



Use and acquisition of patent by government - A public and private right study: Analysis of Garware and Chemtura case

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Abstract

The research paper presents a comprehensive examination of the government's authority to use patents under the Indian Patent Act of 1970, focusing specifically on Chapter 17 and its pivotal Section 47. These legal provisions play a crucial role in balancing the rights of patent holders with the imperative of addressing public interest, especially during national emergencies. Chapter 17 of the Indian Patent Act, 1970, is a cornerstone of the legislation that outlines the circumstances under which the government can exercise control over patents. Within this chapter, Section 47 stands as a key provision, granting the government the power to revoke or alter patents for inventions that are deemed prejudicial to the public. This section embodies the Act's commitment to promoting innovations that benefit society while mitigating any potential harm. Section 47 empowers the government to step in when it determines that a patented invention, if freely used, would be detrimental to the public interest. In such cases, the government can revoke the patent or alter its conditions to ensure that the public is not adversely affected. This authority is exercised judiciously to strike a balance between upholding the exclusivity rights of patent holders and safeguarding the broader welfare of the populace. Chapter 17, along with Section 47, exemplifies India's dedication to maintaining equilibrium between intellectual property protection and the imperative of public interest. These provisions reflect a forward-thinking approach that recognizes the importance of fostering innovation while mitigating potential abuses of patent monopolies that may be detrimental to society. The implication plays a key role in effectively enforcing patent with due consideration to public interest. The research paper analyses this aspect of patent law in India and brings presents a detailed analysis of the provisions.

Keywords: Government, Garware and Chemtura, exercised judiciously

Introduction

Intellectual property Rights are private rights giving monopoly to a private entity. The study of Intellectual Property Theories tends to widen public domain while granting private monopoly. Intellectual Property Laws are not absolute and are limited on various grounds. The state while granting monopoly puts certain conditions and reserves right to use and acquire for purposes of government. This is the exercise of the *Sovereign Function of the state*. All the IP property are subject to the interest of the state and can anytime be acquired by the state.

This concept of use and acquisition by the central government is two faceted under Indian Patent Act, 1970. It is dealt in two different chapters of the patent act having substantial difference. At one (Section 47) it provides that government can make use of the patent for "*its own purpose*", while at other (Chapter XVII) holds government can use the patent for "*purpose of government*". *Royalty paid* is major difference between the two provisions. It is payable in latter but not payable in former. It hints at possible "*Sovereign functioning*" of the state, but there has been no such mentioning in the statute. The interpretation of the term "*Government*" or "*someone authorised on its behalf*" or "*on behalf of government*" also poses some ambiguity to the provision. *The provision also seems to lack any limitations attached to it.*

The chance to clear out this ambiguity came a number of times before the Hon'ble High Courts. But the court took contradictory approaches in it. It once favoured Section 47 (*Chemtura Corporations vs. Union of India*) and in the other case, favoured section 100 (*Garware-Wall Ropes Ltd. Vs.*

A.I. Chopra And Anr.). Thus the proper demarcation between section 47 and chapter 17 is not settled and it has come up again in a recent case before Civil Court of Hyderabad (OS No. 734, 735/2017). This creates a tussle between public rights and private right. The central government uses or acquire the patent for the purpose of the government, which is indirectly in the interest of the public, limiting the extend of private right (exclusive right of the patentee). This paper probes into this tussle of public right (exercisable by the government) and private right of the patent holder.

Analysis of section 47

Section 47 of the Patent Act (hereafter referred as 'Act') provides for the "Grant of patent to be subject to certain conditions" ^[1]. It acts as exception and limitation to the exclusive right of the patent holder.

The exclusive right of patent holder (any machines, apparatus or any other article made by using a process) is subject to importation or making by or on behalf of government for the purpose merely of its own use (Section 47(1) of the Act). There may be an example of note printing machines which government is eminently in need to use. Thus in this case if it make or imports such machines, it would not be infringement of the patent. This right is subject for any process patent granted (Section 47(2) of the Act) in similar fashion.

