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## CURRENCY DEMONETISATION & ITS EFFECTS

On November 8, 2016, Narendra Modi, the Hon'ble Prime Minister of India, addressed the Nation and informed that at the stroke of midnight currency notes of Rs. 500 and Rs. 1000 will no longer be considered as legal tender. Due to this move of demonitisation, India lost 86% of its monetary base. According to the Hon'ble Prime Minister, the said move was taken in an effort to stop the counterfeiting of the current banknotes alleged to be used for funding terrorism and for cracking down on black money in the country. The move is also aimed at reducing corruption, drug menace and smuggling.

It is not the first time in the history of India or globally that demonetization has happened. In India, it occurred 1 ½ years before independence in 1946, and again in 1978. The drive could not be successful earlier as people anticipated the move. Thus, they had ample time to park their black money in safe zones. Also, the circulation of higher denomination notes was not as high then as the current 86%.

The Government has asked banks and post offices to report to the Income Tax Department all deposits above Rs. 2,50,000/- in savings accounts and more than Rs. 12,50,000/- in current accounts made during the 50 day window provided to tender the scrapped 500 and 1000 rupee notes.

### Effects:

- **Interest Rates & Deflation:** First, people who have a lot of cash, legally earned, will deposit it in the bank. This will increase bank's deposits by a huge margin. This will also increase the lending activity because banks have a CRR (Cash Reserve Ratio) to maintain and with more deposits they can do more lending. Credit (Loans) will become easier and interest rates may come down. More loans given out increases broad money supply and creates inflation. But this will happen slowly, not over-night.
- **Real Estate:** It would crash quickly and recover slowly. That is because, in real estate, there is no index price like gold and it is fixed by the market in a demand-supply balance. Resale transactions in the real estate sector often have a significant cash component as it reduces incidence of capital gain tax. Black money was responsible for sharp appreciation of properties in metros; real estate prices may now see a sharp drop.
- **Increase in National Security:** It has been a well-known fact that counterfeit currency is being used by the terrorist organizations to lure people into carrying anti-national activities. Due to such bold step by the Government to demonetize the currency, the terrorists are left with nothing but to remain silent with the lack of funds. In addition, individuals who earn money through wrongdoings will be the worst hit as they will not have the option to convert the illegally earned money to legal money without inviting official crackdown from the government.

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- **Increase in number of tax payers:** At present approximately 3% of the Indian population pays taxes. Some just don't make enough and the others who do, siphon off the money. If this plan works, the ramifications of the currency demonetization can touch all parts of the Indian economy. Official data from the Reserve Bank India shows that the concentration of Rs. 500 and Rs. 1000 notes are higher in the Indian market than Rs. 100 and other smaller denomination currency notes. Hence, with the order to exchange Rs. 500 and Rs. 1000 notes through the banks, the Government is actually increasing its surveillance on individuals to bring out tax-payers.
- **Political parties in crisis ahead of polls:** With nearly five state elections in 2017, demonetization has stunned political parties. Especially, in large states like Punjab and Uttar Pradesh, cash donations are a huge part of 'election management'. In one stroke, big parties will find themselves hamstrung as cash hoards are often undeclared money. Parties will have to completely rein campaign strategies in light of expected cash crunch.

**Initiative:** A major action taken by the Government to tackle the black money revealed from demonetization is the introduction of the Taxation Laws (Second Amendment) Bill, 2016 ("Bill") and the scheme of 'Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016' ("PMGKY") thereunder in Lok Sabha with the objective to utilise the additional revenue for undertaking schemes of irrigation, housing, toilets, infrastructure, primary education, primary health, livelihood for the poor. For specifics visit:

<http://www.prsindia.org/uploads/media/Taxation%20Laws/Bill%20Summary%20-%20Taxation%20Laws%20Second%20Amendment%20Bill%202016.pdf>

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### REJECTION OF PATENT TO XTANDIS: A BOON OR BANE

*"The Patent system added the fuel of interest to the fire of genius –Anonymus"*

In a recent decision the Patent Office in India, rejected a Pfizer application for grant of patent to Xtandi drugs, developed by Mr. Zakir Thomas at the University of California Los Angeles (UCLA), which is considered as a wonder drug to cure prostate. This decision, of the Indian Patent Office, is wrangled by pharmaceutical giants, whereas the same is revered in the country as its speculated that the rejection of this said patent application will not only pave way for generic medicine producers of the drug, but is expected to reduce the price of the drug to 60% - 70% aiming welfare of the public at large.

If we analyse the scenario of the pharmaceutical markets from 1999 to 2005, we will observe sweeping changes have been deliberated by the legislators, especially with reference to patenting of pharmaceutical products. In countries other than USA, the price of the medicine is subject to government regulations and are controlled by government. However in India, until 2005 there were no such stringent price regulations and a lot of exploitation was witnessed at the end of huge pharmaceutical industries, which exploited the customers by charging an exorbitant price for life saving drugs. However, in 2005, there was a sense of satisfaction as the Indian Patent Act, 1970 ("Act") was amended with an introduction of sub clause (d) Section 3 of the Act as it absolved a lot of problems arising in the pharmaceutical industries. Read as under:

*"the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant."*

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The said provision of the Act incorporated restriction on the patenting of the pharmaceutical products. The law explicitly states that the pharmaceutical products are not subject to be patented if: First, unless a new form of an existing substance depicted increased effectiveness, it shall not be patentable. If it does demonstrate increased effectiveness, then it is treated as an altogether novel substance. Second, the “mere new use” of a known compound cannot be patented.

Patent to Xtandi medicine was rejected on the following grounds:

- The subject matter of the Application was not novel;
- It lacked inventive steps;
- It did not constitute an invention.

The Patent officers held that the Xtandi medicines did not hold any inventive step over US Patent 981 and 257. Therefore the application was rejected on the grounds of being not novel as per Section 2(1)(l). Further, the invention lacked an inventive step and did not entail any material improvement in its efficacy, and thus was contrary to Section 3(d) of the Act.

The Amendment in the Act has brought down the pricing of drugs and made it accessible to the common masses at affordable prices. Thus, refusing the grant of patent to Xtandi drugs is a much favorable development for the Indian pharmaceutical sector, as it will not only end the monopoly of pharmaceutical giants, but shall also promote innovation and growth amongst the indigenous pharmaceutical companies and shall be a boon for maintaining and enhancing the health standards in the country.

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## LEX REVISERS

### NO COPYRIGHT OVER JUDGMENTS DELIVERED BY COURT

The Supreme Court, in its recent decision ruled that no one could have copyright over judgments delivered by the Apex Court. The Court held that ‘it could be reproduced in its raw form by anyone without the risk of being accused of infringing copyright,’

### RUBIK'S CUBE LOSES EUROPEAN UNION TRADEMARK FIGHT OVER ITS SHAPE

Rubik's Cube, which was registered as a three-dimensional in the year 1999 recently lost a trademark battle after the German toy manufacturer Simba Toys challenged the trademark protection, claiming the cube's rotating capability can be protected by a patent but not a trademark. Europe's top court held that its shape was not sufficient to grant it protection under the Trademarks Act.

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