



BSA Submission On Proposed Amendment of Form 27

June 28, 2019

Shri Sushil K Satpute

Director, DPIIT

Ministry of Commerce and Industry, Government of India, Udyog Bhavan, New Delhi 110011

Via email: sushil.satpute@nic.in

CC:

Shri Rajiv Agarwal,

Joint Secretary, DPIIT, Ministry of Commerce & Industry

Shri O P Gupta,

Controller General of Patents, Designs and Trade Mark

Shri W.M. Dhumane

Deputy Controller of Patents & Designs

Dear Sir,

BSA | The Software Alliance (**BSA**)¹ welcomes the opportunity to reiterate and elaborate our comments on issues regarding requirements to submit statements on the working of patents under Section 146 of the Patents Act of 1970 (**Patents Act**), in response to the Notification² published May 31, 2019 by the Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade (**DPIIT**).

First, we welcome the effort to improve and simplify Form 27, specifically by deleting requirements (3.(ii)) and (3.(iii)) related to the licenses and sub-licenses granted and whether the “public requirement” has been met, respectively. We also appreciate the removal of the confusing term “quantum” from the form.

¹ BSA | The Software Alliance (www.bsa.org) is the leading advocate for the global software industry before governments and in the international marketplace. Its members are among the world’s most innovative companies, creating software solutions that spark the economy and improve modern life. With headquarters in Washington, DC, and operations in more than 60 countries, BSA pioneers compliance programs that promote legal software use and advocates for public policies that foster technology innovation and drive growth in the digital economy.

BSA’s members include: Adobe, Akamai, Amazon Web Services, Apple, Autodesk, AVEVA, Bentley Systems, Box, Cadence, Cisco, CNC/Mastercam, DataStax, DocuSign, IBM, Informatica, Intel, MathWorks, Microsoft, Okta, Oracle, PTC, Salesforce, ServiceNow, Siemens PLM Software, Sitecore, Slack, Splunk, Symantec, Synopsys, Trend Micro, Trimble Solutions Corporation, Twilio, and Workday.

² Patents (Amendment) Rules, 2019 – Draft Rules at: https://dipp.gov.in/sites/default/files/Draft_Patents_Rules_2019.pdf

However, many of our earlier concerns described in our comments on March 16, 2018 to the Controller General of Patents, Designs & Trademarks (**CGPDTM**)³ remain and we encourage DPIIT to review these comments.

Recommendations:

Abolish Form 27 and the Requirement to Report on Patent Working

For the reasons discussed in detail in our March 2018 submission, we continue to urge the Government of India to eliminate Form 27 and its reporting obligations all together. It is a requirement that only India imposes. It creates an enormous compliance burden on patent holders and an enormous administrative burden on the CGPDTM, diverting resources from innovation on the one hand, and other more useful administrative functions (such as examining patent applications) on the other. It exposes patent holders to the risk that sensitive information may be revealed and to legal liability for unintentional errors or incompleteness. And it is effectively impracticable for patent holders, especially in the software-related technologies and services industries, that manage enormous patent portfolios and whose products and services are composed of an enormous number of patents, both owned and licensed, that interact in complex ways to result in value to the rights holders.

We recognize that eliminating the reporting obligations of Form 27 may require legislative amendments which could take time. While we urge the Government of India to explore and expedite the necessary legislative changes to eliminate this requirement for India's patent system, we provide the following more specific recommendations to achieve further simplification of Form 27 in the meantime.

Specific Recommendations Regarding Form 27:

- **Retain flexibility to provide only information that is publicly available.** In the original form, Requirement 3 asked for "whatever details are available". The revised Requirement 4 simply asks for the "details" related to product and process patents and their "approximate value accrued in India" from manufacturing in India and importation into India. We urge that Form 27 simply ask for the patentee to report "whatever details are available" to demonstrate the extent of working in India as required by Section 146(2) of the Patents Act.
- **Eliminate the requirement to classify a patent as a product patent or a process patent.** In the software industry, many patents have both process (method) and product (system/apparatus) claims. This will lead to confusion and the Form would be simplified and improved if it removed that distinction.
- **Eliminate the requirement to provide an approximate value.** As described in our earlier comments, disclosing revenue related to specific patents could a) be effectively impractical given that advanced products and services may incorporate hundreds of patents; and b) could be considered a breach of business confidentiality with licensees and other commercial partners. If revenue information is determined to be necessary, it should be required only under specific and limited circumstances and subject to a confidentiality agreement with the CGPDTM.

Conclusion

BSA thanks the DPIIT for this opportunity to offer comments on the proposed revision to Form 27. Our member companies have a long-standing commitment to India and are excited by the potential that India's innovation ecosystem offers. We stand ready to answer any questions regarding this submission or to provide any further information you may require.

