is pioneering an all-inclusive forum known as the [WIPO Conversation on IP and AI](#) to bring together member states to discuss, deliberate upon and adopt uniform solutions to address this interface. Despite these initiatives, there is still a lot that remains to be determined in the AI-IP space.

Similar initiatives should be undertaken by stakeholders in India as well.

In conclusion, the challenges and issues in AI inventions revolve around the intricate and evolving nature of AI algorithms itself, presenting a complex landscape for patent offices, inventors and policymakers to navigate. Addressing these challenges is crucial for

maintaining the balance between fostering innovation and upholding the principles of patent law.

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## Endnotes



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**Prashant Phillips**

prashant.phillips@lakshmisri.com

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<https://www.lakshmisri.com/>

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# Managing Infringement Threats Across the Supply Chain

[Daizy Chawla](#), [Shrimant Singh](#) and [Samridh Ahuja](#)

[S&A Law Offices](#)

## Summary

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## INTRODUCTION

In today's world without boundaries, businesses are characterised by rapid technological advancements, a unique factor on a global scale and fierce competition, thus making intellectual property (IP) the cornerstone for the growth and success of a business. IP rights play a critical role in protecting innovation and fostering economic growth. Industries such as outsourcing and original equipment manufacturers (OEMs) are key drivers of the global supply chain. With more and more cross-border collaborations and marketplaces, the industries expand, and along with it, the risks of IPR infringement also increase.

India being a preferred destination for outsourcing and OEMs, India has emerged as one of the world's leading destinations for manufacturing and outsourcing, attracting businesses from various industries. In simple terms, outsourcing refers to contracting out specific business processes to third-party service providers, allowing companies to reduce costs, access specialised skills and focus on their core competencies. India has been a preferred outsourcing destination due to its skilled workforce, cost advantages and robust technology ecosystem. OEMs, on the other hand, are companies that design and manufacture products, often under the brand of another company. India has emerged as a global OEM hub, especially in industries such as electronics, automotive and pharmaceuticals.

With this exponential growth in outsourcing and OEMs in India, the concern for international IP owners, including brands and inventions, has also grown regarding the adequate protection and enforcement of their IPs in India. The vast and complex Indian marketplace further increases this concern of international IP owners. This article highlights the areas of concern and gives basic guidelines to avoid or neutralise any such threats to IP while dealing with outsourcing and OEM partners in India.

## COMMON THREATS IN OUTSOURCING AND OEMS

1. Counterfeiting and piracy: the outsourcing and OEM units are often found to be the leaking spots and, in some cases, involved in counterfeit goods, software piracy and IP thefts. If strict checks are not in place, counterfeit products and piracy severely harm brand reputation and innovative aspects, and directly eat away profits of the IP owners.
2. Data security breaches: outsourcing and jobs to OEM partners often involve sharing sensitive information with these partners in India. Data breaches lead to theft of proprietary information, trade secrets and customer data, potentially leading to IPR infringement. One of the toughest to implement is the data confidentiality and security at the outsourcing or OEM partner and the real-time evaluation and change in the SOPs are often required.
3. Contractual ambiguities: it is not uncommon for a standard contract or agreement to be replicated for several years leading to unclear contractual agreements, which gives escape routes for IP dilution. It is crucial to precisely define ownership and strict usage guidelines to ensure protection of IP at outsourcing and OEM partners.
4. Supplier/sub-vendor/partner violations: the subcontracts are also found to breach on IP.
5. Technological advancements: the IP owners will have to keep up with the updates on data protection, encryption and managed access control –lag on the encryption



technique or data security protocols are often found to be reasons for data breach. Outsourcing and OEM partners may require frequent updates and adaptations as part of their contract and/or directly supervised or part of due diligence by the IP owner.

## **MANAGING IPR INFRINGEMENT THREATS**

Effective management of IPR infringement threats in outsourcing and OEMs requires a comprehensive approach that involves legal, contractual, technological and organisational strategies.

### **CLEAR AND ROBUST CONTRACTS**

- **Define ownership:** the contract must clearly outline who owns the intellectual property developed during the outsourcing or OEM engagement. It should include all IP that is being transferred for specific purposes and use. These provisions should include copyrights, patents, trademarks, designs, trade secrets and/or any information that is marked proprietary or confidential.
- **Usage rights:** these particularly define rights as well as limitations regarding usage of intellectual property shared with the outsourcing or OEM partners. This should cover how the IP can be used, modified or sublicensed/subcontracted. A well-defined usage right, along with the duty to monthly provide a compliance report or certificate, ensures continued sensitivity and importance to the IP.
- **Non-disclosure agreements (NDAs):** include NDAs in contracts to ensure that sensitive information remains confidential, reducing the risk of data breaches and IP theft. Here a balance is to be maintained so that the functionality of the outsourcing or OEM partner is not hindered while at the same time any proprietary information should not be disclosed beyond need-to-know basis. Clear marking of sensitivity and confidentiality of the shared data or information is a must. IP owners may also choose to have hierarchical confidentiality defined for different types of information or IPs.

### **DUE DILIGENCE IN PARTNER SELECTION**

- **Background checks:** before entering into an outsourcing or OEM agreement, thoroughly vet potential partners and suppliers to ensure they have a strong track record of IP protection. A continued IP protection audit can be made part of a periodical or surprise inspections at the outsourcing and OEM partners.
- **Reputation assessment:** consider partners' reputation and adherence to ethical standards in the industry to mitigate the risk of IPR infringements.
- **Ongoing due diligence:** in addition to the above, frequent due diligence or audit exercise for at least initial three to five years has been found to be an effective way to build trust and to clearly communicate to outsourcing and OEM partners about expectations of the IP owners.

### **TECHNOLOGY SOLUTIONS**

- **Data encryption:** robust data encryption methods should be implemented to protect sensitive information during its transfer and storage.
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Access control: strict access control measures should be implemented to restrict unauthorised access to IP, sensitive information and/or confidential data.

- Digital rights management (DRM): use DRM tools to protect digital content, limiting unauthorised distribution and reproduction.