The third limitation incorporated section 47 is very significant. This limitation is fairly wide but its scope and ambit is to be tested in court of law in India. It allows the use and manufacture of patent for the experimental or

research purposes including the imparting of instructions to pupils (Section 47(3) of the Act). The Shri Justice N. RajaGopala Ayyangar Committee Report, which laid the foundation of the present patent act also expressed to opt out experimental work from the purview of infringement of patent^[2]. He proposes that it is desirable in law that experimental work shall be exempted from the patented article and processes. There shall not arise an action of infringement of patent for experimental use. Similar has been provided in Section 47(3) of the Patent Act, 1970. He further disagrees with the view taken in *United Telephone Co. v. Sharples*^[3], where use of infringing article for the purpose of instructing of pupil was declared the infringement of patent. Justice Ayyangar suggested that the insertion of the words '*including the use of the patented article or process for the purpose of imparting instruction to pupils*' in the clause would avoid the above interpretation. The same view was adopted and experimental and research purpose was excluded from being an infringement of the patent. Interestingly, this limitation is fairly wide but its scope and ambit is to be tested in court of law in India. The term "*experiment, research and merely*" is nowhere defined in the Act, thus creates an ambiguity. It may correspond to an example where professors at technical university uses the invention to teach to students.

The fourth limitation is with respect of importation of medicine and drug for merely its own use or for distribution in dispensary, hospital, medical institution maintained by or on behalf of the Central government or as may be notified in official gazette. Public health is the prime concern of the government, thus for meeting any eminent case of epidemic or life taking disease, the government may make use of the patent of a patentee. There shall be no scope of infringement or violation of the patent rights.

Analysis of chapter xvii

The Chapter 17 of the Patent Act provides for the "Use of Inventions for purposes of the Government and Acquisition of Inventions by Central Government". Chapter 17 comprises of Section 99-103. Section 99 defines what constitutes "use of an invention for the purpose of the government". It means that if the invention is made, used, exercised or vended for the purpose of the Government (which includes Central Government, State Government or a Government undertaking)^[4], it is considered as the 'for the purpose of'^[5]. The word purpose means design of affecting something. Motive is highly subjective in nature. And can be found mainly in conduct. But the purpose is more apparent and has immediate connection with the result which brought out^[6].

Section 100 of the Act provides for the power of Central Government to use invention for the purpose of Central Government^[7]. This usage is not free of royalty. The Government has to pay the patentee remuneration which shall be mutually decided and shall not be exorbitant. But if the government has made use of the patented product or process before the inventor, then it can be used without any such remuneration. Authorisation in writing is made a necessity for such use. Interestingly, the right to use includes right to sell on non-commercial basis. The Commercialisation of the invention cannot be done for the purpose of the government.

Section 101 of the Act provides for the Rights of third parties in respect of use of invention for purpose of

Government^[8]. It recognises the right of any assignee, or licensee or any other person who entered into an agreement with the patentee, before such use has been made by the government. Such license, or assignment or agreement shall have no effect. It further provides that the sum received by the patentee shall be shared by the third person in case of existence of some prior agreement as per their mutually agreed term with regards to expenditure incurred by the licensee in developing the invention or in making payment to patentee other royalty or any other benefits determined by reference to use of invention..

Section 102 of the Act holds for the Acquisition of the inventions and patents by the Central Government^[9]. The central government shall exercise this right if it is satisfied that the acquisition is necessary for public purpose. Upon such satisfaction it may publish a notification acquiring the patent. Public interest may refer to cases where whole community is affected, for example a drug making process may be acquired by the central government.

The satisfaction of the central government must be very objective. This is to keep a check upon the power of the central government in acquisition of the patent. The satisfaction must be *bonafide*. It is not open for the court to scrutiny the conclusion of the reason for acquisition, but how did the central government reach the conclusion (reason) can be questioned in court. The court can inquire if the acquisition is *malafide*^[10]. The reasonable compensation must be given for such acquisition.

