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Selected Intellectual Property Law Issues for Consideration in Licensing in India

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Introduction

A potential source of substantial problems in international licensing arises because of the differences in the national intellectual property rights. As software and other technology transactions between parties based in the United States and those based in India proliferate, such parties face an ever-growing need to be fluent with one another's intellectual property regimes.

U.S. courts, for example, are likely to look at the law of India to determine who owns the rights in software developed in India for a U.S. customer. The failure to acquire all necessary rights from the right person under the law of India, then, may have unexpected and unintended consequences in the U.S. Similarly, a U.S. licensee of a work originally made in India must be knowledgeable about the intellectual property law of India to make sure that the Indian licensor is really the owner. Otherwise the licensee may face an infringement action by the real foreign owner or another U.S. licensee who has licensed rights from the proper owner.

This paper generally addresses the intellectual property laws of India and how they differ from those of the U.S. We have focused on select topics that are commonly at the core of issues that may arise between parties engaged in cross-border technology transactions.

Copyright

Overview of Indian Copyright Law

The statutory sources of India's current copyright law are the Copyright Act of 1957 (which spells out the substantive law and repeals the Indian Copyright Act of 1914) and the Copyright Rules of 1958 (which spell out the applicable procedural rules). International aspects of the copyright regime are governed by the International Copyright Order and the Copyright (International Organizations) Order, issued by the Central Government of the Republic of India in 1999 and 1958, respectively. A body of common law has grown around these statutory matrices; in the rare instance when there is no applicable Indian case on point, Indian courts may look to English decisions for guidance. Thus, since its inception nearly a century ago, Indian copyright law, through a combination of statutory amendments and common law jurisprudence, has evolved into a complex and robust regime. India's current copyright law is integrated into the international copyright system. For instance, the Copyright Act of India is compliant with the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (commonly known as the TRIPS Agreement), and protects works originating in countries which are signatories to such international treaties commonly known as the Berne Convention, the Universal Copyright Convention and the Geneva Phonograms Convention. The Copyright Act of 1957 also grants the copyright holder a full spectrum of rights and protections that apply to a wide array of works, such as literary works (including computer software and compilations), dramatic works (recitation, choreography, and mime), musical works, artistic works (painting, sculpture, drawing), cinematograph films (any recording medium that produces a moving imagine) and sound recordings. Moreover, as described below, in many respects Indian copyright law parallels the U.S. copyright regime.

Ownership

U.S. Under U.S. copyright law, ownership in a work of authorship vests at the moment of the work's creation: a few lines of code written by a computer programmer receive copyright protection from the moment they are written down, so long as they are original (i.e., not copied) and fixed in a tangible medium *(e.g.,* saved on a hard drive). The computer programmer (like the poet, painter and photographer) does not need to follow a formal registration procedure to receive copyright law protection for the work he or she has created.

Copyright protection in the U.S. lasts for varying terms, depending on the date of the work's creation and the type of work in question. For works created on or after January 1, 1978, copyright protection subsists for a term consisting of the life of the author plus 70 years after the author's death (for joint works, the life of the last surviving author plus 70 years after that person's death). For anonymous works, pseudonymous works and works made for hire, copyright endures for a term of 95 years from the date on which the work is first published. (Note that different terms apply to works created before January 1, 1978.)

India. Similar to current U.S. copyright law, Indian copyright law does not have a registration requirement; rather, copyright protection extends automatically to all original works that are fixed in a tangible medium. Like its U.S. counterpart, the Indian measure of "originality" is a minimal standard: in order for an entity to receive copyright protection, it is sufficient that the work is the product of the author's independent effort; or, put differently, that the work is not copied from another source.

Copyright protection in India lasts for 60 years after the author's death (or, in case of a joint work, after the death of the surviving co-author). In certain cases, such as in the case of cinematographic works, sound recordings and photographs, the term of copyright commences from the beginning of the calendar year following the year in which the work was first published. Performances and broadcasts are protected for 50 years and 25 years, respectively (the period starts at the beginning of the year following the year of performance).

Work Made for Hire Doctrine

U.S. In many (if not most) cases, the copyright holder will be the person who has created the original work. In some instances, however, the original copyright holder of a work may not be the person who created the work. For example, under the "work made for hire" doctrine under the U.S. Copyright Act, the employer of a person who has prepared work within the scope of his or her employment will be deemed to be the original copyright holder of the work.