### **EMPLOYEE TRAINING AND AWARENESS**

IP owners should indulge in periodical training sessions for employees to raise awareness about IPR, data security and best practices. There is a need to foster a culture of IP protection by encouraging employees to report any suspicious activities.

### **INTELLECTUAL PROPERTY AUDITS**

- Well-defined and exhaustive IP audits are instrumental to assess the state of your IP and identify any vulnerabilities or potential infringements. Special attention should be given to ensuring transparency of such reports, and self-audit or auditor appointed by the outsourcing or OEM partner should be avoided if possible.
- Immediate corrective actions based on the audit findings are a must not only to ensure correction at the partners' end but also to give a clear message of adverse implications in case of deviation from the IP protocols/terms.

### **ENFORCEABLE LEGAL MEASURES**

- Be prepared to take legal action against infringers. Have a legal team or firm appointed in India and develop a strategy for addressing IPR violations. An active legal team is found to be instrumental in preventing any malpractice at the outsourcing and OEMs end.
- Register all IPs in India, including patents, trademarks, designs and copyrights – a basic and obvious step but often found overlooked by IP owners while doing business or having markets in India.

### **CYBERSECURITY PROTOCOLS**

- Invest in robust cybersecurity protocols to safeguard against data breaches and unauthorised access to intellectual property.
- Regularly update security systems to stay ahead of evolving threats.

### **DOCUMENTATION AND RECORDS**

- An SOP on handling documentation and records is a must. Maintain thorough records of all IP-related transactions, communications and agreements.
- Proper documentation can serve as evidence in the case of disputes or legal action. Lack of evidence often proves fatal in an infringement matter, just like any litigation.

### **ALTERNATIVE DISPUTE RESOLUTION (ADR)**

Consider ADR methods, such as mediation and arbitration, as a means to resolve disputes relating to IP handling and transactions more efficiently and cost-effectively than going to court.

### **CONTINUOUS MONITORING AND EVALUATION**

- Continuously monitor IPR activities, contractual compliance and the security of sensitive information.
- Regularly evaluate and update IPR protection strategies based on emerging threats and changes in the business environment.

### **ADDITIONAL CHALLENGES AND CONSIDERATIONS SPECIFIC TO INDIA**

Managing IPR infringement threats in India comes with specific challenges and considerations:

- **Legal framework:** India has made significant progress in strengthening its legal framework for IPR protection. Understanding local laws and regulations is crucial for effective IPR management.
- **Enforcement:** while India has improved IPR enforcement, challenges still exist, and the legal process can be time-consuming. Companies must be prepared for potential legal battles.
- **Local partnerships:** building strong local partnerships and relationships can help mitigate IPR infringement threats. Local partners and continued relationships with a local reputed law firm can often navigate the legal and business landscape more effectively.
- **Cultural differences:** understanding cultural norms and business practices in India is essential. Misunderstandings or miscommunications can lead to contractual issues and IPR disputes. At times, the prevalent practices in the industry at large or the customary interpretation of certain provisions or a judicial precedent specific to Indian business practices and laws comes as a surprise to an international IP owner. An effective legal counsel since the inception of the relations in India is therefore instrumental in having a good grip over complex business practices in light of the prevalent laws, interpretation by hon'ble courts, etc.
- **Government initiatives:** stay informed about government initiatives and incentives related to IPR protection in India. Taking advantage of these programmes can greatly enhance your IPR protection strategy.
- **Geopolitical factors:** keep an eye on geopolitical factors that may impact IPRs, such as trade agreements and international relations, as they can influence the legal and business environment.

### **CASE STUDIES: MANAGING IPR INFRINGEMENT THREATS IN INDIA**

To illustrate effective strategies for managing IPR infringement threats in outsourcing and OEMs in India, we can look at two hypothetical case studies.

#### **CASE STUDY 1: SOFTWARE DEVELOPMENT OUTSOURCING**

A US company dealing in software development and software products outsources its coding, research and programming tasks to an Indian IT services provider. To manage IPR infringement threats, the US company must take care of:

- **Clear contracts:** ensure that the outsourcing contract explicitly states that all the codes and logic developed belong to them, and the Indian service provider has no rights to unauthorisedly use or distribute the codes and/or logic.

- Data security: both parties agree to implement stringent data security measures, including encryption, access controls and regular security audits.
- Legal support: the US company should maintain an active legal team in India to quickly address any potential IPR infringements or disputes.
- Regular audits: periodic IPR audits should be conducted to evaluate compliance and security. Any vulnerabilities identified are addressed promptly.

### **CASE STUDY 2: ELECTRONICS OEM IN INDIA**

- An Indian electronics manufacturing company produces components for a multinational electronics brand. To manage IPR infringement threats, the following should be considered:
- Clear OEM agreements: the agreement outlines that all designs and technology provided by the multinational company are solely for manufacturing purposes and cannot be used for independent production or shared with other clients.
- Secure manufacturing facilities: the Indian OEM invests in state-of-the-art security systems, including access controls and surveillance, to prevent unauthorised access to sensitive designs.
- Regular IP training: employees are regularly trained on IPR protection and are encouraged to report any suspicious activities.
- Due diligence in partner selection: the multinational company conducts thorough background checks before selecting the Indian OEM partner, ensuring their commitment to IPR protection.

### **CONCLUSION**

The outsourcing and OEM industries in India offer numerous benefits to businesses, but they also come with significant IPR infringement threats. To successfully navigate these challenges, it is crucial for companies to implement a holistic approach that encompasses legal, contractual, technological and organisational strategies.

By establishing clear and robust contracts, conducting due diligence in partner selection, employing technological solutions, fostering a culture of IPR awareness and being prepared to enforce legal measures, companies can protect their intellectual property rights in the dynamic Indian business environment. Moreover, understanding the unique challenges and considerations of the Indian market is essential for effective IPR management. Through proactive and comprehensive strategies, businesses can not only mitigate IPR infringement threats but also thrive and innovate in the outsourcing and OEM landscape in India.



