

Technological Transfer During Outsourcing

This article provides a holistic view of technology transfers during outsourcing.



Ravi Bhola
K&S Partners
Intellectual Property Attorneys



Sindhu Vijayakrishnan
Sr Associate
K&S Partners
Intellectual Property Attorneys



Pranav Mysore
Sr. Associate
K&S Partners
Intellectual Property Attorneys

The idea of materialising innovations, technological advancements and the desire to achieve competitive edge in research and development, thrusts organisations to move towards testing different options and generate innovative products. Restricted research and development in a particular field could sometimes handicap an organisation from its competitors. Hence, there is a need for cross domain research that cuts across various applications and technologies, possibly achieved by way of collaborations or sometimes through outsourcing.

The very concept of Outsourcing is one of the by-products of globalisation, depicting a different facet of Intellectual Property (IP) and technology, in general. In other words, this area requires at its very infancy, identification of which party is giving or contributing its technology, possibly an IP towards creation of a new IP, through outsourcing; and how the outsourcing is being achieved and governed through agreement.

Generally, the moment when it is said that an IP is being contributed towards creation of a new IP through outsourcing, the common question arising is that whether a license for background IP is being issued to the other party using it?

Answer to this is quite simple. Agreements should spell out what kind of license is being issued, for instance: whether license is royalty free, exclusive or non-exclusive, whether it is geography specific or not, whether the recipient can commercialise such IP or not, and so on. Accordingly, such agreements should clearly spell out requirements of ownership, identifying

ownership, identifying the sharing mechanism, and so on.

Often most of service agreements like manufacturing agreement, marketing agreement, etc lack identifying and protecting IP related rights inter se. Therefore, identifying and protecting IP through agreement becomes an unavoidable prerequisite of outsourcing.

Sometimes the recipient or the service provider may contribute towards improving the IP. The issue then arises in relation to identification and ownership of such IP created under the agreements. Once the created IP is identified, the next step is towards protecting these rights by way of procurement of rights from the sovereign authority.

However, the identification of these aspects and understanding the sharing mechanism of the created IP is possible only from the associated agreement. More often than not, it is seen in situations involving overseas stake holders as the outsourcing party and Indian party as a service provider, that the agreements are generally very specifically drafted, clearly demarcating any IP generated in the process of and during outsourcing to be under the complete ownership of the overseas stake holder.

In such a scenario, the research conducted, data generated as well as any IP created in the said process would come under the sole ownership of the overseas stakeholder, provided all the concerned assignments from the inventors are well in place. An associated issue is related to the raw materials employed in an invention, since ideally by providing required

funds, outsourcing party would expect service provider to procure all raw materials.

However, if outsourced technology requires usage of any specific biological material which has to be procured from within a specific country, eg: India, then service provider would have to comply with the legal requirements of that country in procurement of the raw material.

Each nation has its own prerequisites in this area, the foremost objective being the protection and judicial usage of the available naturally occurring biological resource by a nation. For example, India is a signatory to the Convention on Biodiversity (CBD) and thus, heavily regulates access to her biological resources. In this scenario, the entire purview of outsourcing gets enhanced because new IP being created involves usage of biological material from another geographical location, which therein might have its own specifications and requirements.

Sometimes, during process of outsourcing a large chunk of IP generally in the form of improvements is created, depicting high level of intellectual contribution by service provider/recipient. Hence, the IP created or improvised is identified, but the blocking stone in such a situation is the ownership and possible protection of such IP created. Does the party outsourcing the technology become its owner or will it be jointly held? Should the service provider/recipient be given license to use it? The agreement shall clearly envisage such events and capture a mechanism to address these issues.

Interestingly, the entire situation takes a turn when the service provider and the party outsourcing the technology,

are at par with each other in terms of the technology they own as well as the disposition of finances. Then with mutual understanding, a hybrid model could be arrived at which leads to pooling of funds and co-ownership of the created IP, with an agreement in place which clearly identifies the issues of co-ownership, benefit sharing, requirement of any licenses, future royalty sharing and so on. The aspect of IP and the process of IP procurement in turn leads to other collateral issues associated with the nationality of the inventors, requirement of Foreign filing license, use of biological material in the invention, requirement of permission

is being used in an invention. Addressing all these aspects results in a mutually beneficial arrangement, partly on the lines of collaboration and partly on the lines of outsourcing.

