

**REVIEW OF ORGANISATIONAL STRUCTURE OF THE
OFFICE OF THE
CONTROLLER GENERAL OF PATENTS, DESIGNS, TRADE
MARKS
AND GEOGRAPHICAL INDICATIONS**

**Comments
on the
Discussion Paper**

**Indian Pharmaceutical Alliance
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PREFACE

The Department of Industrial Policy and Promotion, Ministry of Commerce has published a Discussion Paper on the organisational structure of the Office of the Controller General of Patents, Designs, Trade Marks and Geographical Indications. The paper has identified 15 issues for consideration and has invited public comment.

The Discussion Paper has provided a comprehensive and thoughtful backgrounder that facilitates informed deliberation. The Indian Pharmaceutical Association (IPA) appreciates the consistent efforts of the Department of Industrial Policy and Promotion to invite opinions and give all responses serious consideration before finalizing policy.

The IPA has given the matter its careful consideration and this document provides the requested comments.

D.G. Shah
Secretary General
Indian Pharmaceutical Alliance

Context and problems to be solved

The Discussion Paper has provided the context for the review of the organisational structure of the O/o CGPDTM by clearly identifying the problems to be solved. Briefly, the 3 main problems are:

- A marked increase in the workload and pendency:
 - Close to 30000 requests for examination of patents are presently being received annually and the proportion examined has been decreasing in the last 3 years. The number of patents examined in 2006-07 was nearly 90% of the pendency at the beginning of the year. However in the following year, only half the pendency was examined and this proportion worsened to about a third of the pendency in 2008-09. Worryingly, only a tenth of the pendency was examined in 2009-10. The result is that over 76000 patents are pending examination as of March 2010, which is a huge backlog and in danger of spiralling out of control.
 - The pendency in Trademarks has also doubled in the last 5 years to over 430,000 as of March 2010.
- A need to provide high quality output speedily, particularly in view of international obligations:
 - CGPDTM has been designated International Search Authority/International Preliminary Examination Authority under the Patent Cooperation Treaty and this status will be soon operationalized.
 - On accession to the Madrid Protocol, responses to Trademark applications will need to be made in 18 months.
- An acute shortage of manpower:
 - While the Discussion Paper shows that over half the posts (at the level of Examiner and above) are vacant, the disaggregated data in the Annual Report for 2009-10 reveals that the worst shortages are in the critical category of Examiners. There was a working strength of 80 Examiners for Patents and Designs against a sanctioned strength of 337 Examiners – the Patent Office functioned with under a quarter of its sanctioned strength of Examiners in 2010! The situation has now been remedied with the recruitment (despite significant hurdles) of 257 Examiners, according to the Discussion Paper.
 - The situation is only slightly better in Registries for Trademarks and Geographical Indications, with about 45% of the sanctioned strength of the level of Examiner and above remaining vacant as of March 2010.

While the increased workload and response times are essentially addressed by adequate staffing, the key issue raised by the Discussion Paper is whether the staffing in adequate numbers with appropriate training and skill sets can be sustainably secured and can operate efficiently within the existing organisational framework. Proposed changes need to demonstrably address the problems.

Issues for consideration

1. *Given the radically different skill requirements of trade mark and patent office staff, the operational difficulties and the present challenges being faced by the O/o CGPDTM, is it desirable to establish an independent office for the Trade Marks and GI registry?*
2. *If so, what should be the organisational and reporting structure for each office?*
5. *Can the reorganization of the office of CGPDTM be taken up within the existing framework without seeking any amendments to the law? If so, what can be an ideal model?*

IPA comments

The Discussion Paper has noted that the “two offices (ie Patents and Trademarks) have always functioned independently, under a combined head”, with a dedicated work force, no inter-office transfers, separate recruitment and promotion policies and “work like independent offices”.

Though the skill sets for Patent and Trademark offices are very different, this alone may be insufficient basis to justify different offices beyond the present arrangement. Large organisations are invariably in a similar situation. They house very different skill sets and there is no inter-departmental transfer. It is only at the highest levels that the integration takes place. The Railways are an example of this – the integration and mobility from functional to general management takes place at the level of the General Manager or Sr Deputy General Manager of a zone.

The negatives of the current arrangement appear to flow from:

- The heads of expenditure for the two offices are the same and this “does not result in optimum allocation of resources based on the work requirements of each office.” This is unclear as the offices are integrated under the CGPDTM and it should presumably be feasible for him to allocate resources.
- The administration of both the patent and trademark cadres is being overseen by officials of the Patent office. Independent administration of the Trademark Office is seen as being advantageous, including for the morale of the trademark cadre. It is unclear why the establishment issues of the Trademark cadres cannot be handled independently by an official from this cadre itself within the existing framework and why this argues the creation of independent offices.

