

“Delays in Processing of Indian Patent Applications”

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INTRODUCTION

The chief focus of this note is the October 2014 order of the Delhi High Court in *Nitto Denko v. Union of India*, which directs the Government to set up a committee to consider options relating to the increasingly endemic problem of delays in the processing of patent applications.¹ An attempt has been made to consider the possible consequences of such a delay and to chart out the options available to the aggrieved patentees. Additionally, the reasons for such a delay and the adequacy of the steps taken by the Government in this regard have been highlighted. The grievance that was raised in the *Nitto Denko* case was that the Controller of Patents, by excessively delaying the processing of the petitioner's patent application, was in violation of the strict time-schedule as prescribed by Rule 24B² of the Patent Rules, 2003. Along with Section 142 (Fees), this is the central provision being analyzed in this note.

A brief perusal of the obligations contained in the said Rule is as follows:

Rule	Rule applicable to	Act to be performed	Time granted
24B(1)(i) and (ii)	Patentee	Making a request for examination	Forty-eight months from the date priority of the application or from the date of filing of the application.
24B(2) (i)	Controller of Patents	Refer patent application (along with specifications/documents) to the examiner	“Ordinarily” one month from its publication date/date of request for examination[whichever is later]
24B(2) (ii)	Examiner	Make examination report as under Section 12(2) of the Act.	“Ordinarily” one month, but not exceeding three months , from the date of reference.
24B(2) (iii)	Controller	Dispose off the examiner's report	“Ordinarily” one month from date of receipt.
24B(3)	Patent Office	Send First Examination Report (FER) to the applicant	Shall be sent within six months of publication/request for examination date.

¹Civil Writ Petition 3742 of 2013.

² Specifically clause (2) and (3)

The fact that the Rule, in several parts, contains the word “ordinarily” has resulted in some amount of difficulty because it allows the Government an avenue to argue out in a circular fashion that the huge delay in fact precludes the situation from being “ordinary” and thus should not be covered. Its submission, basically, is that the time-limit mentioned in the rules mention “ordinary circumstances”, but this particularly huge pendency (regardless of what causes it) makes the circumstances “extraordinary”.³

In order to get a clearer understanding of what the word “ordinarily” means, we may turn to the case of *Nippon Steel Corporation v. Union of India*⁴, which is quite relevant in this respect. It should be duly noted that the case primarily deals with Rule 24B (1), which is an obligation on the *patentee* i.e. a violation of the same would result in delay of the patent application process and this would *not* be attributable to the patent office. However, jurisprudence can be imported for the purposes of the rest of the sub-sections as the wordings are completely mirrored. Additionally, the context also seems to be identical.

The Court held that the word “ordinarily” should not be taken to mean that the time-line imposed is discretionary or that it can be flippantly ignored, reasoning that such a “hyper-technical” interpretation would defeat the very legislative intent and purpose of the provision. Though considering the requirements of Rule 24B (1), in terms of the request for an First Examination Report that is to be made on part of the *patentee*, the court held that the time-schedule prescribed under the entire Rule was mandatory and that it had to be rigidly applied, especially when substantial rights of one of the parties were being affected. This is supported by the fact that the Rule contains the words “shall”, which expresses the mandatory character of the time-line for the processing of the FER. Further, the phrase “but not exceeding three months” in Rule 24B (2) (ii), by mandating a *maximum* time-limit also buttresses the argument that the time-limit is rigid and mandatory.

We can now return to the case of *Nitto Denko*. By virtue of an earlier order dated 20.11.2013, the Controller of Patents was directed to disclose the year-wise pendency of patent applications, along with the steps taken to comply with the time-line prescribed in Rule 24B and the approximate time that would be required to clear the said backlog. Pursuant to the reply filed via affidavit by the Controller, the Government appointed a committee on 26.12.2013 to come up with a program to ensure time-bound disposal of pending patent applications and to suggest ways in which fresh applications could be decided within the prescribed statutory time limit.

