

# The Indian version of the Bayh-Dole Act

A bill that would allow government-funded academic institutions to patent their inventions has received a mixed reception. It should result in greater interaction between industry, academia and government, but some fear it does not protect the public interest

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A controversial bill modelled on the US Bayh-Dole Act has been approved by India's Union Cabinet and is under consideration by the Parliament. The Utilisation of Public Funded Intellectual Property Bill 2008 provides for the protection and utilisation of intellectual property originating from public-funded research. At present, universities and autonomous research institutions that are government funded cannot commercialise the fruits of their research. However, the bill would alter the existing IP rules by allowing academic institutions, rather than the government, to patent publicly funded research, and would reward institutions and inventors with a share of the royalties and licensing fees generated from the commercial products that result. It includes guidelines on the quantum of royalty that would be paid both to the inventor and to the institute upon commercialisation of the invention.

## Responses

The bill has attracted both positive and negative feedback – and even severe criticism from some stakeholders. According to experts, the key benefit of the bill is that it provides greater clarity on title

and ownership to IP where government funds are used. It provides a legal framework for active interface between funding agencies, academia and industry, which has so far been lacking. The new system is expected not only to improve the flow of innovation from laboratory to marketplace, but also to help institutes to recover their research expenditures.

The bill is essentially addressed to any university or non-profit research institution that receives money from a government agency. Section 4 of the bill stipulates that an institute must disclose an invention to the relevant government agency within 60 days of learning of it. If the institute desires to patent the invention, it should make a declaration to the government agency to this effect within 90 days of disclosure. The inventor will be eligible for at least 30% of the royalties generated through licensing the patent.

According to Section 10 of the bill, all recipients of funding must establish an intellectual management committee within 180 days of receipt of such funding, in order to identify and assess IP rights with commercial potential, and monitor licensing and assignments.

The new bill has apparently been inspired by the US Bayh-Dole Act – a 1980s statute that sought to promote technology transfer by giving universities and research institutions ownership of patents resulting from federally funded research. However, there are some concerns that the bill has been hastily drafted, without a full assessment of the impact of Bayh-Dole or a consideration of the grass-roots realities and complexities of the Indian scenario. Many experts also feel that a “copycat bill” which has not been fully debated may not serve the country's scientific and economic purpose. The bill was approved without an official draft having been released or publicly

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debated, according to reports, which drew severe criticism from scholars both in India and abroad. Some critics fear that the bill will benefit only those scientists who have industry contacts and the acumen to commercialise their inventions. The main drawback, they insist, is that it does not protect the public interest.

As the Indian bill is largely similar to the Bayh-Dole Act, it is likely to have a similar impact, at least in some respects. The objective, as stated in the proposed bill, is to allow all significant stakeholders access to innovation, for the public good. This objective is the same as that mentioned in 35 USC 200: "It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts."

#### Key provisions

Clause 2 of the bill includes definitions that are similar to those set out in 35 USC 201. For instance, the bill's definition of "funding agreement" is similar to its US counterpart:

2. 'Funding agreement' means any contract, grant, or cooperative agreement entered into between any Government agency, and any Recipient(s) for the performance of experimental, developmental, or research work funded in whole or in part by the Government.

Clause 3 of the proposed bill relates to funding agreements with government agencies and provides as follows:

3. (i) Every Recipient(s) accepting a grant, or entering into an agreement or contract shall, through the appropriate signatories, sign and ratify a funding agreement with the concerned Government Agency in accordance with the various provisions of this Act.

Clause 4 is a controversial clause which has been opposed by some agencies and organisations in India. It provides as follows:

4. (i) Any IP created by or under the control of the Recipient(s) under the Funding Agreement shall be disclosed to the concerned Government Agency within 60 days as prescribed in the standard funding agreement, but not later than 90 days, after the date of actual knowledge of the existence of the said IP. Such disclosure must be made in the form prescribed in Schedule II to this Act.

(2) In case of failure to disclose the IP, where it forms subject matter of protection under the Patents Act, -1970, Semiconductor Integrated Circuits Layout- Design Act, 2000 or the Protection of Plant Varieties and Farmers' Rights Act, 2001 within the above period, the title to such IP will vest with the Government Agency.

*Provided that when the Recipient(s) shows sufficient cause for non-disclosure within the prescribed time, the Government Agency may issue an order indicating that the title shall vest in the Recipient(s).*

It has been argued that this clause makes it mandatory for the research organisation to disclose the IP to the government agency within 60 days – a short timeframe – and that failure to do so would result in the rights vesting with the government. In fact, however, Clause 4 is followed by a proviso that if the non-disclosure is justified, then the timeframe may not be binding.