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**Daizy Chawla**  
**Shrimant Singh**  
**Samridh Ahuja**

daizy@sandalawoffices.com  
shrimant@sandalawoffices.com  
samridh@sandalawoffices.com

---

Plot Nos. 5, 6 & 7, Udyog Vihar, Phase IV, Sector 18, Gurugram, Haryana 122015, INDIA

**Tel:** +91 11 46667000

<https://sandalawoffices.com/>

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# Understanding Damages and the Obstacles in Recovering Them

**Ranjan Narula and Suvarna Pandey**

RNA Technology and IP Attorneys

## Summary

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The object of damages is to compensate for loss or injury. In most intellectual property (IP) law disputes, the degree of harm done to the plaintiff is key to evaluating how much they must be compensated through damages. In India, the focus in the early stages of any IP dispute is to seek an injunction to stop the infringement, other than in SEP disputes where the plaintiff would insist on a pro-tem security deposit.

In general, the culture of damages is still developing in India. The focus on IP litigation is the grant of a preliminary injunction. In most cases, the parties arrive at a settlement out of court or through negotiations or other alternate dispute resolution mechanisms once the infringing activity is ceased post-grant of a preliminary injunction. Further, the time it takes for a full trial is also a factor that dissuades IP holders from pursuing the trial for seeking damages.

Factors for calculating damages

The court, when arriving at the damages to be awarded, would consider assessing the following factors, depending upon the facts of the case, including:

- the nature of the patentee's business and the patented products;
- the distribution of the patented products;
- whether patent is part of SEP;
- the patentee's loss because of the unlawful sale of the defendant's goods – the loss must be the natural and direct consequence of the defendant's acts;
- the time period of defendant's business and sales made by it during this time period;
- the percentage of royalties or licence fees in the specific domain;
- royalties lost by plaintiff due to the infringement;
- profit earned by the defendant based on non-payment of royalty; and
- actual loss caused to plaintiff or patentee that would have accrued to the plaintiff or patentee from the sale of patented product.

These are broad factors that can serve as a guideline for the plaintiff to collect information and documents to support its claim for damages. The defendant will, of course, challenge the documents and industry trends on percentage of profit margin by bringing its own set of reports and evidence. Further, for licence fees, the defendant may demand to see other such licence agreements signed by the plaintiff.

### **DAMAGES UNDER THE INDIAN PATENT ACT**

The Indian Patent Act does not define 'damages'. As per section 108 of the Indian Patent Act, the courts may grant an injunction and, at the plaintiff's request, either damages or an account of profits in an infringement suit.

Section 11A(7) of the Indian Patents Act 1970 enables a patent owner to claim damages from the date of publication of the patent application. However, the applicant shall not be entitled to institute any infringement proceedings until the patent has been granted.

### **DAMAGES UNDER THE INDIAN TRADEMARK ACT**

The Indian Trademarks Act also does not define 'damages'. As per section 135 of the Indian Trademarks Act, the courts may grant relief in any suit for infringement or for passing off in terms of injunction, damages or an account of profits, together with or without any order for the delivery-up of the infringement labels and marks for destruction or erasure.

### **DAMAGES UNDER INTELLECTUAL PROPERTY RIGHTS DIVISION RULES 2021 BY THE DELHI HIGH COURT**

A party seeking damages or account of profits must give a reasonable estimate of the amount claimed and the foundational facts and account statements in respect thereof, along with any evidence, documentary or oral, led by the parties to support such a claim.

In addition, the court will consider the following factors while determining the quantum of damages:

- lost profits suffered by the injured party;
- profits earned by the infringing party;
- quantum of income that the injured party may have earned through royalties or licence fees had the use of the subject intellectual property rights been duly authorised;
- the duration of the infringement;
- degree of intention and neglect underlying the infringement; and
- conduct of the infringing party to mitigate the damages being incurred by the injured party;

Overall, the concept of damages and the evidence required to prove the quantum of damages to be awarded by the court for trademark and patent infringement disputes remain the same.

### **TYPES OF DAMAGES AWARDED BY THE COURT IN IP CASES**

#### **COMPENSATORY DAMAGES**

Generally, the court awards 'compensatory damages' in cases where the plaintiff has suffered damages on account of the defendant's infringing activities. Compensatory damages are calculated taking into consideration factors such as how old is the defendant's business, sales made by it during this time period, the percentage of profits in the specific domain, profits earned by defendant based on the turnover and actual loss caused to plaintiff or patentee.

The burden remains on the plaintiff to establish how they have reached the claimed figure and what calculation has been employed, and it must withstand court's scrutiny.

#### **PUNITIVE DAMAGES, AGGRAVATED DAMAGES, SPECIAL DAMAGES AND EXEMPLARY DAMAGES**

Punitive damages are to punish a defendant for their conduct as a deterrent to the future commission of such acts. Punitive damages (also referred to as exemplary damages) are damages awarded, in addition to the compensatory damages, to punish a defendant for outrageous conduct or wrong behaviour and to deter the defendant and others from committing similar activities in the future. Further, they are designed to punish habitual wrongdoers and to prevent them and others from engaging in similar conduct in the future.



The term 'punitive damages' was used by the court in a number of trademark cases as discussed below, but was replaced with aggravated or special damages post decision in *Hindustan Unilever Limited v Reckitt Benckiser India Limited*.<sup>1</sup> The court took the stand that punitive damages in the form of punishment was not the function of civil courts. The court instead used the terms 'special damages', 'aggravated damages' and 'exemplary damages'. Thus, these terms are used interchangeably when the plaintiff has made a case for grant of special damages by demonstrating that the defendant was wilfully infringing its rights and other factors demonstrating bad faith.

### NOMINAL DAMAGES

Nominal damages are awarded to the aggrieved party who is able to establish that they have suffered an injury caused by the wrongful conduct of a wrongdoer but cannot offer proof of a loss that can be compensated. The amount awarded is generally a small, symbolic sum.

### CALCULATION OF DAMAGES

In *Koninlijke Philips NV & Anr v Amazestore & Ors*,<sup>2</sup> the court held that the degree of misconduct by defendants in a civil suit was determinative of the nature of relief to be granted. Hence, applying the principles described above, it was held that the following rule of thumb should be followed while granting damages in cases of intellectual property infringement.