In any event, an important consideration at the threshold is the appropriate ministry for each category of IPRs. Clearly it is appropriate that the other IPRs such as copyright, semiconductor circuit layout design and plant variety protection have separate offices as their ministries are different (Human Resources, Information Technology and Environment & Forests, respectively).

There may be a case for reviewing whether the Human Resource Ministry is the most appropriate one for Copyrights as it could extend significantly beyond the traditional creative works. This is however a major change and it should not hold up the implementation of measures to solve the patent and trademark problems which are pressing.

Patents, Trademarks and Geographical Indications are appropriately within the purview of the same ministry – that of Commerce and this factor therefore does not argue for separate offices.

As the Patent and Trademarks Offices are already functionally independent offices, the key issue in our view is the workload and appropriate level of officers to head the Patent (including Design) and Trademark (including GI) offices. The present situation is that a Sr or Jt Controller of Patents heads each of the 4 Patent Offices. Similarly, a Jt Registrar or Deputy Registrar heads each of the Trademark Offices and they report directly to the CGPDTM – rather onerous span of control.

The options may therefore be to:

- Create 2 new positions Controllers for Patents and Designs, Trademarks and Geographical Indications, with the branch offices reporting to them. These Controllers would report into the CGPDTM, though this may need a corresponding upgradation of the level of CGPDTM; or
- To split the offices of Patents and Designs from Trademarks and have 2 independent offices, headed by an independent Controller for each of Patents and Designs, Trademarks and Geographical Indications.

It would be difficult to make a firm recommendation based on a cursory (and outsider's) understanding of what would be appropriate, but it is most likely that an organisation that would serve the purpose and address the problems at hand would be to:

- Continue with the current approach of independent functional offices and integrated leadership of the Patents and Design, Trademarks and Geographical Indications. The CGPDTM should be assisted appropriately for policy, administrative and other matters common to all the functional offices and his position may need to be upgraded. Financial and administrative autonomy for the CGPTDM is recommended for consideration. (Please see comments on issue 3 below).
- Have 2 Controllers for Patents and Designs, Trademarks and Geographical Indications, who will report into the CGPDTM and the current branch heads will report to these Controllers. An independent Controller for Trademarks (and GI) would minimize any apprehensions of control by patent officers in establishment matters.

Such an arrangement does not appear to require any amendments to the relevant Acts.

The central assumption is that increased high level supervision and management of the Patents and Design Office as well as the Trademark and Geographical Indication Registries enabled by the creation of new posts of Controllers would considerably aid in addressing the current problems. The time of the CGPDTM would also be freed up (with suitable strengthening of administrative, legal and IT support and resources) for overall strategy and direction, policy and most importantly, continually focussing on making the Patent and Trademarks Offices truly world class organizations.

Issues for consideration

3. *Given the sensitivity of Patent law and practice in India and also the experience in other major IP Offices such as the USPTO, would it be appropriate to consider making the Office of CGPDTM autonomous? Is it possible to bifurcate the two offices and make the Trade Marks Registry and the Patent and Design Office two autonomous organizations?*
4. *What legal changes are required? What changes are required to the rules?*

IPA comments

As noted in the Discussion Paper, unlike autonomous organizations like SEBI and IRDA, there are no quasi-legislative functions that the CGPDTM is expected to perform. Further, it is also noted that the creation of an autonomous organisation involves complex and time consuming legislative changes.

An interesting possibility of providing financial and administrative autonomy has been suggested in the Discussion Paper “which can increase efficiency and give flexibility for decision making”. It would appear that this is worth serious consideration. The conditions warranting such a change already exist:

- The financial surplus on account of the revenues from the Patent and Trademark offices is considerable. This more than meets the shortfall of the GI Registry as well as the National Institute of Intellectual Property Management and the Patent Information System at Nagpur and overall residual surplus of revenue over non-plan expenditure was in excess of Rs 180 crores in 2009-10. The surplus will facilitate financial autonomy.
- The CGPDTM is the statutory authority under the relevant Acts with onerous responsibilities to exercise his wide and far reaching discretionary powers; he has the stature to be entrusted with financial and administrative discretion.
- The advantages from the flexibility that results from financial and administrative autonomy are seen in the Discussion Paper as important to improve efficiencies.
- The functions of the O/o CGPDTM are very different from normal Government functions and there are no transfers between this office and other Departments of Government except at the level of the CG.
- There is a pressing need to continually strive for making the organisation world class. The pace of improvement has necessarily to be faster than what can reasonably be demanded (and expected) from traditional Government departments.
- The Discussion Paper notes that “complete financial and administrative autonomy” can be achieved “with minor modifications of rules”.