Though the proceedings of this committee⁵ along with the ultimate report could not be found online, the High Court judgment mentions that the measures taken by the Government relate only to increasing of manpower so as to address the huge volume of pending applications. However, in the same breath the Court further went on to clarify that simply

³Sourced from: <http://spicyip.com/2013/12/nitto-denko-corp-v-union-of-india-backlog-and-shortage-of-staff-at-the-ipo.html>

⁴*Nippon Steel Corporation v. Union of India*, 2011 III AD (Delhi) 226

⁵Two meetings were held to discuss this issue.

increasing the manpower working in the Patent Office, would not sufficiently reduce the pendency to desirable levels.

POSSIBLE REASONS FOR DELAY

Before going into the specifics of the solutions that were proposed by the said Committee, it would be helpful to lay out the possible reasons for such an excessive backlog:

- i. Shortage of resources at the Patent Office in terms of Examiners.⁶
- ii. Statutory time-lines can only be adhered to if there are adequate numbers of people manning the Office.
- iii. Amongst the officers who are already employed, the attrition rate is quite high since they are given monetary incentives from the private sector.⁷
- iv. Time taken on a patent application varies according to the technology at hand.
- v. Sheer number of patent applications is much more in comparison to the load that has to be discharged by the EU/US counterparts.
- vi. Recently, India assumed the additional responsibility of functioning as an International Searching Authority and this entails an even greater workload on the Patent Office.⁸
- vii. Ensuring the quality of the application process is also a relevant criteria since those applications that are hurriedly passed through may not have been examined carefully.

SUGGESTIONS OF THE FIRST COMMITTEE

Against this background, the following were the suggestions made in the committee's report dated 13.03.2014:

1. Implementation of the MSIPO Scheme: The concerned Ministries were urged to take urgent steps to ensure that the posts under the "Modernization and Strengthening of Intellectual Property Offices" scheme would be created within a period of 9 months. Stemming from the 11th and 12th Five Year Plan, this involves setting aside of 309.6 crores for the increase in the number of posts for examiners and establishing new IP archives and repositories (particularly at Ahmadabad). Significantly, this scheme has brought India's IP regime in sync with the Madrid Protocol, which it signed in April 2013.

The Department of Industrial Policy and Promotion, while justifying the need for such a measure, claims that the number of patent applications has increased six-fold over the last 5-10 years and is expected to continue to rise at such an exponential rate.⁹

⁶<http://spicyip.com/2014/10/breaking-news-nitto-denko-v-uoi-delhi-hc-addresses-patent-application-pendency.html>

⁷<http://spicyip.com/2013/12/nitto-denko-corp-v-union-of-india-backlog-and-shortage-of-staff-at-the-ipo.html>

⁸ Agreement text available at: <http://ipindiaservices.gov.in/isaweb/agreement.pdf>

⁹ Document available at: http://dipp.nic.in/English/Schemes/scheme_ipo_18082008.pdf

An interesting claim that the Department makes is that the time for processing the applications has *actually come down* from 6-10 years to 2-3 years. While the reduced estimation is also in excess of the statutory limit, this goes to show that there exists a difference in the stand taken by the Patent Office and the aggrieved Patentee, not only on the question of why such delays exist but also whether these delays exist at all.

2. Considering additional monetary outlay and expedited creation of posts: Apart from the Rs. 309.6 crores already approved under the 12th 5 Year Plan, the Government was urged to consider additional allocation for the purpose of creation of further posts of Examiners and for the recruitment (to be recruited in alternative ways through UPSC/IITs etc.) and training of the new examiners in order to ensure quality. Along with the prompt implementation of the Flexible Complementing Scheme which seeks to reduce attrition rates in the Patent Office, this step was directed to be completed within a period of 9 months.
3. Setting up a committee to consider options relating to patent application delays: The Government was directed to constitute a committee to first consider whether the examination of patents in certain circumstances can be done “out of turn” and if so, then in what circumstances.
If not, then the Committee would consider whether it would be feasible to:
 - a. Waive the requirement for a maintenance fees for the delayed period
 - b. Compensate the patentees for the time consumer in the examination process

ISSUES FOR CONSIDERATION BY THE NEW COMMITTEE

Though the first two directions from the Court do not seem to cause too much difficulty considering the fact that schemes like the MSIPO have gained acceptance from the Government, a closer scrutiny of the last direction is merited. An inquiry into the kind of compensation (if at all) that can be granted to the patentees and the possibility of incorporating a “Patent term extension”/“Patent term adjustment” (PTA) into our system, is also warranted.

a. Waiver of Maintenance fees/Monetary Compensation

Section 142 of the Patents Act, 1970 is the central provision dealing with the fees that is payable in the patent application process.