Degree of malafide conduct	Proportionate award
First - time innocent infringer	Injunction
First - time knowing infringer	Injunction and partial costs
Repeat knowing infringer that caused minor impact to the plaintiff	Injunction, costs and partial damages (depending upon on the amount claimed and facts of the case. These will be in the form of compensatory damages)
Repeat knowing infringer that caused major impact to the plaintiff	Injunction, costs and compensatory damages
Infringement that was deliberate and calculated, and wilfully in contempt of court	Injunction, costs and aggravated damages (compensatory and additional damages) Aggravated damages are over and above compensatory damages. The terms 'aggravated damages', 'special damages' and 'exemplary damages' are used interchangeably by the courts. They signify damages to be awarded where compensatory damages may not be sufficient considering the conduct of the defendant.

Through this judgement, it is clear that the law is well settled that the degree of bad faith conduct has a direct impact on the quantum and nature of damages that could be awarded in addition to a claim for actual or compensatory damages.

### TREND OF INDIAN COURTS OF GRANTING PUNITIVE DAMAGES AND SUPPORTING CASES

The concept of punitive damages has developed in India more in relation to trademark cases, with courts noticing that the defendant purposely stays away from the proceedings in many such cases. Thus, the plaintiff has no material to quantify the damages. In many cases, the defendant does not maintain accounts to determine the actual sales of the infringing goods.

The trend of awarding punitive damages started with *Time Incorporated v Lokesh Srivastava*,<sup>3</sup> where the court granted both compensatory damages and punitive damages for infringement of the trademark. The court awarded the plaintiff about US\$6000 for loss of reputation, plus about US\$6000 in punitive damages.

Following the *Time Incorporated* decision, punitive damages were also awarded in the following cases:

- In *Hero Honda Motors Ltd v Shree Assuramji Scooters*,<sup>4</sup> the court took the view that damages must be awarded against defendants who chose to stay away from proceedings of the court, and they should not be permitted to enjoy the benefits of evasion of court proceedings. The underlying principle is that defendants who appear in court may be burdened with damages, while defendants who chose to stay away from the court would escape these damages.
- The Delhi High Court decision in *Whatman International Limited v Paresh Mehta & Ors*<sup>5</sup> dealt with the plaintiff's trademark and copyright infringement by the defendants despite legal action having been taken against them on multiple occasions. The court considered the defendant's conduct to be wrongful and accepted that defendants had committed an infringement of the plaintiff's mark deliberately, consciously and wilfully for a period spanning over 25 years. Repeated legal action had not deterred them. They showed no remorse in the statements recorded. Thus, applying the principles in *Rookes v Barnard* (supra), the court concluded that this is a fit case for an award of aggravated damages of US\$414 million.
- In the 2018 decision of the Bombay High Court of *Glenmark Pharmaceuticals v Curetech Skincare and Galpha Laboratories Ltd*,<sup>6</sup> the court awarded exemplary damages of about US\$1,80,857, finding the defendant to be a habitual offender. The decision was based on the fact that the defendant was a habitual offender and operated with a set modus operandi of copying brands of other companies to make profits. The court also observed that the objective of Indian courts to award exemplary damages in IPR cases is to deter the offender from indulging in any infringing activities in the future. The courts can also be expected to be stricter when the infringers are pharmaceutical companies or companies selling drugs. Thus, they can impose much more significant penalties on these companies as exemplary damages along with the usual compensatory damages for infringement of IP and loss caused thereof.

The following table shows damages awarded by the Indian courts in IP matters. All of these are post-2015 decisions and thus reflect current trends in damages being awarded by the Indian courts.

Parties involved	Case No.	Damages
<i>Vior (International) Ltd &amp; Anr v Maxycon Health Care Pvt Ltd</i> <sup>[7]</sup>	Matter: patents Court: High Court of Delhi Case No.: CS(COMM)	High Court passed an order of permanent injunction against the

	712/2018 Order dated: 12 April 2018	defendant Damages of about US\$14,000
<i>Koninklijke Philips NV v Rajesh Bansal and Ors</i> <sup>[8]</sup>	Matter: patents Court: Delhi High Court Case No.: CS (COMM) 24/2016 and CS (COMM) 436/2017 Order dated: 12 July 2018	Compensatory damages: defendants were required to pay royalties to the plaintiff (US\$3.175) from the date of institution of the suit until 27 May 2010 and from 28 May 2010 (US\$1.90) until 12 February 2015 Punitive damages: about US\$7,000
<i>Merck Sharp and Dohme Corp and Anr v Abhaya Kumar Deepak and Anr</i> <sup>[9]</sup>	Matter: patents Court: Delhi High Court Case No.: CONT (CAS) (C) 846/2018 Order dated: 11 March 2019	Court imposed a cost of US\$96,474 Respondents were asked to plant 140,000 trees
<i>Ferrero SPA and Ors v Ruchi International and Ors</i> <sup>[10]</sup>	Matter: trademarks Court: High Court of Delhi Case No.: CS (Comm) 76/2018 Order dated: 2 April 2018	Permanent injunction against the defendants Court awarded compensatory damages to the plaintiff of about US\$14,000
<i>Whatman International Limited v P Mehta &amp; Ors</i>	Matter: trademarks Court: High Court of Delhi Case No.: CS (COMM) 351/2016 & I.A. 5235/2018 Order dated: 1 February 2019	Permanent injunction Awarded punitive damages of about US\$2,66,750 against the defendants Also awarded actual cost
<i>Glenmark Pharmaceuticals Ltd v Curetech Skincare and Galpha Laboratories Ltd</i>	Matter: trademarks Court: High Court of Bombay Case No.: Notice of Motion (L) No. 1890 of 2018 in COMIP (L) NO. 1063 of 2018 Order dated: August 28, 2018	Court granted permanent injunction Awarded punitive damages of about US\$180,900
<i>Yahoo Inc v Mr Rinshad Rinu and Ors</i> <sup>[11]</sup>	Matter: Trademarks Court: High Court of Delhi Case No.: CS (COMM) 668/2016 Order dated: 3 July 2017	Court granted permanent injunction in favour of the plaintiff Awarded compensatory damages of about US\$3000 Punitive damages of about US\$4,150

## CHALLENGES OF RECOVERING DAMAGES

The above are some of the cases, from a large number of cases, where the Indian court awarded damages to the parties.

