

NOTES ON  
INTELLECTUAL PROPERTY RIGHTS  
(INCLUDING  
SOME LEGAL ASPECTS)  
IN  
TECHNOLOGY TRANSFER

[Revised : November, 1994]

By

Dr. V. Siddhartha

based on

a short presentation made at

Calcutta

on

September 29, 1993

at a

One-day interaction on transfer of technology from abroad, organised by CII in association with the Department of Scientific and Industrial Research, Government of India.

### Intellectual Property defined

The rights relating to : literary, artistic and scientific work; performances of performing artists, phonograms and broadcasts; inventions in all fields of human endeavour; scientific discoveries; industrial designs; trade marks; service marks and commercial names and designations; and all other rights resulting from intellectual activity in the industrial, scientific, literary and artistic fields.

[From : Convention establishing the World Intellectual Property Organisation (WIPO), Stockholm, 1967]

Intellectual Property is embodied in information-based products of essentially four kinds:

- \* Works of fact
- \* Works of form
- \* Works of function
- \* Works of art

### ONE BALD STATEMENT

About a century after it was founded, a developing-country called the United States enacted its Copyright Act in 1909 in which the purpose of the grant of "intellectual property rights" (then not labelled so grandiosely) was stated thus:

The enactment of copyright legislation by [US] Congress under the terms of the Constitution is not based on any natural right that the author has in his writings, for the Supreme Court has held that such rights as he has are purely statutory rights, but on the ground that the welfare of the public will be served and progress of science and useful arts will be promoted ..... Not primarily for the benefit of the author, but primarily for the benefit of the public such rights are given. Not that any particular class of citizens, however worthy, may benefit, but because the policy is believed to be for the benefit of the great body of people, in that it will stimulate writing and invention to give some bonus to authors and inventors.

#### Note

- (1) No so-called "balance" between private gain and public good in IPR law.
- (2) There is only one good - the public good. The benefit is for, and only for, the "great body of people".

TWO MORE BALD STATEMENTS

- 1 . Rights to intellectual property are legal title to the products of the individual or corporatised mind. They are granted by the State in furtherance of the policies of the State. IPRs are not granted in furtherance of the welfare of the individual or corporatised mind. Intellectual Property Rights (IPR) granted by the State are thus instruments of political economy; they are not Fundamental Rights.
  
- 2 . Rights to intellectual property have, in themselves, nothing whatever to do with technology transfer.

TECHNOLOGY TRANSFER IS EFFECTED THROUGH  
INFORMATION-BASED  
PRODUCTS

Products of the individual or corporatised mind are embodied in  
INFORMATION-BASED PRODUCTS

that may be categorised as:

- (1) Works of fact (e.g. know-how; technical data; maps).
- (2) Works of function (e.g. mechanical devices, electronic circuits).
- (3) Works of form (e.g. designs of objects without motor functions; architectural works; graphic designs; dance forms).

Only some of the above products are the subject of legal protection.

2. In technology transfer, any or all the above works may act as the vehicle(s) for "transfer of technology". Note that it is the work (e.g. invention), and not its legal protection (e.g. Patent), which is the vehicle for technology transfer.

### WHY IS A PATENT NOT KNOW-HOW?

In all countries, the applicable law governing grant of patents for inventions requires only that the patent specification discloses all necessary information so as to enable a person skilled in the art to perform the invention i.e. to demonstrate the claims in the patent without the assistance of the inventor.

The applicable law in India and in most other countries does not require that the information disclosed in the patent specification be sufficient for the commercial exploitation of the invention.

'Know-how', on the other hand, covers any information necessary to set-up a production plant or to commercialise the invention. Such information includes, for example, details of the production methods applicable to the invention or, in the case of a mechanical component, the design drawings. It is this 'know-how' which is traded while transferring technology from a laboratory to an enterprise or from one enterprise to another. 'Know-how' is invariably commercially confidential and separately disclosed only under the terms of a licensing agreement executed between the seller and buyer of know-how. It is this 'know-how' which confers commercial value upon an invention disclosed in a patent.

