



Tips For Developing and Protecting IP Rights in India

Intellectual Property



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Highlights

- Identify intellectual property assets at early stages of incorporation of start-ups and proactively protect such assets.
- India's intellectual property laws contain unique provisions that are not commonly found in other jurisdictions.
- Parties often fail to take these provisions into consideration, resulting in an adverse impact on their intellectual property assets.

Introduction

The growing start-up ecosystem in India is, in great part, reliant on the creation of newer technology and solutions. Intellectual property ("IP") assets of an entity can be a driving force behind big ticket transactions, including investments, mergers and acquisitions, in-licensing deals, etc.

To stand out in such a competitive market and maintain the exclusivity of the entity's IP assets, it is crucial to identify such assets at an early stage and proactively protect them. Below are key aspects to consider while developing and protecting intellectual property in India.

I. Securing intellectual property rights

1. Securing ownership: Ensure that the ownership of IP assets duly vests in your company's favor. Below are a few common issues relating to IP ownership:

(A) Intellectual property developed in-house:

Put in place written assignments in respect of IP developed by employees, independent contractors, and consultants: Except for the Indian Copyright Act, 1957, no other Indian IP statute provides for an assumption that intellectual property created by an employee during his employment, is owned by the employer. Even the deeming fiction under the Indian Copyright Act is subject to any contract to the contrary entered into between the parties. Further, such a deeming fiction under the Indian Copyright Act does not extend to any independent contractors or consultants engaged by an entity.

Therefore, for the ownership of the IP rights developed by the employee (other than copyright), independent contractor, or consultant to duly vest with the employer entity, there must be an express written assignment of such IP rights.



A written assignment is necessary to gain ownership for all intellectual property developed by in-house counsel. fizkes / Shutterstock.com

When drafting such assignment agreements, keep in mind these unique provisions of the Indian Copyright Act:

- Specify the term and territory of assignment: [The Indian Copyright Act](#) provides that if the assignment of copyright does not specify the term or territory of assignment, the assignment shall be deemed to be for the territory of India and for a period of five years only. Accordingly, it is important that the assignment document specifies the term and territory of assignment.

- Consider the risk of the assignment lapsing due to non-use: The Indian Copyright Act also provides that in case any copyright assigned is not used by the assignor within a period of one year from the date of assignment, the assignment shall be deemed to have lapsed on expiry of such one-year period, unless the parties have agreed to the contrary. If the parties wish to contract out of the said provision, the assignment document should include specific language to that effect.
- Consider requiring a waiver of moral rights: The Indian Copyright Act also grants an author “moral rights” in the work created by the author, which rights continue to vest with the author even after assignment of copyright in the concerned work. However, Indian courts have recognized that an author can waive such moral rights. Accordingly, consider putting in place a written waiver of such moral rights in the agreement executed between the employer entity and the employees, independent contractors, and consultants.

(B) Intellectual property acquired from third parties:

- Check whether the ownership of such IP acquired from third parties duly vests with the concerned third party: The various unique provisions of the Indian law mentioned above would be equally relevant while undertaking such a check. Also conduct due diligence on other aspects relating to such intellectual property, such as non-infringement, no encumbrance, and no ongoing legal proceedings, etc.
- Ensuring that your IP assignment agreement is adequately stamped: This is an essential requirement for the assignment to be enforceable under the Indian laws. Under the [Indian Stamp Act](#), every agreement must be stamped as per the prescribed stamp duty. The stamp duty payable varies from state to state in India, and a few Indian states have exempted assignments of copyrights from stamp duty.



Under Indian law, IP assignments are required to be stamped to ensure credibility and prevent further penalties. Sittipol sukuna / Shutterstock.com

If an agreement that must be stamped under the applicable stamp laws of the state is not duly stamped, such instrument cannot be admitted in evidence before an Indian court, and cannot be acted upon, registered, or authenticated by any person before a judicial authority in India. Further, a penalty of up to 10 times the deficient stamp duty may be imposed by the authorities.

2. Assess the correct form of IP protection that the company should seek for securing its IP assets:

Certain intellectual property may be protectable under different intellectual property statutes or common law, in which case the entity would need to decide the most appropriate form of protection to seek, keeping its business objectives in mind. For instance, a technology developed by an entity may be protectable under [Indian Patents Act](#) but can also be protected as a trade secret if the entity maintains confidentiality of the said technology.