The relevant portions read as follows:

S. 142 (1): There shall be paid in respect of the grant of patents and application therefor, and in respect of other matters in relation to the grant of patents under this Act, such fees as may be prescribed by the Central Government.

S. 142 (4): Where a principle patent is granted later than two years from the date of filing of the application (or “the complete specification”¹⁰) the fees which have become due in the

¹⁰Vide Act 15 of 2005, Sec. 71.

meantime may be paid within a term of three months from the date of recording of the patent in the register or within the extended period not later than nine months from the date of recording.

By virtue of Clause (4) the patentee is required to pay “maintenance fees” from the third year of the application process, regardless of the status of application itself.

This has now become an additional cost on the patentees because in the current state of affairs, the patent application takes at least 5-7 years to process. Effectively, the patentee is penalized for the delay on part of the Patent Office.¹¹

Thus the question becomes whether it is possible for the Government to alter this situation reducing the amount of fees due. Clause (1) comes to our aid here since it stipulates that the fees that is to be payable with respect to the grant of the patent or the application thereof, would be “*such fees as may be prescribed by the Central Government*”.

In light of the problems highlighted above a possible interpretation of this could be that the Central Government, following the report of the Committee, exercises its rule-making power to reduce or completely remove the maintenance fees for pending patent applications.

Jurisprudence from foreign jurisdictions

Alternatively, the model of the US Patent Office¹² could be followed wherein maintenance fees is paid *after* the grant of the Patent. In the US system, the Director of Patents is given explicit powers to waive the payment of any fees on occasional or incidental request made by a Department or Agency of the Government.¹³ However it should be noted that the provision does not mention the reasons for the delay i.e. it does not clarify that the waiver is being granted on account of the delay caused by the Patent Office.

In contrast to this, the European Patent Office¹⁴ mandates payment of such fees in respect of the third and each subsequent year, calculated from the date of the filing of the patent application. Failure to pay the same in the stipulated time period would entail the application to be deemed to have been withdrawn, though it can be later re-established.

Similarly, the Canadian system requires maintenance fees to be paid yearly for both active (granted) and inactive (pending) patents.¹⁵ As such, no provision for waiver of such fees could be found in the European or Canadian system, at least on account of delays in the application process.¹⁶

In Australia, maintenance fees for standard patents are paid from the 4th anniversary of the filing date and are then due each year up to the 19th anniversary of the filing date.¹⁷ This

¹¹ <http://spicyip.com/2013/12/nitto-denko-corp-v-union-of-india-backlog-and-shortage-of-staff-at-the-ipo.html>

¹² Available at: <http://www.uspto.gov/web/offices/pac/mpep/s2501.html>

¹³ 35 U.S. Code § 41, (e), available at: <http://www.law.cornell.edu/uscode/text/35/41>

¹⁴ Article 86, http://www.epo.org/applying/european/Guide-for-applicants/html/e/ga_d_ix.html

¹⁵ See: http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr03652.html?Open&wt_src=cipo-patent-main&wt_cxt=apply#part2.1

¹⁶ The European and Canadian models have some exemptions for Small Scale Industries, but none on account of a delayed patent application process.

¹⁷ Available at: <http://www.ipaustralia.gov.au/get-the-right-ip/patents/time-and-costs/fees/>

again shows that there is no demarcation between pending and active (granted) patents i.e. fees would have to be paid regardless of the actual time taken in the eventual grant of the patent. Like the US system, there is a provision for a “grace period”, wherein the fees can be paid even six months after the expiry of the stipulated deadline but as such there does not seem to be any provision for the complete waiver of the fees.