The IPA recommends the consideration of granting complete financial and administrative autonomy to the O/o CGPDTM.

Issue for consideration

6. *How should the office of the Controller be strengthened?*

IPA comments

Two important measures to strengthen the O/o CGPDTM are recommended for consideration.

Specialist legal resources

A very important issue is the legal resource available to the CGPDTM. The IPA has noted that the Discussion Paper outlines the view that in contrast with to skill required for Trademark registration which is primarily legal, the skill required for examination of patents is primarily technical. While it is true that patent examination requires scientific skill and Trademark registration does not, it is important to recognize that the examination and grant of patents, hearing of oppositions etc require considerable legal skills. Secondly, at the level of

the CGPDTM, a host of other legal issues of considerable complexity is involved, including litigation.

The legal skills in patent related matters are specialized. It is therefore desirable that the O/o CGPDTM is strengthened with in-house legal resources with specialized skills, particularly in patents. This will have additional advantages such as training and providing specialist legal inputs to the various offices.

Audit

Another important step for strengthening the O/o CGPDTM is the introduction of an audit system, reporting to the CGPDTM to improve quality of examination. The main objective is to ensure that there is consistency in the examination and grant of patents, particularly pharmaceutical product patents. Of the 49,404 patents granted in the last 5 years, 3488 patents were for pharmaceutical products.¹ We acknowledge the significant steps taken by the Patent Office in this regard, as listed in the Annual Report 2009-10. However there is urgent need to enhance consistency and scrutiny.

For example, a cursory examination of the product patents granted in recent years reveal that the following patents for polymorphs (expressly prohibited under Sec 3d) have been granted:

Instances of patents granted despite prohibition in Sec 3(d)

S.No	Patent No.	Applicant	Title	Grant Date
1	208799 (1111/CAL/1995)	Lilly	Raloxifene Non-solvated form	10.08.2007
2	211338 (IN/PCT/2001/01478 /MUM)	Teijin	A metastable polymorph (crystal A) of Febuxostat	9.11.2007
3	215602 (372/MUMNP/2005)	Boehringer	Polymorphic crystal modification b (form b) of Telmisartan	28.03.2008
4	212951 (139/CHENP/2005)	Sandoz	Polymorph forms 1 and 2 of Desloratadine Hemifumarate	28.03.2008
5	217702 (825/DELNP/2003)	Teva	Atorvastatin hemicalcium form VIII and hydrates thereof and process for preparing the same	25.04.2008
6	220287 (IN/PCT/2001/338/K OL)	Lilly	An olanzapine pamoate salt and pharmaceutically Acceptable solvate thereof.	23.05.2008
7	237051 (90/CAL/1998)	Asta Medica	Novel modifications of Retigabine and process for their preparation	04.12.2009
8	238699 (31/KOLNP/2004)	Merck	Vilazodone HCl anhydrate Form IV and monohydrate Form V as product with PXR pattern and process of preparations thereof	19.02.2010

¹ Product Patents in Pharmaceuticals granted by Indian Patent Office during 2005-06 to 2009-10, http://www.ipindia.nic.in/iponew/Patent_PharmaProduct_2005_06_2009_10.pdf

It is therefore urged that an audit system of granted patents be put into place. To start with the annual audit could cover granted pharmaceutical product patents, which on the face of it, would appear to be prohibited by Sec 3. Based on experience, the scope of audit can be expanded.

Such scrutiny will ensure continuing focus on the quality and consistency of examination and avoid unnecessary litigation.

Issues for consideration

7. *The Department had taken an initiative to outsource some part of the prior art search of the Patent office to CSIR. This project is proving to be beneficial. Which other organizations could be tapped for the purpose. Are there likely pitfalls that the department must take precautions against? What could be such precautions?*
8. *Is a similar outsourcing (including employment of temporary but qualified personnel) exercise possible in case of trademarks where more than 400000 trademark applications are pending at various stages? If so, what could be the safeguards that should be put in place?*
9. *What other measures can be used to improve the base of examination of applications within the framework of the existing legislation?*

IPA comments

The outsourcing of part of the prior search is at best an interim measure to deal with the acute shortage of manpower, subject to appropriate confidentiality agreements.