Reference to Garware-wall ropes case^[11] and Chemtura corporation case^[12]

In Garware Case, The appellant (Garware Wall Ropes) filed suit for declaration that defendant No.1 (A. I. Chopra) is not entitled to manufacture, sell, use etc. or offer for a sale and the products patented for the plaintiff titled as "GSRW and Spiral Lock Systems bearing Patent Nos.196240 and 2011 77 and for a decree for perpetual injunction. The respondent set up a defence that since the contract has been inked in the name of the President, so it falls within the ambit of Section 100 of the Act which grants complete protection for using the said patents for the work of railways, which is a department of the Central Government and such contracts are signed on behalf of the President of India. The Court in the Judgment discussed the scope and validity of Section 100 of the Act along with distinguishing the provision of the section 47 and 99, 100 of the Act.

Court discussed that 'merely of its own use' (Section 47 of the Act) would mean use for the purposes of the Government by any department of the Government and use by servants and agents of the Government in performance of their duties/in discharge of their duties assigned to them irrespective of who is benefited by such use. This would not include use by any other person like contractor of railways and the meaning is strictly restricted to the direct use by any department of the Government or its servants in the performance/in the discharge of their duties. This is all the more so, because for such use contemplated by Section 47 of the Act, no payment of royalty is at all contemplated to the patentee. It corresponds to "eminent domain" or "sovereign function" by which Government is entitled to make a patent subject to such condition in interest of the state. It can be compared to chapter VII of the Act in which the rights of patentee is taken away in interest of the security and defence of India. But it is interesting to note that the

careful reading of the section 47 of the Act shows that these rights are not curtailed in entirety. [Paragraph 21 of the judgement]

Contrary to this, 'use for the purpose of the government' (Section 99 and 100 of the Act) extends the scope of the use of the invention of the patent. As per section 99, Government includes Central Government, State Government or a government undertaking. According to me, these provisions have been made in order that the patents can be utilized by Central Government, State Government for the purposes other than purely departmental in the discharge of duties or the sovereign functions but in accordance with the terms and conditions laid down in this Chapter XVII. Under these provisions even a third person like a contractor can be allowed to use the patent for the purposes of Government or Government undertakings. But then that is upon the agreement or licence given by the patentee to such third person and upon of-course the payment of royalty etc. It is clear to me that the Central Government or State Government is not entitled to use a patent free of cost. The Court settled that Indian Railway is not the sovereign function of the state. [Paragraph 22 of the judgement]

In Chemtura case, the plaintiff had a patent no. 213608 for "toad shaped side bearing pad". While some infringement suit was being tried, the Indian Railway issued a tender notification for procuring the side bearing pad used for wheels of the railway coach. In that notification, it disclosed the drawing of the side bearing pad, which corresponds to the drawing of the plaintiff in specification. The tender was granted to a consortium which was the distributor of the plaintiff. The plaintiff contested that it was the infringement of their patent. The proceeding before the Delhi High Court took interesting shape. The defendant contested that the design was disclosed by the Government, thus it has not committed any infringement since the design was in public domain. The Plaintiff contested that Section 48 of the Act grants exclusive rights to the plaintiff regarding his patent. Moreover Section 156 of the Act binds the government in a similar way as any third person. Thus the patent of plaintiff cannot be used by the government even. Whereas the defendant contested that the Government can make use of the patent. This is prize patentee pays for getting the exclusive rights. The Court had a wonderful chance of interpreting the least interpreted section. The Court made several observations.

A plain reading of the above provision is that the patent in respect of the subject device may be used by or on behalf of the Government for the purpose merely of its own use. This is an implied condition of the grant of patent. In the circumstances, if the central government through the Ministry of Railways has itself supplied the drawings to the prospective suppliers and asked them to supply side bearing pads in conformity with those drawings, it cannot possibly be said that there is an infringement by either the Railways or its contractor of the patent. Although Section 156 of the Act states that patent will bind the Government but its provision has also been made subject to the other provisions contained in this Act. A harmonious reading of Sections 47 and 156 of the Act would indicate that the object is not to involve the Government or its department or a contractor acting on its behalf in any litigation involving infringement of patent when the product or process in question is for the own use of the government.

