


**Intellectual Property**  
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**Lecture – 31**  
**Rights, Assignment and Licenses - Part 2**

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### Restrictive Conditions [S.140]

- Unlawful and void conditions in a contract/license
  - Sale or lease of a patented product/process
  - Manufacture or use a patented article
  - Work any process protected by patent

1. TIE IN - NON-PATENTED PRODUCT  
2. RESTRICTION OF USE - PRODUCT  
3. RESTRICTION OF USE - PROCESS  
A. EXCLUSIVE GRANT BACK, NO CHALLENGE, COERCIVE PACKAGE LICENSING


There are certain restrictive conditions that have to be avoided in any contract or agreement pertaining to patents. These conditions are referred to in section 140 of the patents act. Now, it says that it is unlawful and void to have conditions in a contract or a license. And the contract or the license may pertain to sale or lease of a patented product or process, it may pertain to manufacture, or use or it may pertain to work any process protected by patent.

Now, in these transactions or in these agreements it is not appropriate to have the following restrictive covenants. Now, let us look at them. One is a tie in. Tie in is where a patented product is tied along with a non-patented product. And there is a restrictive covenants saying that you have to acquire the patented product and the non-patented product from the same vendor. So, in effect through a tie in the vendor who sells the product who is entitled to sell the patented product also ensures that the non-patented products are tied along with it. Now, this is a restrictive condition which should not which will be treated as void.

Second is restriction of use for a product. The second is restriction of use of a product, the terms, restrain a person from using certain products. The third is restriction of use with pertain to processes other than the patented process. So, there is a non-patented process. And there is a restriction on the non-patented process which a person cannot make.

Fourth pertains to exclusive grant back requiring the licensee to exclusively grant back or a clause saying that there will not be any challenge to the patent or coercive package licensing where licenses are clubbed together, and packaged together in such a way that you can only take the entire package even if you need only one or two patents. Now, all these four types of restrictions are treated as unlawful and void.

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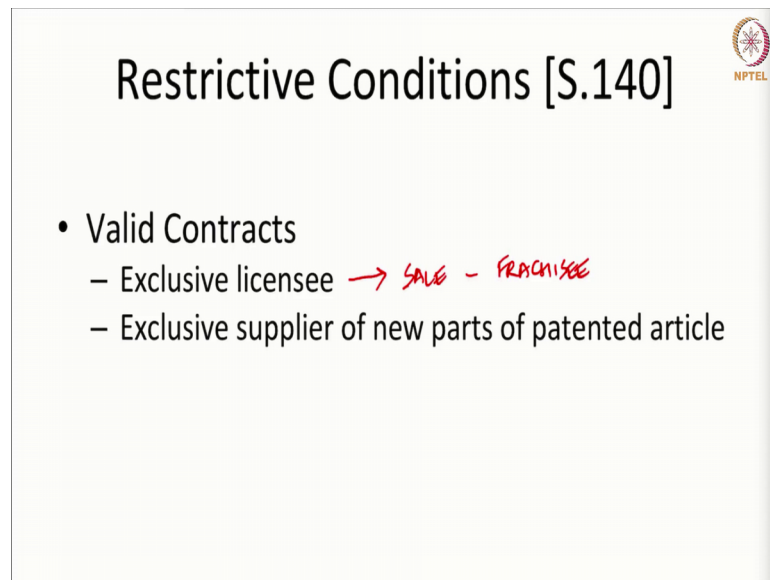


### Restrictive Conditions [S.140]

- Unlawful and void conditions in a contract/license
  - Sale or lease of a patented product/process
  - Manufacture or use a patented article
  - Work any process protected by patent
- In an infringement suit, defence to prove there was a void contract in force

So, in an infringement suit, it shall be a defense to show that there was a void contract in force. So, if there is an infringement suit filed by the patentee, the person who is defending can show that he was a licensee, and there was a restrictive condition. And it will be a defense to show that he was under a restrictive condition against infringement. So, infringement cannot be proved against a person who operates under a restrictive condition.

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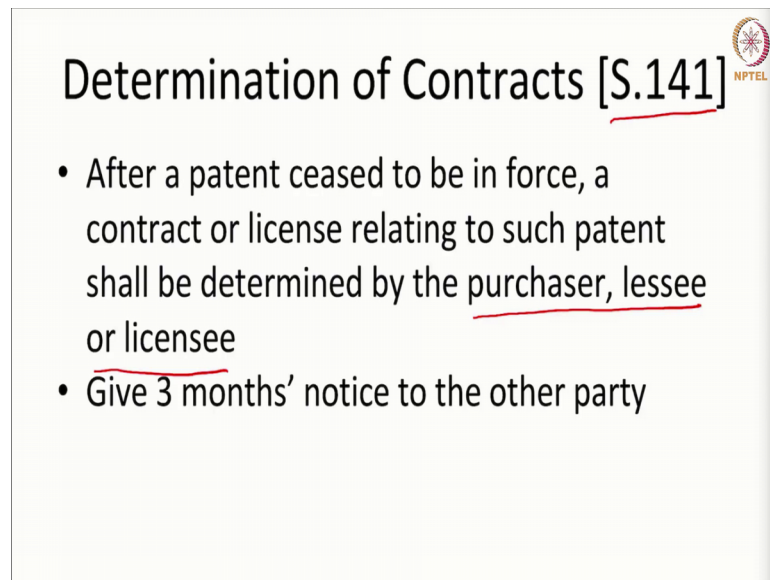
## Restrictive Conditions [S.140]

- Valid Contracts
  - Exclusive licensee → SALE - FRANCHISEE
  - Exclusive supplier of new parts of patented article

Now, the act also mentioned certain contracts to be valid. Now, they can be contract where there is a restriction imposed on the exclusive licensee not to sell products. This is an restriction on sale other than that of the patentee. Now, this is typically in a franchisee agreement, where the licensure would ask the franchisee to not to sell any other product.

So, such a condition is valid, because you are restraining the person from selling any other product than your own product to it will be valid to have clause which allows the exclusive supplier to supply new parts of the patented article. Now, the right to supply new parts of a patented article or the right to repair a patented article can be reserved. And if such a right is reserved, it is be valid and it will not be treated as a restrictive condition.

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## Determination of Contracts [S.141]

- After a patent ceased to be in force, a contract or license relating to such patent shall be determined by the purchaser, lessee or licensee
- Give 3 months' notice to the other party

Now, there is also a provision for determination of certain contracts determination as in terminating certain contracts. After a patent has ceased to be in force, a contract or license relating to such patent shall be determined by the purchaser, lessee or the licensee.

Now, normally a patent runs only up until the term of the patent the 20 year term. So, if there is a contract that extends beyond the term of the patent then that can be revoked or determined by the purchaser, lessee or the licensee this provision section 141 provides for that. The party who has to determine it shall give 3 months notice to the other party.