Prior art search is crucial to proper examination of patents and adequate capability to do so assumes a special importance in view of the CGPDTM being designated International Search Authority/International Preliminary Examination Authority under the Patent Cooperation Treaty. Prior art search is often not a one-shot affair and successive searches are necessary in the process of examination. Further, appropriate search strings can make examination more efficient by significantly reducing curating of searches. Prior art search is an essential skill of examination. No details have been provided of the extent of current outsourcing or its contribution to the saving of man-hours, for a proper appreciation of the issue.

We are not aware of prior art search being outsourced to third parties in other jurisdictions.

IPA recommends that outsourcing of prior art search be considered an interim measure till arrangements are in place to undertake searches in-house.

Analogous logic should apply to outsourcing of Trademarks examination also. However, the preferred alternative to outsourcing is for examination of Trademarks to be undertaken by contract staff till such time as the Department is adequately staffed, if competent personnel are available on such terms and quick recruitment is feasible.

Issue for consideration

10. *In spite of e-filing for patents etc. and streamlining of the examination process, is there a need for setting up additional offices?*

IPA comments

No advantages of additional offices have been identified in the Discussion Paper and none are obvious if e-enabled filing, processing and status are made available for Patents, Designs, Trademarks and Geographical Indications.

Issue for consideration

11. The National Institute of Intellectual Property and Management, which is housed in Nagpur, is at present under the supervision of the CGPDTM. This institute needs to be developed into a world class institution for research and training in the field of IP. Would it be better for such an institution to be directly controlled by the Ministry or should it continue as one of the offices of CGPDTM?

IPA comments

There is no discussion on this issue in the Discussion Paper. However, it is clear that the CGPDTM is operating under severe pressure of time currently. It is not inconceivable that the attention he can devote to the NIIPM at present is less than what it deserves.

Transfer to the Ministry may not necessarily solve the problem either as Ministry officials are themselves under considerable pressure and the content of the NIIPM's research and training is more directly connected with the CGPDTM.

The appropriate solution may be to continue the NIIPM under the CGPDTM, particularly if his office is strengthened with the addition of independent Controllers of Patents as well as Trademarks, as this would free up some of his time.

Issue for consideration

12. The recruitment of officers has been delayed inordinately by the complicated, prolonged procedures involving interdepartmental approval. What could be the options to address this problem? Should a special dispensation be sought to address this issue. If so, what could be the possible course of action?

IPA comments

Clearly, recruitment has to be done and if any special dispensation is required, it should be obtained.

It is well known globally that the Patent Office is fertile ground for recruitment in the patent departments of companies and legal firms. There is also the option for Patent Examiners to eventually pursue independent careers as Patent Attorneys. There will consequently be some turnover in course of time. The task of training is not trivial. The recent recruitment of 257 Patent Examiners may be illusory comfort, if such turnover indeed happens in India. It is therefore imperative that conditions be created where there is regular recruitment, unhampered by tedious procedures and inter-departmental issues.

It is hoped that the grant of complete administrative autonomy to the Patent Office and Trademark Office as discussed in under Issue 3 above, will help solve this problem.

Issue for consideration

13. Since Trademark registration is a quasi judicial process involving opposition cases and hearings, what can be done to address the large number of vacancies for the post of Assistant Registrar and above? If it is not possible to select new officers immediately, what can be done to remedy the situation?

IPA comments

A promising possibility could be the appointment of retired judicial officers of the appropriate level on contract, if this is permissible under the statute.

Issue for consideration

14. Considering the importance of trademarks in India and the fact that a majority of the application are made by Indian applicants, should the size of the Registry be addressed in the XII Plan? What could be an appropriate structure?

IPA comments

Yes. We are unable to comment on the structure as there is inadequate information available on the relevant considerations and the options.

Issue for consideration

15. In view of the fact that some innovations can qualify for different kinds of IPRs, would it be better to have a single window at the front end for applicants for all kind of IPRs while the specific IPR issues could be handled by different offices at the back-end ?

IPA comments

The main offices (patents and trademarks) are functioning as virtually independent offices. There may therefore be no advantage to the offices themselves, but will add another 'window'.

The advantage to applicants is also not obvious. The concept of 'single window' clearances in Government is advantageous to applicants as some coordination is expected to be done by the office of the 'single window' among the various Government departments. This does not appear to be relevant in the case with Patents and Trademarks.