Where it is not for the government's own use, or where the Government supplies the drawings of a patented product without the knowledge or consent of the patent holder, then Section 156 would permit enforcement and protection of the patent even against the government. [Paragraph 52 of the judgement]

The words merely of its own use in Section 47 of the Act was held to mean that use for the purposes of the Government by any department of the Government and use by servants and agents of the Government in performance of their duties/in discharge of their duties assigned to them irrespective of who is benefited by such use. It was held that this would not include use by any other person like contractor or railways since the meaning is strictly restricted to the direct use by any department of the Government or its servants.

A reference was made to Sections 99 and 100 of the Act concerning the use of inventions for the purposes of the Government. This Court understands Section 47 to not restrict the making of the device by the Government itself because the words used are made by or on behalf of the Government.

It is the end use that has to be for the Government or its department exclusively. [Paragraph 53 of the judgement]

The position that was very well settled by the Bombay High Court was in all thrown into the ocean of uncertainty. The Hon'ble High Court of Delhi failed to demarcate the difference between the provisions of 47 and 99, 100 of the Act. This judgement gives the Indian Railway a carte blanche to bust patents. This approach is very prejudicial to the rights of the Patentee Rights.

The Case later on was also dealt up to some extent by Kerala High Court in *Low Heat Driers Pvt. Ltd vs. Biju George* ^[13], where court while dealing with section 47 held that "*...It is true that Ext. A-17 patent is granted subject to the conditions specified under Section 47 of the Act which are really the superior right of user of the Government or the user for experiment or research or for imparting of instructions to pupils and the like and not for the commercial exploitation by any private individual.*" (emphasis supplied)

Position in Foreign Jurisprudence (EU & UK)

'CROWN USE' has been an exception or limitation to exclusive right of the patent holder. Under UK Patent, 1977 in section 55 provides for the "use of the patented invention for the service of crown". Use for the Service of the Crown is use by members of such services in the course of their duties. Thus the use of patented drugs in the treatment of National Health Service hospitals patients has been held to be used for the services of the Crown ^[14]. The same act under section 55(4) provides for compensation in nature of remuneration payable to the inventor pursuant to the concurrent right.

Initially, in UK the exceptions against the patent right passed through uncertain phase. There has been uncertainty over the scope of infringement of the patent with respect to experimental work. Blanco White's treaties on Patents indicate this uncertainty in following terms:

"Mere experiment with a patented invention would appear not to amount to infringement; but it is the patent itself that must be the subject of experiment and not (for instance) the product of a patent process. And it would seem that a claim of right to exercise the invention may convert an

experimental exercise into an actionable threat to infringe”^[15]

But in the case of *United Telephone Co. V. Sharples*^[16], also regarded as border line case, in which use of an infringing article for the purpose of instructing pupils (pulling out the article to pieces and putting them together) was declared not a mere experimental use and amounted to an infringement. This has served as a bad example and hampers the scope of Intellectual Property Rights. This foreign jurisprudence has developed with time and they have defined the extent and scope of the limitation upon the exclusive right of the Patent holder. The questions related to the economic exploitation and educational purposes have been resolved.

In *Bell Helicopter Textron Inc. & Bell Helicopter Textron Canada Ltd. v. Airbus Helicopters*^[17], where Airbus Helicopters had a French Patent No. FR2749561 directed to a landing gear with skids. Bell Helicopters came up with a prototype having same claims in their patent, citing that it was just a prototype for examination. It was deduced that they had certain commercial element involved in their prototype. The court agreed that prototype for experimental purpose is no infringement, but the commercial element involved in it was deemed to be an infringement.

This clearly confirms that the governmental use is only for its purpose or for purpose of government; the commercial exploitation is never a ground for limitation of the rights of the patent holder.

