



# An Indian perspective on licensing or sale of patents

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## Patent licensing — introduction

A patent grants the patent owner the right to stop others from making, using, selling, or offering for sale the patent owner's invention without consent. In effect, this allows the patent owner to license or sell their invention to other parties on mutually agreed terms. A license is a legal tool by which a patent owner can transfer the patent rights to any person seeking the rights to work the invention at any time before the expiry of the patent. By granting a license to a person, the patent owner authorizes the person (licensee) to exercise the patent rights under certain circumstances. Patent licensing plays a vital role in technology commercialization.

## Procedure for granting/acquiring a patent license

### *Documentation of the agreement between the parties*

The patent owner and the licensee should mutually arrive at and sign an agreement in writing, as recited in Section 68 of the Indian Patents Act. The agreement should include the terms and conditions of the license.

### *Registration at the patent office*

Following the signing of the license agreement, the party acquiring the license has to write to the controller to register the title or interest in the patent within 6 months from the date of agreement. The registration has to be done in accordance with Sections 69(1) and 69(2) and rules 90(1) and 90(2). The application must be accompanied by the agreement signed by both parties to support the validity of the license. The terms and conditions of the license can be kept confidential by the controller on request by licensee or the licensor.

### *Registration at the patent office*

The controller reviews the application upon reception. Once reviewed, the controller enters all details along with the details of the supporting documents in the register of patents as per Section 67.

Any unregistered license agreement will be considered invalid by the controller or the court in case of related proceedings.

In the case of National Research Development Corp (NRDC) vs. ABS Plastics, NRDC was the assignee of two patents relating to a process for the manufacturer of Terpolymers of Acrylonitrile Butadiene (ABS Resins) using emulsion technology. NRDC licensed the patents to

ABS Plastics on July 23, 1975 for a period of 8 years. Under the license, ABS paid a lump sum royalty and agreed to pay a running royalty as well. As ABS failed to pay the royalty due under the license agreement, NRDC filed a suit to claim the pending royalty with interest. After reviewing the case and hearing the arguments of both the parties, the court held that the license was invalid and therefore unenforceable because it was not registered at the patent office. Further, the court cited that under section 69 of the Patent Act a license agreement must be registered at the patent office for it to be valid.

## Restrictive/unlawful inclusions in a license

As per section 140 of the Indian Patent Act, unlawful insertions, considered as restrictive conditions, in any contract for sale or lease of a patented article or an article made by a patented process or in license to manufacture or use a patented article or to work any process protected by a patent includes:

- to require the purchaser or licensee to acquire from the vendor or licensor or his nominees, or to prohibit from acquiring or to restrict in any manner or to any extent his right to acquire from any person or to prohibit him from acquiring except from the vendor or licensor or his nominees any article other than the patented article or an article other than that made by the patented process; or
- to prohibit the purchaser or licensee from using or to restrict in any manner or to any extent the right of the purchaser, lessee, or licensee, to use an article other than the patented article or an article other than that made by the patented process, which is not supplied by the vendor or licensor or his nominee; or
- to prohibit the purchaser, lessee, or licensee from using or to restrict in any manner or to any extent the right of the purchaser, lessee, or licensee to use any process other than the patented process; or
- to provide exclusive grant back, prevention to challenges to validity of Patent & Coercive package licensing, and any such condition shall be void.

## Conclusion

Appropriate care should be taken to ensure that clauses, which may be considered unlawful, are not included in patent licensing or sale agreements. Further, once the agreement is entered into, appropriate steps have to be taken to keep the agreement valid and enforceable.



Thailand promulgated its first patent law, the Patent Act, in 1979, with significant amendments added in 1992. The Act protects inventions, product designs, and pharmaceuticals. In 1997, a new intellectual property and international trade court began an operation, which has significantly improved enforcement. Appeals procedures at the trademark and patent offices have also been streamlined.

In January 2008, the National Legislative Assembly approved Thailand's plan to join the Paris Convention and the Patent Cooperation Treaty (PCT).

Thailand successfully became a party to the Paris Convention on August 2, 2008 and on September 24, 2009, Thailand submitted the instrument of accession to the PCT, making Thailand the 142nd state to become a contracting party. The PCT became binding on Thailand 3 months from the date of submission, that is, on December 24, 2009.

Since Thailand is a member of the Paris Convention, the World Trade Organization (WTO) and thus the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), nationals of the Paris Convention, and WTO member countries will receive the same protection accorded to Thai nationals.

Accession to the PCT will help to facilitate the registration of patents abroad for Thai inventors. The PCT registration system meets international standards and is accepted by numerous countries; thus, inventors can receive protection in PCT member countries, many of which are Thai export markets such as the United States, Japan, Australia, China, and India. Thailand's participation in the PCT will also help applicants from other member countries seek patent protection for their inventions in Thailand.

### Invention patents

For an invention to be patentable, it must

- have novelty;
- involve an inventive step; and
- be capable of being made or used for some kind of production activity.

Therefore, the following would not qualify for patents due to lack of novelty:

- An invention widely known or used by others in Thailand before the filing of the patent application;
- An invention, the subject matter of which was described in a document or printed publication, displayed or otherwise disclosed to the public in Thailand or a foreign country prior to the date of the application for the patent;
- An invention that has been granted a patent inside or outside Thailand prior to the date of the patent application;

# Patents in Thailand

## Thailand Board of Investment, Thailand

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- An invention for which an application for a patent was filed in a foreign country more than 18 months prior to the date of the patent application, the foreign patent not having been issued; and
- An invention for which application for a patent was filed in Thailand or in a foreign country and that application was published before the date of application in Thailand.

