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# Intellectual Property Law – Transfer of Technology

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## Intellectual Property Law – Transfer of Technology

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The law of patent, trademark law, copyright law and the law relating to industrial designs are the statutory enactments forming part of intellectual property law which have a bearing on the transfer of technology. There is one more branch of intellectual property law which also has a bearing on the transfer of technology and that is the law relating to confidential information or law relating to confidentiality. This law is not a written law; it is judge made law, in the sense that it is developed through cases.

The technology transfer may involve use or exploitation of a patent. Patent is the grant of some privilege, property or authority made by the government of a country to one or more individual or to a corporation. The object of patent law is to encourage scientific research, new technology and industrial progress by rewarding innovation with a temporary monopoly. The grant of exclusive privileges to own or use or sell the method or product patented for a limited period results in new innovations being made which are of commercial use.<sup>1</sup>

Patent law requires an applicant of a patent to describe his invention in clear and concise term and to show that it is an invention not known so far or that it is an improvement to a known invention. It may be an invention relating to a process or the invention may relate to a product. When there is a transfer of technology, generally, there is a right granted by the transferor holding a patent to use such patent. Such right is granted to the licensee i.e. to whom the technology is transferred. In a given case, the transferor holding the patent may assign the patent to the transferee, in which event the assignee becomes the absolute owner of the patent and can use that patent in any way he likes to the exclusion of others during the subsistence of the patent. Any

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<sup>1</sup> The origin of the present patent system is to be found in the monopoly system incorporated by Cecil in the reign of Queen Elizabeth I.

such transfer is required to be communicated to the statutory authority which will record such transfer.

Ordinarily, when there is a technology transfer, the patented transferor grants a license to the transferee to use the patent for the duration of the agreement between the transferor and the transferee. Various covenants are given by the licensee to the transferor when such license is granted so as not to dilute the patent or affect its commercial value. On the expiry of the license, the transferee ceases to have a right to use the patent.

More complex is the law relating to confidentiality when it is applied when there is a transfer of technology. When the technology is transferred, secret and confidential information is passed on to the transferee. The transfer can be absolute; in other words, the technology is purchased by the transferee along with confidential information, or technical information is passed on to the transferee for being used during the subsistence of the arrangement between the transferor and the transferee, depending on the nature of the arrangement. If the information is transferred absolutely, then the transferee becomes the owner of the confidential information. If the information is passed on to the transferee only for a temporary period and for the purposes mentioned in the agreement of transfer then the transferee ceases to have a right to use such confidential information otherwise than as agreed between the parties. To put it simply, the transfer of technology necessarily involves parting of confidential information.

Even if a license is granted to exploit a patent in order to work up the patent in the best possible manner, certain innovations which are made in the matter of actual exploitation of the patent or working of the patent by the transferor, information which is collected by the transferor for doing so, is required to be transferred. Such information must really be confidential and only that information which is confidential is protected.

In the case of transfer of technology, the confidential information can relate to commercial formulae, mechanical techniques and even commercial records such as customers sales figures or marketing strategies and administrative procedures. The transferee is required to keep such information secret and make use of such confidential information only for the purpose agreed to between the transferor and transferee. If such information is used contrary to the arrangement between the transferor and transferee, the transferor has a right to prevent such breach as it will amount to a breach of confidentiality.

The Courts protect such confidential information. In order to protect such information, it is necessary that the information is really confidential and is not in public domain. The importance and need for protecting such confidential information is to be seen from the classic statement of Sir Thomas More, Lord Chancellor which was quoted by the Justice Megarry in *Caco vs. Clark* reported in 1969 RPC 41 to the following effect:

*“Three things are to be kept in conscience: fraud, accident and things of confidence.”*

The confidential information which can be protected must be such as is not available in public domain. In the case of transfer of technology, there is a transfer of technical know-how from the transferor to the transferee. The technical know-how may pertain to manufacturing or marketing. Generally, when there is a transfer of technology, a specific agreement is entered into between the transferor and the transferee relating to confidential information. The agreement provides for the type of confidential information without actually disclosing that confidential information. Only broad aspects about the information are recorded.

There is a covenant on the part of the transferee to make use of such confidential information only as agreed to between the transferor and the transferee. There is a covenant on the part of the transferee not to disclose such confidential information and the transferee is required to obtain suitable covenants from his employees to similar effect. The advantage of having such a written agreement is to obviate any need for proof as to what confidential information is transferred. Secondly, if there is a breach then there is admission on the part of the transferee having received such confidential information. There are many cases through which this law is developed. The Courts grant injunctive relief to prevent disclosure of such confidential information.

The transfer of technology may also involve parting with drawings in which a transferor can claim copyright. An industrial drawing is considered to be a copyrightable work under the law relating to copyright. When such drawings are parted with by the transferor, the transferee makes use of such drawings for the purpose of carrying out his activities. Giving such drawings to another party will amount to a license being granted by the transferor of technology to the transferee to whom the drawings are parted with to use such drawings. It is to be noted that such drawings can be made use of by the transferee only on the terms agreed to between the parties. Any other use will amount to an infringement of copyright.

The transfer of technology may also involve the use of a design. The design is the shape configuration or ornamentation as applied to an article and which is judged solely by the eye. If technology in relation to a particular product is transferred, necessarily the transferee becomes entitled to use the design which is applied to the product. Either there is an absolute transfer of design or there is a license to use the design. The design is required to be registered under the Designs Act. Unless the design is registered, no claim can be made by the owner of the design. When there is a transfer of technology, an owner who has got his design registered can either assign his design or can grant a license to the transferee.

The transfer of technology may also involve use of the trademark belonging to the transferor by the transferee. Such use has to be under a license granted by the transferor to the transferee. Under Indian law, such license need not be registered under the Trademarks Act. It can be what is known as a common law license. However, when such license is granted, a written agreement is generally executed between the transferor and the transferee under which the transferee is permitted to make use of the trademark in respect to any product made by such transferee by making use of the technology transfer. It is important to note that in respect of the product made by such licensee, the transferor who has granted a license is required to maintain a connection in the course of trade which is generally maintained by exercising quality control. If such control is lost, there is the possibility of the transferor losing the mark itself.

A trademark is a guarantee of quality and an indication of source. Prior to 1938, the grant of a license by the proprietor of the mark to use the trademark by another was frowned upon by the Courts. However, the change in the manner of manufacturing and change in the way in which business was done required the law to be amended to recognize the grant of a license by the owner to any person, provided that the owner maintained a connection in the course of trade between himself and the goods of the license in respect of which such mark is used.

The courts are required to protect the interest of the transferor where there is a transfer of technology from all the aforesaid aspects of intellectual property law depending on the applicability of particular law, and at the same time, courts are required to ensure that the activities of the transferee are not unnecessarily hampered or obstructed.