³ BSA Submission on Working of Patents Under the Patents Act, 1970 Proposal for Amendment of Form 27 at: <https://www.bsa.org/files/policy-filings/03162018amendform27cgpdtm.pdf>

Thanking you.

Yours sincerely,



Venkatesh Krishnamoorthy
Country Manager- India
BSA | The Software Alliance

Attachment

1. BSA Submission on Amendments to Form 27 to CGPDTM - 16032018

Attachment
BSA Submission
On
Working of Patents under the Patents Act, 1970
Proposal for Amendment of Form 27

Friday, March 16, 2018

Dr. W.M. Dhumane
Deputy Controller of Patents & Designs

Dr. Usha Rao
Assistant Controller of Patents & Designs,

Office of the Controller General of Patents,
Designs & Trademarks,
Government of India
Mumbai, India – 400 037

Cc: **Shri. O. P. Gupta**, Controller General of Patents

Dear Sir,

BSA | The Software Alliance (“**BSA**”)⁴ welcomes this opportunity to submit comments on issues regarding requirements to submit statements on the working of patents under Section 146 of the Patents Act of 1970 (“**Patents Act**”), in pursuance of the Circular issued by the Controller General of Patents, Designs & Trademarks (“**CGPDTM**”) on March 01 2018.

The current reporting requirements imposed on patentees and licensees through Form 27 under the Patent Rules are inconsistent with the goal of providing a consistent and efficient Intellectual Property (IP) framework that provides the foundation for investment in the innovation ecosystem. The Form 27 requirements make it harder for innovative software companies and other innovators to seek and receive patents in India.

As such, we offer the comments below in relation to amending the Form 27 requirement:

⁴ BSA | The Software Alliance (www.bsa.org) is the leading advocate for the global software industry before governments and in the international marketplace. Its members are among the world’s most innovative companies, creating software solutions that spark the economy and improve modern life. With headquarters in Washington, DC, and operations in more than 60 countries, BSA pioneers compliance programs that promote legal software use and advocates for public policies that foster technology innovation and drive growth in the digital economy.

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(a) Form 27 imposes impractical, and often, impossible reporting

requirements: The following difficulties exist in the process of filing Form 27 statements:

- *No recognition of portfolio licensing* - The present Form 27 rests on an archaic assumption – it considers a single product to be a result of a single patent. Thus, it does not recognize portfolio licensing, which is the principal model for licensing of patents in the high-technology industry. While Form 27 presumes that a single product is equivalent to one patent, high-technology industries involve products with a portfolio of patents, often owned by different patentees. Therefore, it cannot be realistically fulfilled for software and other high-technology sectors.
- *Impinges upon confidentiality requirements* - Under a licensing model, IP owners are often required to keep business data regarding licensees confidential. Form 27 impinges upon this confidentiality obligation by imposing disclosure requirements that can hurt licensing models and expose IP owners to litigation for breaches of confidentiality, or for not being able to secure confidential business information, such as sales figures, anticipated revenues, etc.
- *Difficulty in determining working of patents in India* – Patentees often have large portfolios of patents and patent applications pending before the CGPDTM and other patent offices worldwide, and develop large portfolios of products which are sold in India and worldwide through licensees or otherwise. Accordingly, patentees often find it difficult to provide extensive details of how the invention of a given patent has worked in India, especially if their licensees have large operations cutting across jurisdictions. Apportioning each licensed patent, as well as estimating which licensed patents are being used in products in each jurisdiction is a significant and impractical task of collection and collation.
- *Vague or arbitrary requirements* - Another concern with the proposed revised Form 27 relates to the lack of clarity regarding the terms “Quantum” and “Value” in the Form. For patent applicants to understand how to accurately complete this form, they will require a better understanding of what these terms are intended to mean. For example, does "Quantum" refer to the number of licensees (sub-licensees) or some other information? Does "Value" refer to the royalty of patent license, the whole revenue of manufactured products that implement the licensed patent, or the specific portion of revenue of manufactured products contributed by the licensed patent? These open questions make it difficult for patentees or licensees to determine how to best comply with Form 27 requirements, often producing inconsistent results across filings.

- Having such reporting requirements has a detrimental impact on the effectiveness of the patent system. The information requested, especially for high-technology industries, such as the software industry, is often difficult, if not impossible to provide, and the requirements of Form 27 serve as a disincentive to innovators considering to seek patent protection for their inventions in India.

(b) Form 27 is a significant drain of resources for the CGPDTM: Beyond the difficulties associated with filing of Form 27, the requirements also have a direct impact on the efficiency of the patent system.