Similarly in the case of *Inhale Therapeutic Systems Inc. v. Quadrant Healthcare plc*^[18], the Patents Court interpreted Section 60(5) of the UK Patents Act, 1977^[19] and refused to regard exploitation of products intended to sell the technology to third parties as experimental which suggests that the acts entirely directed to commercial development rather than the attributes of the invention are not "experiments".

Interface between section 47 and chapter 17 of the act

Section 47 uses the term “*for the purpose merely of its own use*” in contrast to Section 99, 100 which uses the term “*for the purpose of Government*”. Both the terminology has been used with definite purpose and not be mistake or with no intention. This leads to following interfaces between the sections:

For the purpose of: It is subject to interpretation. It may include Railways, Communication, Defence, Health, and Government owned hospital, dispensaries, and medical institution. It corresponds to the eminent domain of the government, which has to be maintained by Government at any cost and are its prime concern areas. Thus the purpose for which such use is being made shall be *bonafide* and must relate to good reasoning of the government.

Merely of its own use and for the purpose of the government: This is an important difference between both the provision. Section 47 allows use by the government only for its own use whereas chapter XVII allows it to be used for the purpose of the government. It demarcates between the provisions on basis of their scope. Chapter XVII has a broad scope than section 47, the scope of use by the government is limited in section 47. It reflects the eminent domain in which government has necessarily to use the patent. The extent and scope of government usage is more in chapter XVII.

Payment of Royalty: The use of Invention under section 47 is without payment of royalty. It is because such use is condition of the grant and is exercised in such eminent necessity conditions. But chapter 17 of the Act provides for remuneration to be paid to the patent holder (or right holder) for the use of the invention by the central government. There is also an exception attached to this provision. Where Central government has used the invention resulting from the prior record or trial of the invention, the royalty shall not be given to anyone (Section 100(2)). This remuneration is to be decided on mutual agreement between the patent holder and government and in case of any dispute shall be referred to HIGH COURT having jurisdiction over the issue.

Sale or Commercial Exploitation of the patent: This is strictly prohibited under the Act (Section 100(6)). There cannot be any commercial exploitation of the patent being used by the government. It has to be used for the function of the government which in direct refers to be in interest for the public. But the government from getting any commercial value attach to the used inventions.

Involvement of third person: Both the provision authorise the government to involve third person. Section 47 provides for persons acting on behalf of government. They may be government officials. Similarly Chapter XVII provides for proper notified person to use the invention. The government can authorise any third person to make use of the patent for the purpose of the government.

Sovereign function: As per the researcher, both the provisions are sovereign function of the state. It would be wrong to say that one is sovereign function of the state and other is non-sovereign function of the state. Sovereign functions relates to the functions which is essential for the state to perform, the state has come into being for some basic functions to perform; they are referred as sovereign functions. In both the provisions, government functioning is required, thus both qualifies to be sovereign function of the state. Difference is merely of eminent nature of the function to be performed.

Acquisition of patent: Acquisition leads to loss of patent rights; the patent holder loses rights to claim the patent in his own name. The government becomes the patentee in case of acquisition. Section 47, despite being very harsh provision which deprives right holder of any remuneration, does not take away the patent: the patent holder still has his name attached to invention. Whereas chapter 17 provides for acquisition of the patent (section 102), in which central government is substituted in place of patent holder. This is very harsh provision and is only subject to “satisfaction of central government” and there is no express provision related to its challenge before the court. It gives wide arbitrary power to the government which shall be checked. One effective check is that of revocation of patent available under section 64 of the Act, which will be applicable against the Central Government after the acquisition of the patent. This is a reference to the Incentive Theory for the patentee; adequate royalty must be paid to the right holder otherwise he would be left high and dry if all his work can be acquired by the Government without any royalty.

Right of the third person (licensee or assignee): This is again a point of contrast between the provisions. Section 47 while making the use doesn't talk of any remuneration at all nor does it talk of any assignee or licensee which whom patent holder may have entered into an agreement before such use by the government. This is prejudicial to the interest of the third person involved with the patent before the usage made by the government. Chapter XVII presents a contrary scenario against it. It recognizes the right of third person and even gives them the right to remuneration.