Copyrightable material created by an independent consultant (i.e., material that is not prepared by an employee within the scope of his or her employment) may also be deemed a "work made for hire" under the Copyright Act, if it falls within one of nine statutorily enumerated categories (e.g., a work specially commissioned as part of a motion picture or other audiovisual work, as a translation or as a compilation), and if the parties agree in writing that the work will be considered a work made for hire. A work created by an independent consultant will generally not, however, be deemed a work made for hire unless the statutory requirements are met. As such, unless a consultant has agreed in writing that the work should be considered work made for hire (assuming the statutory requirements are otherwise met) or has assigned rights to the work, the consultant will more than likely own the copyright and the party who commissioned the work will more than likely only have an implied license to the work.

India. Though the term "work-made-for-hire" is not found in the Indian Copyright Act, Indian law recognizes the concept, and, in India as in the U.S., works produced in the course of employment belong to the employer: "in the case of a work made in the course of the author's employment under a contract of service or apprenticeship . . . the employer shall, in the absence of any agreement to the contrary, be the first owner of the copyright therein." Copyright Act, Section 17(c). For example, a story written by a staff writer working for a magazine will, under India's work-made-for-hire doctrine, belong to the employer if such a story is written for publication in the magazine. Similarly, when a photograph, a painting, a portrait, an engraving or a cinematograph film is made for valuable consideration, the person who grants the consideration will, absent agreement to the contrary, be the owner of such a work. *See* Copyright Act, Section 17(b). Independent contractors do not fall under the ambit of the work-made-for-hire doctrine and, as in the U.S., parties may contract around this operation of law through an agreement.

Licensing/Assignment

U.S. An assignee of a copyright takes the copyright subject to any previously granted non-exclusive licenses. 17 U.S.C. § 205(e). Registration of a transfer (which appears to include an exclusive license) may provide protection against subsequent bona fide purchasers, 17 U.S.C. § 205(d), so long as requirements of 17 U.S.C. § 205 (c) are also met *(e.g.,* registration of the copyrighted work). The copyright owner may require a licensee to assign back to the licensor rights in any modifications and improvements that the licensee makes to the copyrighted work.

India. Under Indian law, a copyright holder may assign or license to another party all or part of the copyright he or she has in a protected work. A transfer, whether it be done via an assignment or a license, must be done in writing and must specify the work being transferred (e.g., title and description). The writing should also specify the royalties or other consideration payable, though consideration need not be monetary in nature. Unless the transferor specifies the duration of the transfer and the transfer's territorial scope, the transfer will default to 5 years and the territory of India, respectively.

If the transferee does not exercise his or her rights for one year, the transfer will be deemed terminated with respect to such unexercised rights. The applicable transfer agreement (whether it be an assignment or a license) may, however, override this result by, for example, specifying that the transfer will not be terminated for failure to exercise to such transferred rights.

Transfers may be recorded with the Register of Copyrights; such recordation is permissive rather than compulsory. Registration is advisable, however, inasmuch as it provides notice to third parties.

Assignments need not be notarized; in order for the assignment to have evidentiary value, however, the assignment should be adequately stamped.

Joint Ownership

U.S. Co-authors are joint owners and are treated like tenants-in common. Each joint owner has the right to grant non-exclusive licenses without the consent of the other owner(s), subject to the obligation to account to the other joint owner(s). A joint owner may transfer his or her joint ownership interest to another (but not an entire ownership interest) without the consent of the other joint owner (s).

India. Under Indian law, a co-owner may not license his or her interest without the other owner(s)' approval. If a co-owner licenses without the other owner(s)' consent, such other owner(s) can sue the co-owner and his or her licensee for infringement.

Fair Use

U.S. The "fair use" doctrine is an elusive but well-established concept under U.S. law. The doctrine exempts from infringement certain uses of copyrighted materials: *inter alia*, social commentary (including parody), research and reporting. Courts look to the substance of a particular use of copyrighted works to determine whether such use counts as "fair use." Such determination is made by balancing the four prongs of Section 107 of the Copyright Act: (i) the purpose and character of such use, (ii) the nature of the copyrighted work, (iii) the amount and substantiality of the portion used, and (iv) the effect of such use on the copyrighted work's potential market.