Patents vs. trade secrets:

While being one of the strongest forms of statutory protection, patents are limited to a specific period (20 years in total), and on expiry of such protection, the technology will fall in public domain name.

Trade secrets, on the other hand, are not protected by any statutory regime in India but are protected under common law principles. Trade secret protection is not as strong as patent rights, but such protection is not limited in time and can subsist as long as the concerned technology or information remains confidential.



In comparison to patents, trade secret protection is weaker but has no limitations in time regarding

The owner of the technology may decide to protect the technology by way of patent protection or as a trade secret or, where possible, partly under patent and partly as a trade secret, depending on its business goals and objectives.

Designs and copyright:

Also notable, the Indian Copyright law includes a peculiar provision which states that the copyright in any design, which is capable of being registered under the [Designs Act, 2000](#) but is not, will lose its copyright protection as soon as the design has been reproduced 50 times by an industrial process by either the owner of the copyright or his licensee. Therefore, whether a work falls within the domain of copyright or design protection needs to be assessed prior to filing an application.

3. Filing for protection:

(A) Trademarks

Before commencing business operations under a particular brand, conduct a trademark search to identify whether there are any third-party rights which may pose a hurdle to the use and/or registration of the brand.

Keep in mind that under Indian trademarks law, rights accruing from use of a trademark are stronger than rights acquired based on the registration of a trademark. While filing an application to register a trademark that your company has already used, include a claim of such prior use under the application.

Courts in India have taken into account any admissions made by a party during prosecution of its trademark, including to overcome prior marks cited in an examination report, and have estopped such party from taking a contrary position in any subsequent proceedings (such as for enforcement of the mark). Therefore, carefully review submissions your company makes during prosecution of a trademark, to ensure that they do not limit its rights in future proceedings.

(B) Copyright

Under the Indian copyright laws, registration of copyright is not mandatory. The Copyright Act, 1957, provides for voluntary recordal of particulars of an author's work with the Copyright Office. The registration merely acts as the *prima facie* evidence of ownership.

Registration of copyright can be of help in enforcement proceedings. However, in certain cases, such as software (which falls under the category of literary works), registration of copyright may result in the work itself (i.e., the software) being available in the public domain. When applying for registration of copyright in a software, an applicant is required to file copies of the source codes along with such application with the Copyright Office.

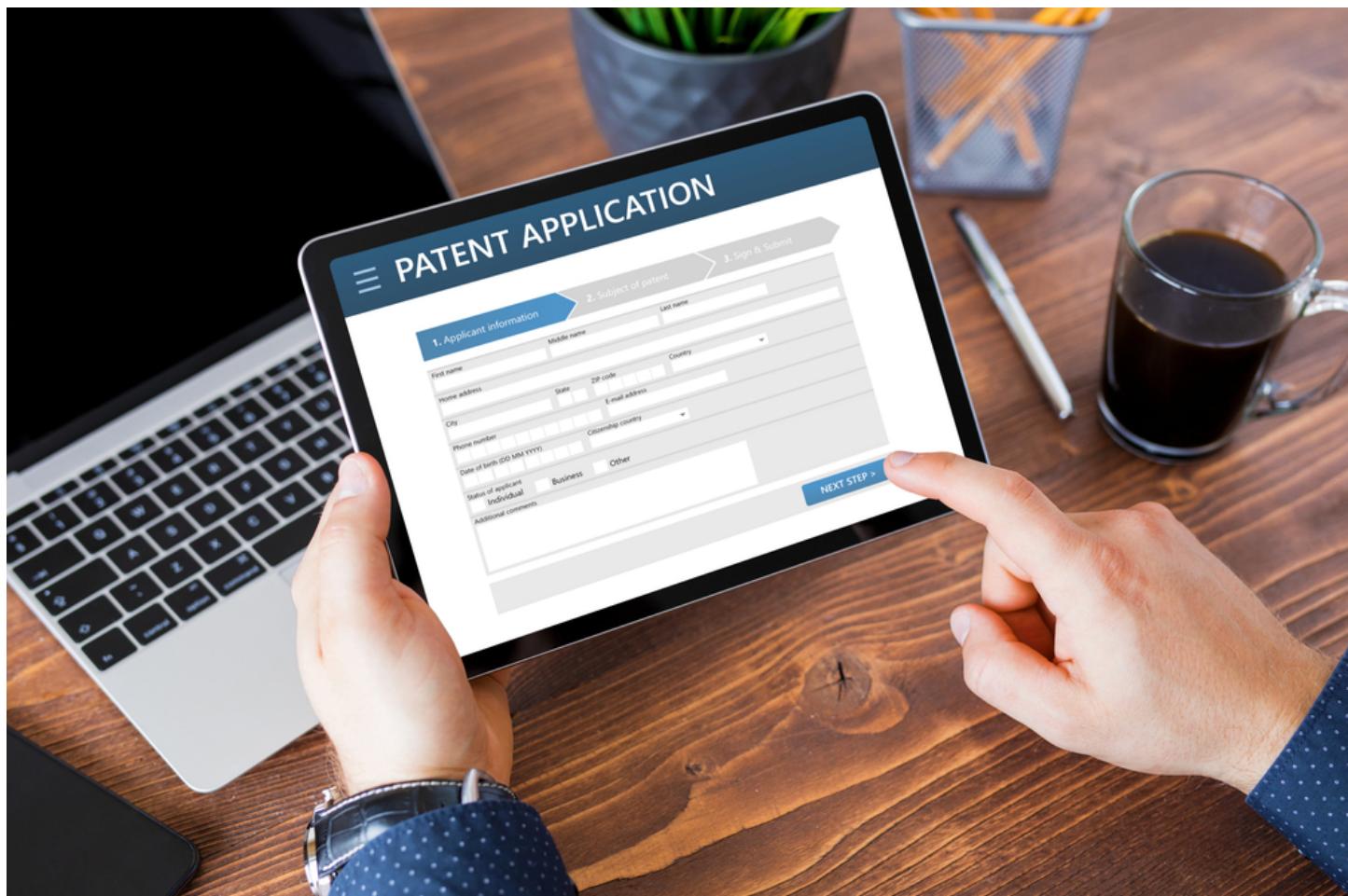
Any competitor can get access to the source code of the software from the Copyright Office, by filing a request for conducting inspection of the records for such application. Therefore, seeking registration of copyright may not be advisable where a party intends to maintain confidentiality of the work under consideration.