The revised Patents Act provides that the following are not patentable:

- Microbes and any components thereof which exist naturally; animal, plant, or extracted substances from animals or plants;
- Scientific or mathematical rules or theories;
- Computer programs;
- Methods of diagnoses, treatment or cure of human and animal diseases; and
- Inventions those are contrary to public order or morality, public health, or welfare.

In case an invention lacks an inventive step, the invention may be granted a petty patent if it is new and capable of industrial application. However, a petty patent and a patent shall not be granted for the same invention. The legal protection of a petty patent is less than of a patent, that is, term of protection.

### Patentable product designs

Product design means any form or composition of lines or colors, which gives a special appearance to a product and can be used in industrial or handicraft applications.

A product design must be novel in order to be patented, that is, it must not fall under any of the following conditions:

- A design widely known or used in Thailand before the filing of the patent application;
- A design picture, the subject matter, or details of which have been displayed or disclosed in a document or printed publication inside or outside of Thailand before the filing of the application;
- A design that has been published in the patent journal under Section 65 and 28 before the filing of the patent application; and
- A design that so nearly resembles any of the product designs indicated in the points described above that it is apparently an imitation.

Non-patentable product designs

- Product designs which are contrary to public order and good morals; and
- Product designs prescribed by Royal Decree.

### Eligibility

An inventor or product designer has the right to apply for a patent, as does a successor or assignee of the right. An assignment must be made in writing, signed by both the assignor and the assignee.

If, during the course of employment or an employment contract specifically for creating an invention or design, an employee creates an invention or product design, the right to apply for a patent belongs to the employer unless otherwise provided by agreement.

The Patent Act requires that an applicant for a patent must be a Thai national or a national of a country which allows persons of Thai nationality to apply for patents in that country.

### Term of patents and patent holder rights

#### Term

- The term of an invention patent is 20 years from the date of filing an application in Thailand and is not renewable. The term of protection for a petty patent is 6 years from the date of filing an application in Thailand, which can be extended twice, for 2 years each.
- The term of a design patent is 10 years from the date of filing an application in Thailand.

#### Rights

- During the period of the validity of the patent, the patent holder has the exclusive right to produce, use, sell, have for sale, offer for sale, and import the patented invention or design. Any act of violation performed before the patent is granted, that would otherwise constitute an infringement of the patent, is not deemed an infringement.
- A patent holder has an exclusive right to use the words "Thai Patent," or an abbreviation or translation thereof.
- A patent holder may assign the patent to another holder.
- A patent holder may assign the patent to another holder.
- A patent holder may grant a license to another person, subject to restrictions:
  - The patentee shall not impose upon the licensee any condition or restriction or any royalty covenant that is an unfair restraint of competition. Conditions, restrictions, or covenants that unfairly restrain competition shall be prescribed by a Ministerial Regulation.
  - A patent holder may not require a licensee to pay a royalty or royalties after the validity of the patent has expired.
  - Conditions, restrictions, or royalties which are contrary to the above two points are null and void.
  - Any assignment of patent or license contract must be in writing and officially registered with the authority.

### Compulsory licensing

An application for a compulsory license may be made under the following circumstances:

- If, after 3 years from granting of patent or petty patent or 4 years from date of application, whichever is later, the patentee or petty patentee has not enforced his/her lawful rights (Section 46 of the Thai Patent Act B.E. 2542).
- If the exercise of the patent rights of one party (the junior patentee) may infringe another patentee (the senior patentee) provided that:
  - The junior patentee's invention must be a substantial technological advancement which is beneficial to the economy, compared to the invention under the patent for which the license is being sought;
  - The senior patentee receives a cross-license to exploit the junior patentee's patent rights; and
  - The junior patentee shall not assign a legal license to anyone unless it is an assignment together with his own patent (Section 47 and Section 47 bis of the Thai Patent Act B.E. 2542).
- A Ministry or a Department may exploit an exclusive right by itself or by designating another person in a patent for the benefit of public utilities or national defense; the preservation or acquisition of natural resources or the environment; the prevention of severe shortage of food or medicine or other necessities for living; or other public interests (Sections 51 and 52 of the Thai Patent Act B.E. 2542).

### Cancellation of patents

The Director General may ask the Board of Patents to revoke a patent if:

- 2 years after issuance of license, the patentee or licensee has not manufactured the product or applied process under the patent in the kingdom without any legitimate reason, or for the time being the product is not being sold or imported for sale, or is being sold at an unreasonable high price; or
- The patentee has licensed other persons to exercise the rights under the patent without conforming to prescribed procedures.

### Foreign patents

A foreign patent that has not been granted a separate patent in Thailand receives no protection under the Patent Act. However, foreign patent holders or owners of rights to inventions or designs in foreign countries may enter into business transactions with parties in Thailand and seek equivalent protection through contractual obligations in the form of a licensing agreement.

Since foreign patents, inventions, and designs receive no protection under the Patent Act, no civil or criminal action can be taken against a third party who produces or sells a patented product in Thailand without paying fees to the holder of the foreign patent or who applies in Thailand for a patent on an invention or design already patented in other countries. Nevertheless, legal solutions to such conflicts may be available under separate legislation.