[Adapted from Reference (1)]

Some selected statistics on Patents  
(1993 Estimates)

A. Global

- |       |   |   |                                       |
|-------|---|---|---------------------------------------|
| (i)   | World Stock of published Patent specifications  | : | ~ 43 million                          |
| (ii)  | Stock of Indian published patent specifications (incl: FPH @ in India)                        | : | ~ 0.17 million                        |
| (iii) | Proportion of World Stock of patent specifications which remain in force at any point of time | : | 10-12 per cent<br>(Or say, 5 million) |
| (iv)  | Proportion of published Indian patents in force compared to World Stock in force              | : | ~ 0.3 per cent                        |

Conclusion: 99-plus per cent of world stock of patent specifications legally freely usable in India.

B. Indian

- |       |   |   |   |
|-------|---|---|---|
| (i)   | Patent Applications (in India) from India and abroad  | : | 3000 to 3500 per year (steady over past 10 years) |
| (ii)  | Indian Patents in force (incl: FPH@ in India)   | : | 13677   |
|       | of which Indian-owned   | : | ~ 33 per cent                                     |
| (iii) | Proportion of Indian patents in force as compared to total No. of published Indian patents (incl: FPH @ in India) | : | ~ 8 per cent                                      |

Conclusion : 90-plus per cent of published Indian patent specifications usable by anybody absolutely free.

---

@ FPH : Foreign Patent Holder

TWO SELF-EVIDENT YET OFTEN-FORGOTTEN POINTS

\* A patent is no indicator that an invention has any technical merit; nor is it an indicator of functional usefulness, much less of commercial value.

A PATENTED INVENTION IS NOT NECESSARILY SUPERIOR IN ANY SENSE TO AN UNPATENTED ONE PERFORMING THE SAME TECHNOLOGICAL FUNCTION.

\* While drawing-up or negotiating technology transfer (from abroad) agreements, mention of patents is relevant if, and only if, they are Indian Patents under the Indian Patents Act (1970). Thus, mention of foreign patents in an agreement on technology transfer is relevant only if the product, manufactured in India, is exported to a country where a valid patent is held.

'BUYER BEWARE'

So

Evaluate the technology you are buying by getting a  
"maximum look" at it before entering into a Technology  
Transfer deal through a pre-negotiation

SECRECY AGREEMENT

in which you, as potential buyer, try to ensure that all the following categories are exempt from the pledge of confidentiality embodied in the Secrecy Agreement.

1. Proprietary information that enters the public domain- i.e., information that is or subsequently becomes generally known in the trade of business other than through your actions;
2. Proprietary information that subsequently comes into your possession through a third party who is under no legal duty to the prospective LICENSOR to keep the information confidential.

INFORMATION IN THE PUBLIC DOMAIN

After bargaining for these three excepted classes of information, it is in your interest to try to ensure that there is no specific contractual provision allocating the burden of proof, as then the prospective licensor necessarily bears the burden of proving that the disclosed information was indeed proprietary and protectable, when he tries to prove breach of confidence.

MODEL CLAUSES REGARDING INTELLECTUAL PROPERTY RIGHTS IN  
TECHNOLOGY TRANSFER AGREEMENTS

**Clause @ Disposition of Intellectual Property Rights, Disclosure of Information, Payment of Royalties and Fees for use of Intellectual Property of the LICENSOR.**

@ 1. The following libraries of software, basic data, bench-mark tests, models, process specifications, material specifications, designs, codes, explanations, methods of use, methods of validation, test and evaluation, simulations and their interpretations, and examples of applications, operational, engineering, manufacturing methods, are the unencumbered intellectual property of the LICENSOR.

(List Out)

@ 2. Of the above, the following are covered by statutory protection in India (Patents, Copyrights etc.) as noted against each:

(List Out)

@ 3. The LICENSOR hereby agrees to give the LICENSEE an exclusive license to use all of the above intellectual properties in furtherance of the business activities of the LICENSEE subject to the Terms & Conditions of a License Agreement \*/ entered into between the LICENSOR and the LICENSEE as set-out in Annex-1 to this Agreement, which Annex is an integral part of this Agreement and which shall come into force on the date of this Agreement, notwithstanding anything contained in that Annex.