(C) Patents

Prior to applying for a patent for an invention, conduct a prior art search to understand the chances of the invention being granted a patent. Keep in mind certain inventions are not patentable under the Indian Patents Act (such as software *per se*, etc.).

Also consider a few other requirements under Indian law:

- If an inventor who is a resident of India desires to file a patent application directly in any foreign country without filing an application in India, the inventor is required to obtain a prior permission (a “foreign filing license”) from the Controller of Patents in India i.e., prior to filing the application outside India.



Indian residents are required to adhere to crucial steps prior to applying for a patent outside of India.
Kaspars Grinvalds / Shutterstock.com

- As a part of prosecution of patents in India, an applicant is required to provide proof of right in the form of assignment of the said inventions from the inventors to the company or obtain a duly signed declaration by the inventor under the prescribed form. Given the possible movement of personnel from an organization from time to time, the organization must proactively obtain such assignment of the invention or a declaration in the prescribed form, to avoid future issues in establishing its right to apply for a patent.
- If a person becomes entitled to a patent by virtue of any assignment or transmission or by operation of law, or to a share of patent by virtue of a mortgage or license, it is mandatory under the Indian Patents Act, for such person to apply to the Controller of Patents for recordal

of the person's title or interest in the said patent.

The Indian Patents Act declares it unlawful to include any one or more the conditions below in any agreement relating to sale or lease of a patented article or article made by the patented process or a license to manufacture or use a patented article or use a patented process:

- i.** A condition requiring the purchaser, lessee, or licensee to acquire from the vendor or licensor, or prohibiting the purchaser, lessee, licensee from acquiring from any third person, any article other than the patented article or an article other than that made by the patented process;
- ii.** A condition prohibiting or restricting the purchaser, lessee, or licensee from using 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;
- iii.** A condition prohibiting or restricting the purchaser, lessee, or licensee from using any process other than the patented process; or
- iv.** A condition providing for an exclusive grant back, preventing challenges to validity of the patent, and/or providing for coercive package licensing.

Conclusion

There is no perfect checklist that an entity can refer to for ensuring that it has taken all the required steps to protect its intellectual property. Above are a few key aspects that any entity involved in the creation and/or acquisition of intellectual property should be mindful of. Companies often overlook these aspects and as a result face adverse consequences such as adverse conditions or a reduced value of their corporate transactions.

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