However, practically, the recovery of damages from the defendants is a challenging task for the following reasons, among others:

- the infringers are fly-by-night operators, and change location frequently and are not traceable once a summons is served or a search and seizure is carried out at their premises;
- the defendants do not maintain the proper books of accounts and pay taxes to avoid determination of their source of supplies and the real health of business;
- generally, the defendants in many cases do not participate in the case proceeding and change their location to avoid damages award being enforced; and
- the recovery of damages involves the filing of execution proceedings that can be time consuming and expensive for the plaintiff to provide the defendant's assets that can be attached to recover the damages.

Overall, with the discovery provisions under the Commercial Courts Act, the determination of damages has become simpler considering that the plaintiff can ask the defendant to disclose details of its sales turnover, cost of manufacture and selling price and provide its sales figures or books of account under the discovery provisions.

Further the Commercial Court can impose costs based on the conduct of parties. In determining the cost, the court can consider whether the party has succeeded partially or wholly, whether frivolous claims or counterclaims were made and whether an offer for settlement was unreasonably rejected. The order for costs can include the fees and expenses of the witnesses, legal fees and, broadly, any fees involved in furthering the proceedings. Thus, at the stage of the final decision, the court can order the losing party to pay the winning party's cost. The winning party must file an affidavit of actual cost incurred with supporting documents.

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## Endnotes



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**Ranjan Narula**  
**Suvarna Pandey**

rbakhru@rnaip.com  
spandey@rnaip.com

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401-402 4th Floor, Suncity Success Tower, Sector 65, Golf Course Extension Road,  
Gurgaon 122005, India

**Tel:** 91 124 2841 222

<http://www.rnaip.com>

[Read more from this firm on WTR](#)

# Why the Time is Right for Tech Patent Pools in India

**Suchi Rai and Shrimant Singh**

S&A Law Offices

## Summary

**UNDERSTANDING PATENT POOLS**

**ADVANTAGES OF POOLING**

**INDIAN SCENARIO**

**SAVINGS ON COSTS**

**ESSENTIALS IN THE INDUSTRY**

**CONCLUSION**

A corporation may find it beneficial or required to join a patent pool if it is creating technologies that must follow industry standards. India is not yet a major player when it comes to patent pools, but the situation is changing, especially when it comes to emerging technologies, and they could represent a valuable opportunity for Indian rights holders.

## **UNDERSTANDING PATENT POOLS**

A patent pool is an agreement between two or more patent owners to license some or all of their patents to third parties or to one another. One of the first sewing machine patent pools was founded in 1856, beginning a lengthy history of patent pools.

In the modern business world, patent pools are frequently the starting point for industry standards that provide companies with the technology necessary to develop complementary products and services, such as those in the public health, information coding, mobile communications, etc. Patent pools are often associated with advanced technologies that require complementary patents to provide practical technological solutions.

In a patent pool, multiple patent holders pool their rights so that licensees, whether members or not, can access them. Typically, the licensing fees received by the pool are split equally among its members based on the respective patent values. One kind of patent pool is a joint venture established by two or more patent holders with the goal of sharing their intellectual property rights. All of the patents in the patent pool may be licensed for use by a licensee, who is a standard user or implementer. The licence fee that the licensee must pay is determined by the patent pool agent, who also pays each licensor according to the quantity of patents that each licensor has. The pool agent gathers or collects essential patents, which may be held by several holders (the licensors).

In recent times, several patent pools focused on technology standards have been formed, mainly to make it easier to obtain the patents required to implement the standards and to pay companies that provided their patented technologies to the standards. A standard-based patent pool is an arrangement among multiple patent holders to pool their standard essential patents (SEPs) and grant standard terms and conditions of licence to parties implementing the applicable standard.

In addition to being standard implementers, participating licensors in the pool have the option and often the obligation to obtain a licence from the pool. The revenue distribution method established by the pool provides the licensors with a portion of the revenue collected from licensees in the pool.

Patent pools usually demand an independent evaluation of the licensors' submitted patents to determine whether the patents often referred to as 'certified patents' are necessary before listing a patent as essential. Regardless of how many certified patents the licensor owns in the pool, the pool offers a licence that grants rights under the entire portfolio of essential patents for the standard held by the licensor. This holds true whether or not the patents have been identified or assessed by the pool.

Patent pools are typically created so that technology owned by third parties can be used without costing money for research and development. Furthermore, patent pools speed up research, reduce the risk of patent infringement and minimise the cost of patent licensing.

## **ADVANTAGES OF POOLING**

Third parties benefit from patent pools in a number of ways, including the development and creation of new technologies, a reduction in the transaction costs involved in getting these inventions ready, the elimination of patent blocking positions and the avoidance of costly infringement lawsuits. Rather than having to apply for licences from each patent owner individually, patent licensees can obtain all the necessary patents from one location to use a particular technology.

Prominent corporations have declared their intent to partake in patent pools. There will be a new pool created. Because patent pools are widely used in many different industries, such as electronics, wireless technology and biotechnology, they have attracted a lot of attention lately. There are literally tens of thousands of patents for consumer experiences in modern wireless systems.

Numerous of these patents make very specific claims about the overall communication system that, in the absence of the technology mentioned in other patents, would be meaningless. Leaders in the high-tech and telecommunications sectors have, nevertheless, given it a lot of attention. Biotech businesses also create patent pools, which assist in resolving issues with licence duplication and patent blocking.

Both the commercialisation and the advancement of new technologies may be hampered by the difficulty in obtaining licences for various patented technologies. 'Patent pooling' is a concept that could prevent these issues.

## **INDIAN SCENARIO**

The idea of patent pools is relatively new in India, where it has always been linked to ideas for obtaining inexpensive healthcare. Patent pools are thought to build up patent counts for various businesses in an effort to promote the creation and accessibility of medications that help the underprivileged in developing nations. The creation of patent pools is not limited by the Indian Patents Act 1970, nor does it contain any rules or guidelines pertaining to the process. According to popular interpretation, section 102 of the Patents Act makes it easier to create patent pools that the government manages and oversees for the benefit of the general public.