The official Government website mentions that part or full waivers would be granted only in “rare circumstances” but it does not elaborate on the same.¹⁸

b. *Compensation in the nature of a “Patent Term Adjustment” in lieu of the delay caused*

Any claim for compensation must be based on the possibility or actual occurrence of harm to the patentee due to excessive time taken in processing of their applications. One could argue that the delay only results in some amount of extra time before the patentee can enjoy the rights conferred by the patent. But it does have other serious consequences as well since Section 11A of the Patents Act, *vide* clause (7) disallows applicants from instituting legal proceedings against any infringement until the patent is granted. When we consider the fact that the delay can extend beyond 5-7 years as well, we can see that the scope for abuse of the patent is quite substantial. Even the Manual of the Patent Office accepts that the time limits imposed under the Rules are required to be followed strictly by every official concerned and that failure to adhere to the legally imposed time limits may turn out to be detrimental to the interests of the applicants, patentees or any other person interested.¹⁹ However, it stops short of addressing the real consequences of such a failure i.e. it does not provide for any procedure for the aggrieved party to get any relief in terms of compensation/PTA.

The US concept²⁰ of adjusting/extending a patent’s term in order to compensate for administrative delay’s on part of the patent office is arose from the American Inventors Protection Act of 1999.²¹ It provided for an extension of the term in cases where the US Patents Office *inter alia* (1) fails to initially act within 14 months; (2) fails to reply to a request/appeal of the applicant within 4 months; (3) fails to issue a patent within three years of its filing date.²²

Though the principle of PTAs are quite firmly entrenched in the American legal system, there is still some confusion regarding the exact amount of extension that can be granted²³ - specifically because US PTAs are classified according to the type of/reason for the delay-

¹⁸ <http://www.ipaustralia.gov.au/get-the-right-ip/patents/time-and-costs/refunds-and-waivers/>

¹⁹ Chapter 10: Time Limits,

<http://www.ipindia.nic.in/ipr/patent/manual/HTML%20AND%20PDF/Manual%20of%20Patent%20Office%20Practice%20and%20Procedure%20-%20pdf/Manual%20of%20Patent%20Office%20Practice%20and%20Procedure.pdf>

²⁰ 35 U.S.C. 154(b)

²¹ <http://www.mewburn.com/upload/library/information-sheets/term-extensions/US%20Patents%20-%20Term%20Extensions.pdf>

²² See, generally: <https://bricwallblog.wordpress.com/2014/10/06/patent-term-adjustment-not-available-solely-in-the-u-s/>

²³ For the most recent view on this point, see: <http://media.straffordpub.com/products/patent-term-adjustments-and-extensions-leveraging-exelixis-novartis-other-decisions-and-uspto-rule-changes-2014-03-13/presentation.pdf>

Type A, B and C.²⁴ Significantly, two recent decisions from the US Federal Circuit and District Courts- *Exelixis Inc. v. Kappos*²⁵ and *Wyeth v. Kappos*²⁶ have contributed to a deeper understanding of the concept.²⁷

Exelixis v. Kappos: Recent Developments in the calculation of PTA

The two cases begin with the understanding that US patent applicants are entitled to statutory protections against undue delay by the PTO that might otherwise limit the useful term of their patents once issued. Any additional patent term that is accrued based on PTO delay is reduced by particular actions by the Applicant that are considered Applicant delay.²⁸ The other characteristic aspect of the US Patent Regime is that it classifies the delays in processing of *according to the reasons which caused the said delay*.

Type “A” delays - when the PTO fails to carry out certain acts during examination of the patent application within prescribed time frames.

Type “B” delays - addition of one day for each day after the end of the three-year period beginning on the date the patent application was filed.

Type “C” delays - addition on a day-for-day basis for each day of the pendency of an interference or appeal or for each day that the application is subject to a secrecy order.