- These requirements are mandated each year for all patents, even for those patents whose working statements have been filed for the previous year. This increases paperwork, as well as requires significant allocation of resources by the CGPDTM.
- For instance, as per the Annual Report for 2015-16 of the CGPDTM, 39,507 working statements were received, which must be verified by the CGPDTM officers. Assuming that each perusal of a Form 27 takes at-least 15 minutes and that a single work day is 10 hours, the total time required would be ~987 working days.
- If 10 Examiners are deputed for this task, then clearing the backlog of one year's Form 27 filings would take ~4 months, assuming each Examiner works only on assessment of Form 27 statements. Thus, Form 27 requirements are a significant drain on time and resources, which could otherwise be directed to decreasing the backlog of pending patent applications.

(c) Form 27 has a chilling effect on innovation and ease of doing business:

Having such reporting requirements directly impacts the approachability of India's patent system, due to the following reasons:

- Form 27 requirements may also be called for under a Public Interest Litigation, allowing for confidential business information to be disclosed publicly through the judiciary. Licenses also tend to be unique, with licensees preferring to avoid publicly disclosing their confidential information to business rivals. However, due to the possibilities for public disclosure, licensees and licensors are prevented from negotiating freely, which impacts the efficacy of India's business environment.
- Further, due to stringent penal provisions under Section 122 of the Patent Act, coupled with the significant administrative burden and costs involved in calculation of requirements under Form 27, domestic patent filings by both start-ups and established players are deterred. This is both antithetical to

ease of doing business in a digital economy, as well as to the aims of the Special Patent Regime launched in 2016 by the Finance Ministry, aimed at boosting domestic patent filings.

- These challenges can have a significant chilling impact on the filing of patents by domestic and global technology firms that would find completing the form too difficult, if not impossible, imposing unwarranted legal liability for any unintentional inaccuracies or unavoidable deficiencies in the information provided.
- This is particularly important given the fundamental role of patent protection in spurring investment and R&D in the very high-technology sectors that the Government of India is seeking to promote through the Digital India and other initiatives.

(d) Form 27 is not relevant for India's digital economy: Such requirements are outdated, and have outlived their original reasons for inclusion:

- The requirement for working statements dates back to the inclusion of Section 146 within the Patents Act of 1970 on the recommendations of the Ayyanagar Committee, constituted to address issues relating to the pricing and patenting of pharmaceutical products. The intention behind the need for such reporting requirements was to ensure the easy access to medicines for the public at large, and prevent the abuse of patent rights by a patent holder in this domain.
- However, India has witnessed significant economic transformations since 1970, with the advent of a significant software industry and innovation ecosystem focused on advanced technologies. Accordingly, India now requires an effective patent system that looks to foster innovation while protecting legitimate public interests and considers the implications of relevant requirements on other sectors beyond the pharmaceutical sector that are crucial for India's economy.
- An effective patent system, one that grants high-quality patents to innovators in India and abroad in a timely manner, is a fundamental aspect of making India an attractive destination for investments in research and development and the commercialization of the new products, methods, and services that will underpin India's future economic growth and development.
- Moreover, several provisions of the Patents Act already exist to serve to check the abuse of patent rights by a patentee, such as those pertaining to compulsory licensing requirements under Section 84; the revocation of patents due to their non-working under Section 85; the use of patented inventions for Government use and acquisition under Sections 99 and 103; the revocation of patents in public interest under Section 66, etc.

- Therefore, the specific relevance of such reporting requirements is lost in today's dynamic innovation ecosystem, especially given the presence of such alternative safeguards with the patent regime itself.

(e) Recommendations: BSA strongly recommends that the Government of India explore ways to remove Form 27 from the patent system, rather than simply amending it.

However, we recognize that this could require a change in the Patent Act and may not be an immediately practicable solution. In the interim, BSA recommends that the Government of India focuses on introducing amendments to make Form 27 practical and useful, by considering our subsequent submissions herein. Accordingly, BSA strongly recommends that:

- Form 27 may suffice for multiple patents if the working statement for each such multiple patents is the same.
- Further, Form 27 must not mandate the disclosure of revenues or license fees earned by working a patent, given that such information relates to business or commercial information and not necessarily on whether patents are being worked or not. Therefore, where patentees are required to provide such information, they should be asked to do so upon specific request, and within the confines of a confidentiality agreement with the CGPDTM.
- Requirements for providing quantum and valuation must be removed, due to difficulties in their estimation and calculation, as pointed out above.
- Finally, applicants should be allowed to file a simpler Form 27. In the online submission process, Form 27 should be flexibly designed to enable patentees to enter only that information which is suited to the requirements of their industry.

Conclusion

BSA thanks the CGPDTM for this opportunity to offer comments on India's patent system. Our member companies have a long-standing commitment to India and are excited by the potential that India's innovation ecosystem offers. We hope our contributions will help improve the system for examination of patents in India and stand ready to answer any questions regarding this submission or to provide any further information you may require.

Thanking you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Venkatesh Krishnamoorthy', written over a diagonal line.

Venkatesh Krishnamoorthy
Country Manager- India
BSA | The Software Alliance