Clause 5 of the proposed bill reads as follows:

5. (1) Once disclosure has been made in the prescribed form by Recipient(s), the Recipient(s) has the right to make a written election within 90 days of disclosure, to retain title to the IP, mentioning the countries in which the Recipient(s) intends to make applications to protect the IP. However, such written election has to be made at least 60 days prior to the end of the period prescribed under the law for filing of the application for protection of IP, as provided in the respective statutes.

When read together with Clause 6, this clarifies that the universities are responsible for filing for patents to protect their inventions. Again, this is similar to 35 USC 202(2). Thus, the requirement to elect the rights "at least 60 days prior to the end of the period prescribed" is as provided in 35 USC 202(2).

Clause 5(3) of the proposed bill further states:

*The Recipient(s)'s right to elect to retain title may be refused on the grounds:*

(i) When the Recipient(s) is not located in India or does not have a place of business located in India or is subject to the control of a foreign Government.

This clause again is similar to 35 USC 202(a), which states:

*Provided, however, that a funding agreement may provide otherwise, when the contractor is not located in the United States or does not have a place of business located in the United States or is subject to the control of a foreign government.*

Clauses 5(2) and (3), which restrict the right to retain title for the purposes of security or in relation to atomic energy, is also mirrored by 35 USC 202(a).

The most important clause of the proposed bill is Clause 8, which concerns the inventor's share of royalties and income, as follows:

*The royalties/income received by the Recipient(s) from the IP shall be shared with the inventor(s) in a proportion of 30%, net of*

expenses on IP protection and utilization, or where there is a written agreement between the Inventor and the Recipient(s), in the proportion prescribed in the written agreement, which shall not be less than 30% net of expenses on IP protection and utilization.

This again is reflected by 35 USC 202 (7)(b), which requires that the contractor share royalties with the inventor.

#### Unanswered questions

However, a few questions seem to have been left unanswered. One such question relates to the clauses which provide that if a research institution wishes to patent an invention, it must make a declaration to the government agency within 90 days of “disclosure” of the invention, failing which such rights will transfer to the government; and that the researcher is entitled to a minimum of 30% of the royalties generated by licensing the patent. However, if the university does not opt to obtain patent rights and the government chooses to retain such rights, it is unclear whether the researcher will still be entitled to his share of the royalties (“Relook at public-funded R&D Bill to address red tape”, *Financial Express*, 22nd October 22 2008).

Although there are no express guidelines, it is also clear that where a patent application is filed and the patent is licensed, the royalty factor will not change, regardless of the applicant. The names of the inventors will remain the same irrespective of whether the rights remain with the university or the government. The royalty relates to the invention only, and has no relation to the applicant for filing or the assignee.

Another interesting aspect of the proposed bill is Clause 14, which gives preference to national industry:

*14. Notwithstanding any other provision of this Act no Recipient(s) which receives title to any IP and no assignee of any such Recipient(s) shall grant to any person the exclusive right to use or sell any IP in India unless such person agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in India.*

This clause is also similar to 35 USC 204, which gives preference to US industry, requiring the “grant to any person [of] the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States”. Some non-profit organisations in India have objected to this provision, arguing that in a global marketplace, the

licensee should be given the flexibility to decide where best to develop and commercialise the technology. A local manufacture and marketing requirement may make commercialisation less viable in the global environment. However, a closer look at the draft reveals that this seems to accord with Section 83(a) of the Patents Act, which states that “patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay”. A government has every right to ensure that funds are utilised for the development of the nation. Such a clause is surely in compliance with the patent laws of India and of many other countries.

Another important issue which has been discussed is that inventors do not have the power to decide the fate of their inventions; rather, the government will decide the fate of the developed technology. It is also feared that Indian industry will not invest in university research unless such research is patented and then exclusively licensed to industry. It seems that this apprehension is ill founded, given that the current share of R&D investment by public and private sectors is estimated at 75:25. The Indian R&D system, both public and private, depends only on the strength of the university system to promote advanced research.

Some autonomous institutions supported by the Department of Science & Technology published a total of 5,007 papers and filed 45 patents between 2002 and 2006 ([http://dst.gov.in/about\\_us/11th-plan/rep-dst.PDF](http://dst.gov.in/about_us/11th-plan/rep-dst.PDF)). This demonstrates the approach of Indian’s institutions to publishing papers and filing patents.

#### Conclusion

The environmental conditions that prefaced the adoption of Bayh-Dole in the US are different from those prevailing in India. Nonetheless – and despite the apprehensions in some quarters – the bill is a step in the right direction. It is expected to encourage and motivate inventors and institutes and provide a legal framework for better interaction between industry, academia and government – which is sorely needed.

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