India. Although the Copyright Act of 1957 (of India) does not mention "fair use", section 52(1) of the Copyright Act excuses from infringement a number of activities that parallel those exempted by the "fair use" doctrine under U.S. law, including "a fair dealing" with literary, dramatic, musical or artistic works for research, criticism or review. The Copyright Act also permits a fair dealing with such works for private use. For example, in the case of a computer program (a category of work which is not included in the foregoing enumeration), the Copyright Act permits the rightful possessor of such a program to back up such a computer program, or to adapt such a program from such a copy in order to utilize it for the purpose for which it was supplied.

Remedies

U.S. U.S. copyright law grants to copyright holders a broad array of remedies, including monetary damages, temporary restraining orders, impoundment, preliminary or final injunctions, destruction of infringing work, or, in the event of criminal infringement, imprisonment and/or fines.

India. Remedies under Indian copyright law include damages, injunctive relief, accounting of profits, proceeds from the sale of converted materials, and delivery of infringing works. As in the U.S., in

India infringement may also be punishable by imprisonment and/or fines. Notably, a police officer who suspects criminal infringement has the power to seize infringing copies. Indian copyright law also allows the Registrar of Copyrights to prohibit importation into India of works that, although made outside of India, would be infringing had they been made in India.

Certain Indian-Specific Laws

Foreign Works. Copyright protection is generally accorded to foreign works pursuant to the various conventions to which India is a signatory. Full term protection under Indian law (i.e., for 60 years) is, however, generally granted to foreign works only if such works are first published in India or if they are the works of specific, statutorily identified international organizations. Otherwise, the protection will be equal for the duration granted by the country of origin. The Central Government of the Republic of India also has the right to withhold copyright protection from foreign works when such works' authors are citizens of countries that do not give adequate protection to Indian works.

Notwithstanding the foregoing, a published foreign work receives protection under Indian copyright law as if such work was first published in India if (a) it is first published in India or (b) it is first published outside India, but the author was a citizen of India at the time of publication. An unpublished foreign work (other than architecture) receives protection if, at the time of its creation, the author is either a citizen of India or is domiciled in India. An architectural work receives protection only if it is located in India. Note that co-authors must all satisfy the foregoing requirements— an important standard to keep in mind in connection with jointly-developed software.

Indian law considers a work published in another country as nevertheless being first published in India if the publication dates are within 30 days of each other (subject to country-by-country variance).

Droit de Suite. Under Indian law, when an original copy of a painting, sculpture or drawing or of an original manuscript of a literary or a dramatic work or musical work is resold for more than 10,000 Rupees, the author who is the first owner of such rights (or his or her legal heirs) has a right to share in the resale price, as long as the copyright term is still in effect, notwithstanding the assignment of the copyright in such work. The Copyright Act has prescribed the maximum share in such resale price to be capped at 10%, but is silent as to whether the copyright owner may contract out of this right.

Moral Rights. U.S. law generally does not recognize "moral rights," except in very limited circumstances *(e.g.,* for authors of works of visual art, see 17 U.S.C. § 106A). India, however, recognizes the author's rights to claim authorship and to prevent (or claim damages for) any distortion, mutilation, modification or other act in relation to such work if such act is prejudicial to the author's honor or reputation. These rights of attribution and integrity are inalienable. The right of integrity is coterminous with the duration of the copyright itself; the right of attribution lasts for the length of the author's lifetime.

Notably, moral rights protections do not apply to lawful adaptations of computer programs.

Trademark

Overview of Indian Trademark Law

India enacted its first trademark statute in 1940 which was replaced by a new trademark statute in 1958. That 1958 statute was then repealed and replaced with the Trade Marks Act, 1999, which is currently in force. Key provisions of the 1999 trademark law include, among other things, protection for service marks. Under Indian law, trademark protection is accorded to any mark that is capable of being represented graphically and capable of distinguishing the goods or services of one person from those of others. These include combinations of colors, shapes and packaging of goods, collective marks, certification marks and three-dimensional marks and also distinctive sound and smell marks. Protection is also accorded to well-known marks (including unregistered marks) that have acquired cross-border reputation.