Moreover, it is often seen that outsourcing granted or filed IP's would also include Trade secrets and technical know-how. This data, which may either be transmitted by the outsourcing party or by the service provider, is valuable and sometimes the very crux of outsourced technology. Besides, underneath the entire aspect of outsourcing is the basic question of confidentiality, wherein the outsourcing party needs to have

When outsourcing of a technology in turn leads to collaborative research and procurement of IP together by parties, various requirements have to be met with respective Patent Offices.

under the Biodiversity Authority, so on and so forth.

To be more specific, when outsourcing of a technology in turn leads to collaborative research and procurement of IP together by parties, various requirements have to be met with respective Patent Offices. eg: the requirement of Foreign filing license in India requires that if an Inventor residing in India is involved in any research, then a patent application for said research cannot be filed outside India without keeping the Patent Office informed of the same. Hence, in order to file the patent application outside India, the Inventor has to obtain a Foreign filing license. Similar forms of this requirement can be seen with other Patent Offices as well.

The other aspect which requires due attention during such a collaboration is the requirement of any permission from the Biodiversity Authorities if any biological material procured from India

the trust that the data and research related information being shared is in safe hands and well protected by the service provider.

This aspect of data protection, either of the data to be generated or the data provided for conducting research, forms one of the determining factors when any IP is being created during technology transfer. This is in view of the larger issue of data theft which has a direct bearing to the outsourcing party and the created IP the party intends to seek legal protection for.

However, in absence of an express legislation to protect Data in India, it is essential to have a regulating mechanism in respective agreements. This would ensure that the data is protected at every stage of outsourcing and the service provider is also well informed on how to suitably execute the instructions provided by the outsourcing party, conduct research and sensitise



its employees about confidentiality issues; making confidential information available to limited number of its employees on need-to-know basis. But a constantly pursued question is when does outsourcing of the technology happen? Is it when the size of the outsourcing company changes or is there a specific timing in the entrepreneurial world which determines this step

forward? In this space conglomerated within the domain of technology and IP, more often than not 'technological skill set' usually protected by some form of IPR, emerges as one of the factors determining this required change.

Any IP landscape analysis would clearly showcase the impact that any advanced IP created would have on the said technology domain as well as possibly provide insight into the relevant market. It is therefore inevitable that in order to arrive at the advanced technology, the ladder would have the 'possibly protected technology' currently in existence as its stepping stones.

Hence, when the outsourcing party aware of its financial and/or technological challenges plans to outsource, apart

from a well-drafted 'agreement', it will have to take a smart decision on what to disclose and what not to. A possible way would be to outsource the non-core technology on a 'need-to-know' basis. The nature of technological transfer is at times not restricted only to outsourcing. Technological transfer is a pseudonym in today's world, wherein technological sharing and arriving at technological advancement happens on a regular basis. Technology transfer is a form of staying competitive in today's world, strategically inclined towards globalisation and liberalisation. It is a form of staying competitive, not only in terms of cost, but also in terms of ability to take the products to the market faster. ■

Contact: avishek@knspartners.com

P www.pharmabioworld.com
PharmaBio
 INSIGHT INTO THE PHARMACEUTICAL AND BIOTECH INDUSTRIES *World*



PBW Spotlights

- » Indian Pharma and Biotech Industry Globalisation
- » Latest Developments in Pharma Innovation and Technologies
Future Trends of the Industry
- » Current Indian and International Corporate News
- » Novice & Updated R & D Strategies
- » In-Depth Market Research
- » New Product Launches
- » Event Alerts and Many More.....

JASUBHAI MEDIA PVT. LTD.

Taj Bldg., 3rd Floor, 210, Dr. D. N. Road, Fort, Mumbai-400 001.
 Tel.: 91-22-40373636, Fax: 91-22-40373635 E-mail: industrialmags@jasubhai.com
 Website: www.chemtech-online.com, www.pharmabioworld.com



AN ISO 9001:2008 CERTIFIED COMPANY