Nonetheless, the Competition Act 2002 governs it as an anti-competition policy. Any type of licence or agreement that restricts competition is forbidden. If participants in patent pools agree not to grant licences to third parties when determining prices and allocations, the pool may turn anticompetitive.

In India, the growth of the industry sector depends critically on having access to patent knowledge. To advance technology and medicine, all inventors from now on must understand the idea of patent pools. However, it is unclear how these patent pools will operate within the Indian patent system or if there will be additional legal obstacles to overcome.

Emerging technologies may embrace the concept and opportunity of patent pooling, including cleantech and renewable energy, electronics and telecommunications, materials science, mechanical engineering, software patents and artificial intelligence. Patent pools can produce a great deal of efficiency, which is absurd in the absence of collective agreements, but they also have the potential to seriously impair competition. Agreements made merely to permit price fixing, collective output restrictions or any other exclusionary conducts are prohibited by the Competition Act 2002.



The Patents Act 1970, section 68, states that a patent may be assigned or licensed. All of the terms and conditions of the licence, including the royalty rate and duration, must be included in the written and duly signed agreement to transfer. Section 69 requires that a transmission or licence agreement be registered and added to the patent register. If a party is not able to secure a licence voluntarily, section 84 permits the patents to be compulsorily licensed under certain circumstances, facilitating the formation of a pool. Conversely, section 140 enumerates prerequisites that cannot be added to a licence agreement and imposes restrictions on the parties.

The promotion of technology diffusion, the integration of complementary technologies, the decrease in transaction costs, the removal of blocking positions, etc, are some of the pro-competitive effects of pooling. Although patent holders have the right to establish patent pools, this right is commonly viewed as a hindrance to market competition because it prevents parties outside the pool from entering the market without having to pay sizable royalties.

Intellectual property is the vault in the tech industry, where patent pools are increasingly important differentiators and innovation is the currency. Patent pools are essentially contracts between two or more companies for the cross-licensing of patents related to specific technologies.

This arrangement expedites the licensing process and lowers transaction costs. This means fewer legal barriers, less red tape and a simpler process for companies and executives to acquire the patents needed for their innovative endeavours.

Even though the advantages of joining a patent pool appear obvious, there might be drawbacks. Serious antitrust concerns are raised by the prospect of coordinated output restrictions or price fixing among competitors. Furthermore, adding replacement or non-essential patents to the pool could stifle innovation. Furthermore, issues pertaining to fair, reasonable and non-discriminatory (FRAND) licensing could surface, especially in the process of determining royalty rates.

Understanding patent pools involves more than just the concept itself. It entails conducting a careful examination and comprehending the strategic, legal and operational repercussions of joining a patent pool.

### **SAVINGS ON COSTS**

Finally, patent pools can save a lot of money by reducing transaction costs and expediting the process of obtaining licences to multiple patents. Particularly in the technology industry where there may be a large number of relevant patents, individual licence negotiations and acquisitions can be costly and time-consuming. Patent pools, which provide a single licensing point for multiple patents while reducing transaction costs and saving a significant amount of time, simplify this process. Executives may discover that by freeing up resources that would be better utilised for core business operations, this efficiency gain boosts the company's bottom line and operational effectiveness.

With the aid of patent pools, tech companies can strategically manage their intellectual property rights. They provide benefits in terms of standardisation, shared risk, and cost and efficiency. Tech executives need to know these benefits to utilise patent pools efficiently and make educated choices about their company's patent strategy.

### **ESSENTIALS IN THE INDUSTRY**

First and foremost, businesses need to do a comprehensive cost-benefit analysis. This means striking a balance between potential benefits such as standardisation, cost savings and risk sharing, and potential drawbacks such as intellectual property rights infringement, innovation stifling and issues with FRAND licensing. For C-suite executives, this analysis should be predicated on a deep comprehension of the organisation's strategic objectives and how intellectual property rights contribute to them.

It is crucial to go over the details of the patent pool agreement in detail. A company's rights and obligations could be significantly impacted by these circumstances, which could have an effect on anything from its ability to enforce patents to its financial obligations. To ensure that the agreement serves the company's interests and does not place it at unnecessary risk, executives must understand these terms.

Owing to the possibility of violations, companies must ensure that their participation in a patent pool complies with applicable antitrust laws. This means having a thorough understanding of these rules and taking a proactive approach to compliance, such as conducting regular audits and reviews to ensure that the patent pool's operations continue to comply with the law.

## **CONCLUSION**

The formation of patent pools in the tech sector is primarily driven by the growing interdependence of technologies and the growing need for standardisation. The rapid advancement of digital technologies has resulted in an increasing need for a unified strategy to manage overlapping patent rights. Patent pools offer a solution to this issue for tech companies by promoting a standardisation-friendly environment and reducing the likelihood of costly lawsuits alleging patent infringement.

Multiple patents covering the same product have become more common as a result of improved innovation and current technological advancements. The best example are smartphones, which not only make communication easier but also enable data storage, email, web browsing, business computations, audio and video entertainment, and photography.



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**Suchi Rai**  
**Shrimant Singh**

suchi@sandalawoffices.com  
shrimant@sandalawoffices.com

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Plot Nos. 5, 6 & 7, Udyog Vihar, Phase IV, Sector 18, Gurugram, Haryana 122015, INDIA

Tel: +91 11 46667000

<https://sandalawoffices.com/>

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# A Shift in Approach to Investor-State Dispute Settlements Prompts a Re-evaluation of Foreign Investments

**Nilava Bandyopadhyay and Moonmoon Nanda**

S&A Law Offices

## Summary

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## INTRODUCTION

Investor-state dispute settlement (ISDS) has become a critical aspect of international investment law, providing a mechanism for resolving disputes between foreign investors and host states. ISDS is a mechanism that allows investors to bring claims directly against a host state for alleged treaty violations. It is commonly included in bilateral investment treaties (BITs) and other international investment agreements. BITs are reciprocal agreements between two countries to promote and protect foreign private investments in each other's territories. BITs protect investments by imposing conditions on the regulatory behaviour of the host state and, thus, prevent undue interference with the rights of the foreign investor.