Ownership

U.S. Under both federal statutory law (as embodied in the Lanham Act) and common law, trademark ownership in the U.S. inheres to the individual or business who is first to use the mark in commerce, provided that the mark is not confusingly similar to another mark with respect to the underlying goods. This general principle is subject to certain restrictions, including the following: The owner of an alleged mark which is not inherently distinctive—that is, which requires proof of secondary meaning as a prerequisite to legal protection—must prove not only that he or she adopted and used his or her mark first but also that the mark attained secondary meaning prior to the adoption and use of the confusingly similar mark. Additionally, where distinct entities engage in years of concurrent use of the same mark without confusion, and there is such marketplace divergence between the goods as to render confusion unlikely, both users will be allowed to continue such concurrent use. *See In re Superior Outdoor Display, Inc.,* 478 F.2d 1388 (C.C.P.A. 1973). Although registration is not required for a mark to receive legal protection in the U.S., registration has several benefits, including the ability to recover profits, damages and costs for infringement, the possibility of receiving treble damages in certain circumstances, and the ability to recover attorneys' fees in infringement actions.

Licensing/Assignment. A trademark can only be assigned with the "goodwill" associated with such trademark. An assignment of a mark without its associated goodwill is prohibited as an "assignment in gross." *See Sugar Busters LLC v. Brennan, 177* F.3d 258, 50 U.S.P.Q.2d 1821 (5th Cir. 1999); *Beauty Time, Inc. v. Vu Skin Sys., Inc.,* 118 F.3d 140, 43 U.S.P.Q.2d 1225 (3d Cir. 1997) (holding that a purported oral assignment without goodwill was not valid). A trademark can be licensed so long as the licensor controls the nature and quality of the goods sold by the licensee under the trademark. A license with no such control is known as a "naked license," and is seen as deceptive to the public.

India. Registration of a trademark is not compulsory in order for a person to be recognized as an owner of a trademark or for a trademark to be afforded protection under the Trade Marks Act, 1999. Trademarks in India are protected under the Trade Marks Act, 1999, as well as at common law. Actions for the violation of trademarks include actions for infringement, as well as actions in passing off. In order to take an action for infringement, the trademark must be registered. An owner of a trademark which has not been registered in India has a common law right and may take action in passing off, subject to the passing off criteria being met.

Upon successful registration of a trademark, an owner has the exclusive right to use such trademark in relation to the goods for which it is registered. However, a third party who has, in good faith, been using the same or similar mark for the same or similar goods prior to the date on which such trademark is registered will not be affected by that registration, provided that such third party continually used the mark from a date prior to the registrant's use or registration. Such a third party may be permitted to be included in the registration for the similar trademark.

Registration

U.S. To obtain registration of a trademark under the Lanham Act, an applicant must show that she has priority of use. Trademark priority can be established in two methods: (1) through actual, commercial use of a mark in the ordinary course of trade; and (2) through an intent-to-use application (ITU) filed in the U.S. Patent and Trademark Office (PTO). Such priority allows a registrant to establish nationwide priority rights subject to the later issuance of a registration after making the requisite use. The legal effect of an actual use application after an ITU is the same, but the delays inherent in the ITU procedures can significantly postpone the affected business's actual reliance on ITU priority in litigation.

India. The Indian trademark registry is located in Bombay, with branches in Calcutta, Madras, Ahmadabad and New Delhi. Applications for a trademark can be made under a single class or in multiple classes in one application. A trademark application made in India may seek a priority date in respect of an application filed in a Paris Convention country, provided the application is filed in India within six months of the date of the application in the convention country. Registration is required to initiate an infringement action, and is initially valid for ten years and can be renewed indefinitely for additional ten-year periods.

Certain Indian-Specific Laws

Geographical Indications. Protection and registration is accorded to an indication which identifies goods manufactured or originating from a particular territory, where a certain quality, reputation or other characteristic of such goods or activities are essentially attributable to a particular region *(e.g.,* a particular type of tea grown only in a certain region). Registration of geographical indications is mandatory to obtain protection. As a geographical indication is a public property, the law only permits its transfer by means of succession, and specifically prohibits transmission by assignment, license, pledge, mortgage or other similar forms. The initial term of registration of a geographical indication is ten years, and dates back to the date of filing. The registration can be renewed indefinitely for additional ten-year periods. The remedies available for the infringement of geographical indications are similar to those available in a case of trademark infringement. Actions for the violation of geographical indications include actions for infringement, as well as actions in passing off.