@ 4. The intellectual properties listed-out at clause @ 1 above are unencumbered and are the property of the LICENSOR. The LICENSOR hereby indemnifies the LICENSEE against infringement of the rights of third parties in those properties in the event that such parties are awarded compensation/damages by Indian Courts for the infringement of their intellectual property rights. The LICENSOR also agrees to bear, in full, the costs of defence in Indian Courts against all suits brought by third parties claiming rights to these properties.

---

\*/ Note : The terms of license in the License Agreement could be different for each of the properties listed. Typically, royalties will be payable by the licensee only until the legal rights of the licensor are exhausted.

Rights to Intellectual Property are protected in India  
under four, and only four, statutory instruments

1. The Patents Act, 1970.
  2. The Designs Act, 1911 (with effect from 20 April, 1972)  
[Registration essential for protection]
  3. Indian Trade and Merchandise marks Act, 1958 (brought into force  
on 25 November, 1959)  
[Registration not essential, but recommended, for protection]
- and
4. The Copyright Act, 1957 (with effect from 21 January, 1958) as  
amended in 1983, 1984 and 1992  
[Registration not essential for protection]

### USEFUL REFERENCES

1. Intellectual Property Protection in India : A Practical Guide for Scientists, Technologists and other users, TIFAC : P : 020, Technology Information, Forecasting and Assessment Council (TIFAC), Department of Science and Technology (Government of India) and Council of Scientific and Industrial Research (CSIR), New Delhi, April 1993.
2. The Law of Licensing, Clark Boardman Company Limited, 1979 (and subsequent editions).
3. Licensing Guide for Developing Countries, World Intellectual Property Organisation (WIPO), Geneva, 1977 (and subsequents). [Despite the 'Developing Country' appellation, this is quite a useful publication, as it provides extensive 'check-lists' of items to be covered in Technology Transfer Agreements. There is, however, too much stress on Trademark protection].

MODEL CLAUSES REGARDING INTELLECTUAL PROPERTY RIGHTS IN  
TECHNOLOGY TRANSFER AGREEMENTS

**Clause @ Disposition of Intellectual Property Rights, Disclosure of Information, Payment of Royalties and Fees for use of Intellectual Property of the LICENSOR.**

@ 1. The following libraries of software, basic data, bench-mark tests, models, process specifications, material specifications, designs, codes, explanations, methods of use, methods of validation, test and evaluation, simulations and their interpretations, and examples of applications, operational, engineering, manufacturing methods, are the unencumbered intellectual property of the LICENSOR.

(List Out)

@ 2. Of the above, the following are covered by statutory protection in India (Patents, Copyrights etc.) as noted against each:

(List Out)

@ 3. The LICENSOR hereby agrees to give the LICENSEE an exclusive license to use all of the above intellectual properties in furtherance of the business activities of the LICENSEE subject to the Terms & Conditions of a License Agreement \*/ entered into between the LICENSOR and the LICENSEE as set-out in Annex-1 to this Agreement, which Annex is an integral part of this Agreement and which shall come into force on the date of this Agreement, notwithstanding anything contained in that Annex.

@ 4. The intellectual properties listed-out at clause @ 1 above are unencumbered and are the property of the LICENSOR. The LICENSOR hereby indemnifies the LICENSEE against infringement of the rights of third parties in those properties in the event that such parties are awarded compensation/damages by Indian Courts for the infringement of their intellectual property rights. The LICENSOR also agrees to bear, in full, the costs of defence in Indian Courts against all suits brought by third parties claiming rights to these properties.

---

**\*/ Note :** The terms of license in the License Agreement could be different for each of the properties listed. Typically, royalties will be payable by the licensee only until the legal rights of the licensor are exhausted.