In the Indian context, ISDS has gained prominence with the surge in foreign investments. Historically, India has embraced ISDS mechanisms through numerous BITs, seeking to attract foreign investment. However, recent years have witnessed a shift in India's approach, prompting a re-evaluation of the existing agreements and the introduction of a new model BIT. This article delves into India's approach to ISDS, recent developments in investment arbitration and the implications of ISDS in India for foreign investors.

## INDIA'S APPROACH TO ISDS

### HISTORICAL PERSPECTIVE

India's engagement with ISDS can be traced back to the economic liberalisation in the early 1990s when the country opened its doors to foreign direct investment (FDI). As a part of this process, India entered into numerous BITs and multilateral agreements, establishing the foundation for ISDS. India's early engagement with ISDS reflected a pro-investor stance, aiming to create a favourable climate for foreign capital. India signed its first BIT with the United Kingdom in 1994. Post-1991 economic reforms and up to 2015, India signed BITs with 83 countries, out of which 74 were enforced. These BITs were largely negotiated based on the Indian model BIT text of 1993.<sup>1</sup> There have been extensive socio-economic changes since the first approval of the model BIT text in 1993, including the evolution of the nature of regulations governing foreign investment. The 1993 model BIT text contained provisions that were susceptible to broad and ambiguous interpretations by arbitral tribunals.<sup>2</sup> During the past few years, significant changes have occurred globally regarding BITs in general, and investor-state dispute resolution mechanism in particular.<sup>3</sup>

### BIT FRAMEWORK

India's BIT framework has evolved over the years, with the country signing agreements with various nations. India's BIT framework has evolved in response to changing economic priorities and a desire to strike a balance between protecting investors and safeguarding regulatory autonomy. India's BITs typically include provisions for the protection of investments, guarantees against expropriation and mechanisms for dispute resolution, predominantly through arbitration. Some of the key provisions of India's BITs include:

- protection of investments;
- guarantees against expropriation;
- fair and equitable treatment;
- national treatment;

- repatriation of profits and capital; and
- dispute resolution mechanisms.

Be that as it may, a look at various BITs to which India is a party will make it clear that each BIT is quite different from the other in its own way, although there are many common characters present. These common characters are in form of specific rights. The basic premise is that the government will not risk investors and their investments unreasonably or inappropriately.<sup>4</sup>

### **MODEL BIT 2016 AND INDIA'S POLICY SHIFTS IN INTERNATIONAL INVESTMENT**

In an attempt to address concerns about investor protection and balance sovereign interests, signalling a departure from the traditional ISDS framework, India introduced the Model Bilateral Investment Treaty by way of Office Memorandum F No. 26/5/2013/IC dated 28 December 2015, which was adopted on 14 January 2016 (the Model BIT 2016). It was shortly thereafter that India decided to terminate 58 out of its 83 BITs.

The Model BIT 2016 incorporated provisions for dispute resolution, emphasising transparency and the exhaustion of local remedies before resorting to arbitration. Unlike the 2003 version, the Model BIT 2016 was very detailed, containing 38 articles divided into seven chapters.

Below are the key features of the Model BIT 2016:

- Customary international law: article 3.1 set out that investments would not be subject to measures in violation of customary international law. The previous Model BIT 2016 contained a provision requiring the host state to grant fair and equitable treatment (FET) to an investor. Tribunals applying this standard have held that FET involves reasonableness, consistency, non-discrimination, transparency and due process. The removal of a FET provision and inclusion instead of a customary international law provision may be seen as something of a watering down of substantive protections, although still offering investors a base level of protection.<sup>5</sup>
- Full security and protection: article 3.2 set out that investors and investments are granted full protection and security, which created an obligation on the host state physically to protect investors and their investments.<sup>6</sup>
- National treatment: article 4.1 set out that investors would be treated no less favourably than nationals of the host state. This created an obligation on the host state not to act in a discriminatory manner against foreign nationals, therefore providing an important fundamental protection to attract FDI.<sup>7</sup>
- Expropriation: article 5.1 provided that an investment may not be nationalised or expropriated, except in accordance with the law of the host state and upon payment of adequate compensation. In common with most BITs, this does not prevent the host state from nationalising an investment; rather, it ensures that any nationalisation must be carried out with due process and that investors will be adequately compensated. Adequate compensation is set out to be at least the fair market value of the investment on the day before the expropriation takes place and must be paid in freely convertible currency. Article 5.3 clarifies that this provision covers both direct and indirect expropriation. Direct expropriation covers situations where the host state takes actual ownership of the investment. Indirect expropriation covers situations

where the state interferes with an investment, to the extent of depriving the investor of the use or benefit of it, as though it had been nationalised.<sup>8</sup>

- Consent to arbitration: article 17.1 contains a standing offer by the host state to arbitrate any dispute under the Model BIT 2016. Article 15 sets out that to submit a dispute to arbitration, bar certain exceptions, an investor must first exhaust all local remedies for five years.<sup>9</sup>

Certain common investor protections have been left out of the Model BIT 2016, which are the key policy shifts reflected in Model BIT 2016:

- FET: as explained above, the previous Indian model BIT contained a FET clause. This is a common and valuable provision in BITs and is often the subject of claims before arbitral tribunals. Although investors should note its absence, the United Nations Conference on Trade and Development has suggested that this provision could be made redundant by the inclusion of a customary international law clause, which the Model BIT 2016 contained. While a customary international law clause may not go quite as far as a FET clause, investors should be reassured it provides a similar form of protection.
- Most favoured nation: the previous Indian model BIT also contained a provision requiring the host state to treat investors no less favourably than investors from other countries. A most favoured nation (MFN) clause is generally included to level the playing field between foreign investors. Although the Model BIT 2016 no longer contained a MFN clause, the national treatment clause set out therein provided that treatment will be at least no less favourable than that to nationals of the host state, so there is a minimum standard.
- Umbrella clause: another provision not included in the Model BIT 2016 was a clause that required both parties to observe contractual obligations. This is known as an umbrella clause, as it effectively brings contractual obligations under the umbrella of BIT protection.
- Exclusion of regulatory measures: article 2.4 of the Model BIT 2016 specifically excluded from its scope certain regulatory measures, including any measures by local governments, taxation measures, compulsory licences, government procurement, grants and subsidies provided by the government and services supplied in exercise of government authority by body or organ of the host state.