Trade Secrets

Overview

U.S. The law of trade secrets in the United States is state law, and finds its roots in two primary sources: (a) the *Restatement of Torts* (1939); and (b) the Uniform Trade Secrets Act ("UTSA"), which has been adopted in about forty states with various modifications. Information may be protected as a trade secret under contractual obligations between parties *(e.g.,* pursuant to a confidentiality agreement, NDA or employee agreement), or by operation of law in the absence of such a contract. Trade secret law protects against unauthorized use or disclosure of secret information by another in violation of duties owed to the owner when such use or disclosure is to the potential or actual detriment of the owner.

There are two basic common law theories that a court may apply to protect the owner of a trade secret: (i) the disclosure is in breach of an implied contract; or (ii) the wrongful disclosure and use is in breach of the duties arising from a confidential relationship. Either or both of these common law principles may be embodied in an applicable UTSA relating to "misappropriation," under which a trade secret is obtained through "improper means." Such means could include otherwise lawful conduct which is improper under the circumstances. For example, one court held that it was unlawful for a defendant to fly over his competitor's property in an airplane to ascertain the secret layout of the competitor's plant while it was still under construction. *See E.I. du Pont de Nemours & Co., Inc. v. Christopher,* 431 F.2d 1012 (5th Cir. 1970). In cases involving improper means, a confidential or contractual relationship between the parties is not necessary.

India. There is no comprehensive data theft or trade secret law in India. Laws relating to trade secrets generally provide protection under principles of equity and common law, as well as laws relating to criminal breach of trust and theft. The law regarding criminal breach of trust is unclear; as such and it is often best for parties to specify contractually that breach of confidentiality obligations is a criminal breach of trust to strengthen the case for criminal breach. In one case, *Emergent Genetics India Pvt. Ltd. v. Shailendra Shivam* (Suit No. 50/2004), three employees of the plaintiff company were found liable for breach of confidentiality—independent of the existence of any contract—resulting from their theft of germ plasm that allowed production of a seed identical to the plaintiff's hybrid cotton variety. Indian law does not impute legal liability to a person who discovers a trade secret embodied in a product through reverse-engineering. Civil remedies of injunction and damages are, however, available in cases of breach of confidentiality obligations with respect to trade secrets. If secret information is obtained in an unauthorized manner, including through employee theft or misappropriation, legal action may be instituted under common law. To be afforded protection, it is essential that trade secrets and confidential information be (a) intentionally treated as confidential and (b) capable of commercial application and "involve economic interest." In general, the amount of protection afforded to any confidential information will be a function of the number and class of persons having access to confidential information, and in no case can information in the public domain be considered a trade secret under Indian law. *Konrad Wiedemann GmbH v. Standard Castings Pvt. Ltd.,* [1985] (10) IPLR.

Non-Compete Agreements. Non-compete agreements are at times used to protect a party's trade secrets. Generally, non-compete provisions during the subsistence of an agreement are enforceable. However, where the non-compete provision goes beyond the term of the agreement, it is necessary to ensure it is not caught by the provisions of Section 27 of the Contract Act, 1872 (of India). This section provides that every agreement whereby anyone is restrained from exercising their lawful profession, trade or business of any kind is to that extent void. The validity of any such restraint are generally analyzed in light of proprietary interests, reasonableness and public interests. There are various case laws which have held that the restraint of trade should be deemed reasonable.

Patent

Overview of Indian Patent Law

India's first patent law was enacted in 1856, and was based on the British Patent Law of 1852. The foundation for modern Indian patent law is the Indian Patents Act of 1970, which came into force on April 20, 1972, and which was amended in 1999, 2001 and 2005 to comply with TRIPS. On December 26, 2004 the President of India promulgated an ordinance, which came into force on January 1, 2005, to bring the national patent law into compliance with the TRIPS Agreement. The law was later passed by both houses of Parliament and given Presidential assent on April 5, 2005.