In 2010, the US Federal Circuit, in the case of *Wyeth v. Kappos*, held that the appropriate manner of calculating the PTA was as follows:

[Number of days of A delays] + [Number of days of B Delays] – [Number of days overlapping between A and B delays] – [number of days of applicant delay reflecting the failure to diligently conclude prosecution of the application]²⁹

It should be noted that this process of calculation was in complete defiance to the earlier accepted PTO policy of simply choosing the greater of the A delay and the B delay.

Another aspect of the calculation of the time period, namely that of whether the PTO should deduct any time from the applicant’s PTA if he/she files a “Request for Continued Examination” (REC) more than three years after the patent application was filed, was taken up in the case of *Exelixis v. Kappos*. The Eastern District of Virginia held that the PTO improperly reduced PTA in patents where the applicant filed a Request for Continued

²⁴ <http://www.edwardswildman.com/files/Publication/6afe8da4-a808-44b8-b4af-109eff90e453/Presentation/PublicationAttachment/ae372e88-395c-4efd-9904-00d801246825/2010-CA-FC-UpholdsGrantingAddPatent.pdf>

²⁵ *Exelixis, Inc. v. Kappos*, No.1:12cv96, 2012 U.S. Dist. LEXIS 157762 (E.D. Va. Nov. 1, 2012)

²⁶ *Wyeth v. Kappos*, 591 F.3d 1364 (Fed. Cir. 2010)

²⁷ See, generally: http://www.hunton.com/files/News/9d156b37-5dbc-4d84-8f57-e6d31e41dbdd/Presentation/NewsAttachment/9c58d16b-e738-489c-8b49-e92a20b46e6a/Exelixis_Decision_and_Lessons_from_Wyeth.pdf

²⁸ Detailed summary can be found here: http://www.hunton.com/files/News/9d156b37-5dbc-4d84-8f57-e6d31e41dbdd/Presentation/NewsAttachment/9c58d16b-e738-489c-8b49-e92a20b46e6a/Exelixis_Decision_and_Lessons_from_Wyeth.pdf

²⁹ Additional discussion on this point can be found here: http://www.martindale.com/intellectual-property-law/article_Edwards-Wildman-Palmer-LLP_1448998.htm

Examination (RCE) more than three years after the original patent application filing date.³⁰ In the aftermath of *Exelixis* case, over fifty civil cases have been filed seeking increases in PTA in view of its ruling. About a third of these cases have been stayed and held in abeyance pending a decision on appeal in *Exelixis*.

As of now, India does not provide any PTA for patent office delays, at all.³¹

Some recent and notable PTA regime changes

In 2012, after entering into a Free Trade Agreement with the United States, South Korea now allows for PTAs for administrative delays. However, the delay caused due to/attribution to the applicant will not be included in the calculation of the delay period. According to the new system of patent applications, a PTA can be granted for a time equivalent to the time of delay where the patent has not been processed 4 years from the filing of the application or 3 years from the request for examination. However, as opposed to the automatic granting of PTA in the US system, the South Korean regime requires an application from the aggrieved patentee. This was presumably done to ensure that the right balance is struck between the rights of the prospective patentee and the processing abilities of an overburdened Patent Office.

Similarly, El Salvador has now started allowing PTAs for 550 days if the delay extends beyond 5 years from the date of filing or 3 years from a request for examination.

Even more recently, in September 2014, Columbia passed Decree 1873 entitled “Compensation” which allowed PTAs except in pharmaceutical patents. The Decree allows for PTAs in cases of “unreasonable delay” which has been pegged at 5 years from the date of filing and 3 years from the request for examination. Interestingly, the Russian Federation allows PTAs *only* for pharmaceutical patents (medicines etc.). A similar situation arises in Japan, where even after the grant of a patent, the Drug Approval Authority’s consent is required and that leads to an inordinate amount of delay. For such situations, Japan allows for a PTA up to a maximum period of 5 years.

³⁰ Detailed information on both the cases and their consequences can be found here: http://www.bakerbotts.com/file_upload/IPReport201301-Exelixisv.Kappos.htm#footnote5

³¹ Inferred from a bare reading of the Patent Act and the appended Rules. See, also: http://www.asiapatent.net/patentterm-g-110_113.html