## ISDS AND TERMINATION OF 58 BITS WITH OTHER STATES

BITs are meant to protect the rights of both the investors and the host state, which are usually concluded between developed and developing countries based on the assumption that they promote investment from investor countries to investment-receiving countries. Most importantly, it allows individual investors to bring cases against host states if the latter's sovereign regulatory measures are not consistent with the BIT, for monetary compensation. This is known as ISDS.

Chapter IV of the Model BIT 2016 deals with settlement of disputes between an investor and a party. With respect to dispute settlement, procedural and substantive conditions have been introduced to check investor access to investor–state arbitration. Certain key conditions include:

- the Model BIT 2016 requires exhaustion of local judicial or administrative remedies for at least five years prior to commencing investor–state arbitration under Chapter IV, unless the investor can demonstrate that no domestic remedy would be capable of providing relief (article 15);
- exclusion of purely contractual disputes is another provision seeking to constrain access to investor–state arbitration and the discretion of investor–state tribunals (article 13.3);
- limitations on submission of claims where investments have been made through inter alia corruption (article 13.4);
- limitations on the jurisdiction of investor–state tribunals to review the merits of decisions made by judicial authorities (article 13.5);
- provisions regarding selection of arbitrators and conflicts of interest (article 18);
- provisions recognizing the potential establishment of an appellate body to review determinations of investor-state tribunals (article 19); and
- dismissal of frivolous claims (article 21).

In recent years, India has taken steps to recalibrate its stance on ISDS through a series of policy reforms and treaty terminations. The Indian government has expressed concerns over the ambiguity in the interpretation of certain treaty provisions, as well as the potential for disputes to impede the implementation of public policies. As part of its strategy, India has sought to renegotiate and terminate certain BITs to align them with its evolving policy objectives. The Model BIT 2016 was aimed to move away from an overly investor-friendly approach to a somewhat protectionist approach concerning foreign investments. Since its adoption, India has terminated approximately 58 BITs. The developments regarding the termination of the old stock of Indian BITs are a welcome development, signalling the country's readiness to tackle the issue of old-generation BITs. The old-generation BITs, signed mostly in the 1990s and early 2000s, are among the main obstacles to effectively reforming the international investment regime.<sup>10</sup>

## **IMPLICATIONS OF INDIA'S INVESTMENT TREATIES AND ONGOING DISPUTES**

### **SAFEGUARDING REGULATORY AUTONOMY**

The renegotiation of BITs and the adoption of the Model BIT 2016 reflect India's commitment to safeguarding regulatory autonomy. India's current stance on ISDS reflects an ongoing effort to strike a balance between safeguarding its sovereignty and providing a conducive environment for foreign investors. Further, the emphasis on exhausting local remedies before resorting to arbitration demonstrates a willingness to address disputes within the domestic legal framework. The emphasis on renegotiating and terminating older treaties is seen as a proactive step to modernise and align these agreements with contemporary international investment norms.

### **IMPACT ON INVESTOR CONFIDENCE**

The ongoing disputes and policy shifts in India's approach to ISDS may impact investor confidence. Investors seek stability and predictability, and uncertainties arising from policy changes or disputes may influence investment decisions. Therefore, at the heart of India's investment treaties are provisions aimed at fostering an environment conducive to foreign direct investment. These agreements serve as assurances to international investors that



their investments will be protected, and they will be treated fairly and equitably by the host country.<sup>11</sup> By establishing a legal framework that safeguards investor rights, India endeavours to attract the capital needed for overall growth and development.

### NAVIGATING ONGOING DISPUTES

Timely and effective management of ISDS cases is essential to minimise potential harm to the reputation of both the investor and the host state. Ongoing ISDS disputes can have far-reaching consequences on the reputations of both investors and host states. Transparency, open communication and adherence to international best practices can mitigate reputational risks. Engaging in good-faith negotiations and demonstrating a commitment to resolving disputes amicably can positively influence public perceptions and investor confidence.

India is currently embroiled in several ISDS cases, involving diverse sectors such as telecommunications, energy and taxation. The outcomes of these disputes will shape future policies and determine the effectiveness of India's approach to ISDS.

- Vodafone case: the high-profile Vodafone tax dispute highlighted India's stance on retrospective taxation and its potential impact on foreign investments. While not a traditional ISDS case, it underscores the complex relationship between taxation policies and investor–state relations, under the India–Netherlands BIT.<sup>12</sup>
- Cairn Energy case: the Cairn Energy case is another significant dispute under the India–United Kingdom BIT, where an international tribunal ruled against India in a tax-related matter. The award directed India to pay damages to Cairn Energy, bringing attention to issues of taxation and regulatory measures affecting foreign investors.

### CONCLUSION

India's approach towards ISDS reflects a nuanced evolution that seeks to strike a balance between investor protection and regulatory autonomy. The termination of certain BITs, the introduction of the Model BIT 2016 and the promotion of alternative dispute resolution mechanisms signal India's proactive response to the challenges posed by ISDS. As international investment law continues to evolve, India's approach is likely to adapt, reflecting its commitment to creating an investment environment that aligns with its developmental goals and regulatory imperatives. As the country continues to navigate the complexities of international investment law, the outcomes of ongoing disputes and the success of policy reforms will play a pivotal role in shaping India's future as a destination for foreign investment.

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### Endnotes



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**Nilava Bandyopadhyay**  
**Moonmoon Nanda**

nilava@sandalawoffices.com  
moonmoon@sandalawoffices.com

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Plot Nos. 5, 6 & 7, Udyog Vihar, Phase IV, Sector 18, Gurugram, Haryana 122015, INDIA

Tel: +91 11 46667000

<https://sandalawoffices.com/>

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