Ownership

U.S. The U.S. follows a "first to invent" patent scheme, granting a patent to the inventor who can show that he was the first to conceive of and reduce to practice the underlying invention. (This is in contrast with many other countries that follow Despite the "first to invent" rule, the first inventor to file an application for a given invention will be given a rebuttable presumption of priority as the first to reduce the invention to practice. For patents filed after June 8, 1995, a patent gives its owner the exclusive rights for a term of 20 years (from the date of filing of the priority application) to use, make, sell and import his or her patented invention.

Ownership. An employee owns any patentable rights unless he or she was initially hired or specifically directed to solve a specific problem or use an inventive skill or he or she has signed an assignment agreement *(e.g.,* as part of an employment agreement). If the employee retains the patent rights but has used the employer's resources, the employer is granted a nonexclusive, royalty-free right to make and use the claimed invention. *Banks v. Unisys Corp.,* 228 F.3d 1357, 1359 (Fed. Cir. 2000) ("The general rule is that an individual owns the patent rights to the subject matter of which he is an inventor, even though he conceived it or reduced it to practice in the course of his employment. There are two exceptions to this rule: first, an employer owns an employee's invention if the employee is a party to an express contract to that effect; second, where an employee is hired to invent something or solve a particular problem, the property of the invention related to this effort may belong to the employer. Both exceptions are firmly grounded in the principles of contract law that allow parties to freely structure their transactions and obtain the benefit of any bargains reached.").

Joint Owners. Under Indian law, a co-owner may not license or assign his or her interest without the other owner(s)' approval (and without an accounting).

India. Under Indian law, the term of each patent is twenty years, subject to an annual renewal fee. Only once a patent is granted can an infringement suit be filed, and any such suit must be filed within 3 years from the date of infringement. Under Section 108(1) of the Indian Patent Act, a patent owner in an infringement suit may seek an injunction and, at such owner's election, damages or an accounting of profits. A temporary injunction may be sought under the Indian Civil Procedure Code (separate from Indian patent law), and requires merely that the plaintiff show that the patent is *prima facie* valid and that the balance of hardship is in the plaintiff's favor. *See National Research and Devel. Corp. of India v. Delhi Cloth and General Mills* [AIR 1980 Del 132] (setting out the requirements for *prima facie* validity when seeking a temporary injunction in the patent context). Damages sustained in respect of infringement committed during the period between the date of publication of the patent application and the date of grant of a patent may be claimed in the suit. Under Section 108(2) of the Act, an Indian court deciding an infringement case may also order seizure and destruction of the infringing goods and of any "materials and implement, the predominant use of which is in the creation of infringing goods."

Ownership. An invention made by an employee, even in the course of his or her duties, is not be assigned to the employer in the absence of a contract. Accordingly, the U.S. party who desires to have patent rights to inventions created by an Indian developer, must be sure that the developer has signed effective assignment documents.

Joint Owners. Co-inventors are joint owners and are treated like tenants-in-common. Each joint owner has the right to grant licenses to others (and to transfer ownership in but not exclusively license), without the consent of the other owner(s) and without a duty of accounting to the other joint owner(s). 35 U.S.C. § 262.

Filing Protocol

U.S. To obtain a patent, an applicant must first file in the PTO a complete patent application consisting of a petition, a specification (including claims), any necessary drawings, an inventor oath or declaration, and a filing fee. An application may obtain the benefit of an earlier priority application (including a "provisional" application if the full application is filed within a year) filed in the PTO or in a foreign country.

India. Patent applications are handled by regional patent offices in Calcutta, Bombay, Delhi and Madras, each of which covers a particular zone of India. An applicant residing or carrying on business in a particular zone must file her application in the office for that zone. An application for an Indian patent may be filed directly or as a Convention application through the Patent Cooperation Treaty route. A direct application must be accompanied by a provisional or complete specification, along with an abstract of the invention. Filed applications are notified in a weekly publication, the Gazette of India. The new system for patent filing requires patents for inventions by Indian residents to be filed in India before a filing is made in any other country. However, an application for a patent may be filed outside India if no objection is procured from the Patent Office. It is unclear what the penalty for not complying with this requirement is, as the law is silent in this regard. Pre-grant opposition to patent applications is available after publication of an application until the grant of the patent; post-grant opposition is available within 1 year of the grant.