Chapter XVII is subject to Section 47: This is the most important interface of all. Section 99(2) very clearly states that chapter 17 shall be subject to section 47. This brings out many important perspectives of these provisions.

1. **Section 47 has greater gravity in its application as compared to chapter 17:** This proves that the eminent usage doctrine propounded in Garware-Wall Ropes Case and emphasised by the researcher is true.
2. **The legislative intent accepts that there is some possible overlapping between the provisions:** Had the provisions been very different, no such mentioning would have been made. The only difference between the provisions is that of their eminent nature. One which is very eminent falls in section 47, rest is dealt in chapter 17. [Garware Wall Rope Judgment fails to identify this aspect of the provisions]

The judgment of the Garware-Wall Rope in very clear terms, established the demarcation between both provisions. But the judgment of Chemtura Corporations has lead again to several confusion and conflict. A clear picture will come when the highest court of land gives its verdict upon these least interpreted provisions.

On basis of this, the researcher finds it fit to deduce that both provisions correspond to the sovereign function of the state. The only difference between them is the theory of eminent necessity. Under section 47 the need for government use is so eminent that it can override the remuneration to patent holder or any right of licensee or assignee. Under chapter 17, the need for use of invention is not that eminent, thus it deals with remuneration to patentee and third person involved in it. That is why chapter 17 is made subject to section 47 of the Act.

Another important notable point is that the section 47 has dual nature: at once it has a general rule of exception for grant of patent (for educational and research purpose- not that eminent in nature), and a very rigid exception (public health and safety- very eminent) in its approach. Moreover the provisions give unfettered power to the central government, which is not a good sign for a democratic country. Some check and balance must have been incorporated against these provisions. The researcher also makes some reservation upon the scheme of the Act. In my opinion if the provisions would have been placed in one single chapter such confusions and contrary opinions would not have arisen. Apart from Judicial Scrutiny (especially with respect to unfettered power to central government), the provision needs a legislative overlook as well and some modifications, if not amendment then some explanation at least.

Reference

1. Section 47 of The Patent Act, 1970.
2. "Ayyangar Committee Report on Patents", 1959, point 488, page 163.
3. United Telephone Co. v. Sharples, 2 RPC 28.
4. Section 2(1)(h), The Patent Act, 1970.
5. Section 99, The Patent Act, 1970.
6. Smt. Padmavati Jaykrishna v. CIT, (1975) 101 ITR 153 (Guj).
7. Section 100, The Patent Act, 1970.
8. Section 101, The Patent Act, 1970.
9. Section 102, The Patent Act, 1970.
10. "Indian Patent Law & Procedure", D. P. Mittal, TAXMANN publication, 2002.
11. Garware Wall Ropes Ltd. v. A I Chopra, MANU/MH/1317/2008.
12. Chemtura Corporation v. Union of India and others, CS (OS) 930/ 2009: MANU/DE/1880/2009.
13. Low Heat Driers Pvt. Ltd vs. Biju George, MANU/KE/2355/2010.
14. Pfizer Corp. v. Minister of Health [1965] R.P.C. 261; see also Dory v. Sheffield Health Authority [1991] F.S.R. 221.
15. "Treaties on Patent", BLANCO WHITE, pg.no. 76.
16. United Telephone Co. v. Sharples, 2 RPC 28.
17. Bell Helicopter Textron Inc. & Bell Helicopter Textron Canada Ltd. v. Airbus Helicopters, 78 F. Spp. 3d 253 (D.D.C. 2015).
18. Inhale Therapeutic Systems Inc. v. Quadrant Healthcare plc, (2002) R.P.C. 21.
19. Section 60(5) of the UK Patents Act, 1977: "(5) An act which, apart from this subsection, would constitute an infringement of a patent for an invention shall not do so if-... (b) it is done for experimental purposes relating to the subject-matter of the invention;"