BioSpectrum the business of Bio & Health Sciences

A balancing art between commercial, basic research required

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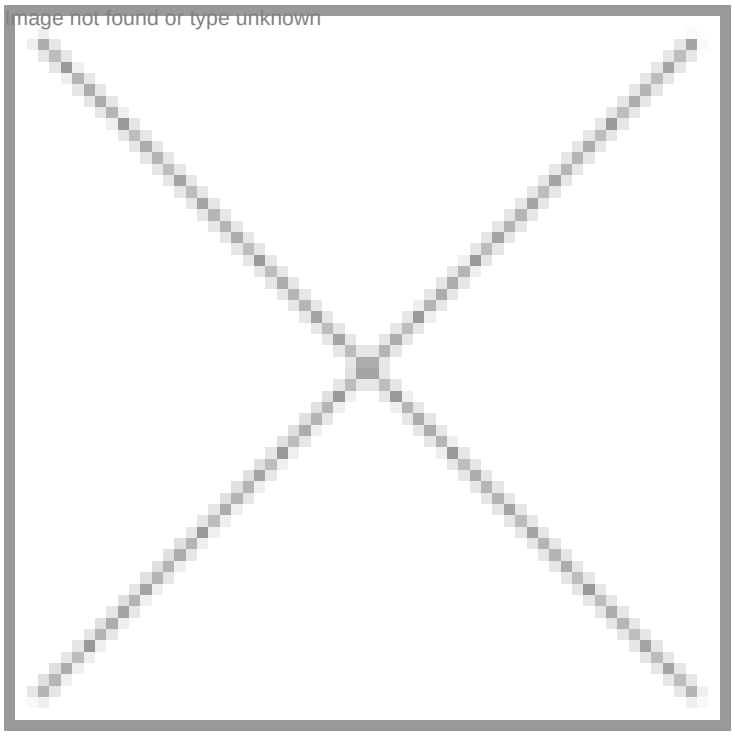

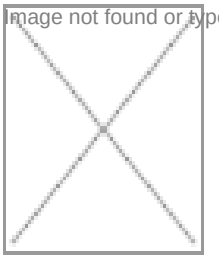

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During the past few decades, intellectual property rights, including patents, trademarks, copyrights and industrial designs have gained an unprecedented economic importance in the global business arena. Out of all these rights, patent proves to be the most important and strategic business tool.

Historically, it has been proven that successful research and commercialization of innovations is associated with a multi-fold increase in the number of patents granted and patent applications filed, specifically in the US, European Union, China and Japan among others. Furthermore, impressive business growth has been associated with royalty payments for patent licenses in these jurisdictions.

One of the main reasons for this enormous business growth is the rapid progress of research in science and technology, especially in biotechnology, which resulted in the establishment of new knowledge-based industries and the penetration of

new areas of technology, such as life sciences. In addition to this, the global economy has been greatly impacted by the establishment of the World Trade Organization (WTO) in 1994, with the new general agreement on tariffs and trade (GATT) and the international agreement on trade related aspects of intellectual property rights (TRIPS). While GATT resulted in gradual opening of international markets, TRIPS introduced, for the first time in the history of patents, mandatory international standards for the protection of intellectual property rights. More specifically, in accordance with the provisions of TRIPS, patents must be available in all WTO member countries for inventions in all fields of technology.

The Indian perspective

Although it is a proven fact that creation of new products and processes through technological research and the resulting innovations are very essential for a country's economic growth, India has not been able to excel as compared to other global counterparts. This is due to multiple reasons, such as, low level of technology commercialization, lack of industry funding for research, and an improper governmental mechanism for managing the ownership rights of intellectual property, developed in research institutions through public funds.

However, as a significant step to improve this shortcoming in the Indian system, the Union Ministry of Science and Technology introduced the Protection and Utilization of Public Funded Intellectual Property (PUPFIP) Bill, 2008, in Rajya Sabha. Once this Bill is enacted, any recipient of government grants for the purpose of R&D, shall seek patent protection of the intellectual property generated and commercialize the same within the stipulated time.

Primarily, this Bill has been aimed at boosting R&D in public funded research institutes by permitting the sharing of the intellectual property rights and providing the incentives to the institutes and scientists who created them. The Bill compulsorily requires the scientist, who creates an intellectual property, to immediately inform the research institution about the same, and subsequently, the corresponding research institution shall disclose this information to the government within 60 days.

Furthermore, the scientist shall be paid a minimum of 30 percent of the net royalties received from the commercialized intellectual property, and any failure on the part of the scientist to intimate the institution, and of the institution to inform the government, carries penalties, which include fines and recovery of the grant funds.

Role of law firms

Since the proposed Bill is primarily meant to make a public funded research institution self sufficient by commercialization of its IPR, it presents a major challenge to various law firms that will advise such institutions. The challenge may include resolving multiple issues associated with the proposed law.

The law firms will have to make sure that such research institutions are able to aptly balance their activities between areas of commercial research and in other areas which may not have commercial value.

Moreover, since the Bill prevents scientists from public disclosure of any IP without a 30-day notice and further requires the research institution to protect IP if there is any commercial potential, the law firm will have to make sure that all these timelines are followed as any contravention may result in fines.

At the same time, the law firm shall ensure that such time bound activities should create an enabling environment for commercialization and shall not suppress innovation and research.

Furthermore, the Bill mandates that scientists shall retain a minimum of 30 percent royalty from commercialization of the IP. Such provision is included to incentivize creativity and innovation, and hence the law firms will be required to be equally careful in preparing technology and IPR licensing agreements.

To sum up the role of law firms, it may be appropriately concluded that the objectives of their advisory should be focused on encouraging innovation in small and medium enterprises and on promoting a healthy collaboration between the public sector, private sector and non-governmental organizations.