Eligible Inventions
U.S. Section 101 of the Patent Act provides that patents may be granted for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." Sections 102 and 103 restrict patent eligibility to inventions that are novel and non-obvious, respectively. The non-obviousness standard has been called an "amorphous" one, with a recent Supreme Court case stating that courts should employ a "flexible approach" in determining whether an invention satisfies the non-obviousness requirement. *KSR v. Teleflex,* 127 S. Ct. 1727 (2007). Although the Constitution limit patents to "useful arts," there is no express statement in the patent statutes that all inventions in all the useful arts are covered. Nevertheless, the U.S. Supreme Court has repeatedly stated that 'the language of Section 101 is "extremely broad," *see J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.,* 534 U.S. 124 (2001). Recently, the breadth imputed to Section 101 has come under scrutiny, particularly as a result of controversial decisions like the one in *State Street Bank & Trust Company v. Signature Financial Group, Inc.,* 149 F.3d 1368 (Fed. Cir. 1998), which affirmed the patentability of business methods (as "processes").

India. Initially, Indian patent law only extended to processes, and not products (such as inventions relating to food, drug, and medicines and substances produced by chemical processes). Today, patent protection is available for products, processes and improvements thereon for inventions meeting the criteria of novelty, "inventive step" and utility (defined as "capable of industrial application"). To be patentable under the "inventive step" test, a feature of an invention must involve a technical advance or have economic significance or both, *and* that feature must make the invention not obvious to a person skilled in the art. However, the improvement "may even be slight if it conduces to a better result than what has been achieved beforehand." *Bombay Agarwal Co., Akola v. Ramchand Diwanchand* [AIR 1953 Nag. 154]. Until 2005, a "new use for a known substance" was not patentable; the 2005 law amended this provision and qualified the word "new use" with the prefix "mere," making only "mere new uses" unpatentable.

Computer Programs. India is moving closer towards European Patent Office (EPO) practices in patentability of computer programs. Computer programs as such are not currently patentable, but a computer program in combination with hardware is patentable, and technical applications of computer programs to industry are patentable.

Licensing/Assignment
U.S. ***Grant Back.*** A patent owner can require a licensee to assign back rights in modifications and improvements (or grant a license back to such rights, particularly a nonexclusive license back). All such arrangements would be reviewed under a "rule of reason" anti-trust analysis. An assignee of a patent takes the patent subject to previously granted non-exclusive licenses. An exclusive license must be recorded at the PTO otherwise it may be "void" against a subsequent bona fide purchaser. 35 U.S.C. § 262.

"Have Made" Rights. In the United States, if the license specifies the right to make, courts may imply the right to have the licensed product made by a third party (the so called "have made" right). Typically, however, if the agreement does not otherwise address the scope of that right explicitly, courts will require some indicia that the third party actually made the products in question for the licensee and that the licensee did not simply purchase the third party's "off the shelf" products. *See, e.g., Intel Corp. v. Broadcom Corp.,* 173 F. Supp. 2d 201 (D. Del. 2001). Even if the license grants "have made" rights, but expressly prohibits "sublicensing", a court may find the purported exercise of the "have made" right to be an attempt to end run the prohibition on sublicensing. *See E.I. du Pont de Nemours and Co., Inc. v. Shell Oil Co.,* 498 A.2d 1108 (Del. 1985). Most modern patent licenses clearly specify the scope of the right "have made" and require licensee make some specified contribution to the design of the licensed product.

Sublicensing/Assignment. If the agreement is silent on sublicensing/assignment, a non-exclusive patent licensee cannot assign the license or grant a sublicense to another without the licensor's consent. *Everex Sys. v. Cadtrak Corp. (In re CFLC, Inc.),* 89 F.3d 673 (9th Cir. 1996); *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.,* 284 F.3d 1323, 1328 (Fed. Cir. 2002) (assignment of non-exclusive patent licenses requires the consent of the licensor). *But see Farmland Irrigation Co. v. Dopplmaier,* 48 Cal. 2d 208, 220 (1957) (state law governs the transfer of patent ownership and that non-exclusive patent licenses are assignable without consent of the licensor). The law is unsettled with respect to the rights of an exclusive licensee's rights to assign the license to another. *In re Hernandez,* 285 B.R. 435 (D. Ariz. 2002) (neither nonexclusive licenses nor exclusive licenses can be assigned). But failure to allow an exclusive licensee the right to grant sublicenses might raise an antitrust issue. *See United States v. Krasnov,* 143 F. Supp. 184 (E.D. Pa. 1956), *af'd per curiam,* 355 U.S. 5 (1957) (a license provision requiring the licensor and the exclusive licensee to act in concert to grant sublicenses to third parties may be *a per se* violation of the Sherman Act); but see *United States v. Singer Mfg. Co.,* 205 F. Supp. 394 (S.D.N.Y. 1962), *rev'd on other grounds,* 374 U.S. 174 (1963) (limiting *Krasnov's*rule of *per se* rule unlawfulness to situations where the agreement has been "part of a host of abuses"). *See also* 2-15 MILGRIM ON LICENSING § 15.13 (2004) ("[t]he fact remains that the failure to grant the right to sublicense provides a fertile opportunity for third parties, particularly infringers, to claim misuse").

Exhaustion. Under the first sale doctrine, an authorized sale of a patented product exhausts the patent monopoly as to such product so that the purchaser may freely use or resell the product. *See, e.g., Keeler v. Standard Folding-Bed Co.,* 157 U.S. 659, 662 (1895) (regarding right to resell); *Intel Corp. v. ULSI Corp.,* 995 F.2d 1566, 1568 (Fed. Cir. 1993). Where the first sale occurs in a foreign country and the product is subsequently imported into and resold in the U.S., the law is not quite as settled. Under 2001 Federal Circuit law, the first sale doctrine only applies where the first sale occurred under the United States patent by first sale in the United States. *Jazz Photo Corp. v. Int'l Trade Comm'n,* 264 F.3d 1094, 1105 (Fed. Cir. 2001), *reh'g denied,* 2001 U.S. App. LEXIS 26127 (Fed. Cir. Nov. 9, 2001). Previous cases had held that an authorized foreign sale exhausts the patentee's rights unless the patentee specifically altered such result by means of contractual limitations that expressly prohibit importation or resale in the United States or the first sale was authorized by law in the applicable jurisdiction without the participation of the patent owner. *See Kabushiki Kaisha Hattori Seiko v. Refac Technology Development Corp.,* 690 F. Supp. 1339, 1342 (S.D.N.Y. 1988); *Sanofi, S.A. v. Med-Tech Veterinarian Products, Inc.,* 565 F. Supp. 931, 938 (D. N.J. 1983); *Boesch v. Graf,* 133 U.S. 697, 703 (1890). A licensor may avoid the first sale doctrine by conditioning sale on certain limitations. *See Jazz Photo Corp.,* 264 F.3d 1094, 1108 (Fed. Cir. 2001); *see also LG Elecs, Inc. v. Bizcom Elecs, Inc.,* 453 F.3d 1364 (2006) (apparently expanding the doctrine further).

India. There is no automatic assignment provision for patents, and thus, inventions must be assigned by both employees and independent contractors. Therefore, for a company to secure ownership of new inventions, it is important that there be an assignment of any new invention by the company's employees and independent contractors. Under the proviso S. 69(3) of the Indian Patents Act, if there is any dispute between parties as to whether an assignment, mortgage, license transmission, operation of law or any such transaction has validly vested in a person title to a patent or a share therein, the "Controller" may refuse to register the title of such person until the rights of the parties have been determined by an appropriate court.

Licensing. Patent licenses, which can run in perpetuity under Indian law, can restrict the use of proprietary "processes." Patent licenses are still subject to certain limitations, however. For instance, in a legal proceeding, the burden on a foreign manufacturer to prove a breach may be difficult because it is hard to gather evidence that someone has used a proprietary process. Also, a potential infringer may claim that it independently developed or acquired the processes without breaching the license.

Compulsory Licensing. The Indian Patent Office may issue a compulsory license in respect of a patent at any time after expiration of three years from the date of grant. A compulsory license may be sought on the following grounds: (a) reasonable requirement of the public has not been satisfied; (b) unavailability to the public of the invention at a reasonably affordable price; or (c) failure to "work" the patent in India. The terms and conditions of such compulsory license may impose reasonable remuneration to the patent owner, non-assignability and non-exclusivity and may require predominant use in India.

Exhaustion. India recognizes international patent exhaustion. The authorized sale of an article outside India will exhaust patent rights in India.