

Intellectual Property in Procurement Guideline

Purpose

Contracts entered into by public authorities as a result of a procurement process will often involve the creation, acquisition, funding, modification or use of Intellectual Property (IP).

The [South Australian Government's Intellectual Property Policy](#) provides that:

- Agencies are required to ensure that all contracts and other legal documents with third parties effectively address IP.¹
- If the agency will not own the IP, the contract should specifically address the agency's requirements regarding access to and re-use of IP.²

This Guidelineⁱ provides guidance to public authorities about the application of the South Australian Government's Intellectual Property Policy in the context of procurement.

It is essential that public authorities consider issues of IP ownership, use and modification throughout the procurement process and when entering into contracts with third parties. The IP position in contractual arrangements entered into by the public authority and supplier should reflect the needs and expectations of the public authority in relation to ownership of IP. For example:

- If the public authority owns IP but this is not necessary for the public authority to make use of the outputs or deliverables, then this may result in a reduced incentive for the supplier to innovate.
- If the public authority does not own IP but requires ownership in order to fully make use of the outputs or deliverables (including by modifying it for Government use or using it to create further outputs), then the public authority becomes locked into ongoing use of a particular service or product or runs the risk of infringing the supplier's IP rights.

This Guideline is not a substitute for legal advice. Public authorities should refer specific legal issues to the Crown Solicitor's Office (**CSO**).

Background

What is IP?

"Intellectual Property" is a generic collective term for intangible property that arises from human creative or intellectual effort that is recognised and protected by law (either common law or legislation) and which confers certain economic rights that can be exercised exclusively for a usually limited time by the owner of those rights.

¹ SA Government Intellectual Property Policy, Principle 9.

² SA Government Intellectual Property Policy, Principle 11.

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Public authorities and their employees may come across IP in many forms in the course of their day-to-day operations including, for example, written reports, software, web content, inventions, logos and slogans, photographs and databases.

IP encompasses a number of specific rights. In Australia, specific statutory regimes regulate particular forms of IP. These include copyright, patents, trademarks, designs, plant breeder's rights and circuit layout rights. IP rights can also be protected by contract (eg secret and confidential information) or by the common law or law of equity (eg trade secrets).

Types of IP that may be reflected in contract

In designing and delivering a procurement, public authorities should consider its requirements in relation to pre-existing IP and IP in outputs and deliverables created as a result of the procurement and reflect them in the contract.

Contracts commonly refer to the following types of IP:³

TYPE OF IP	DESCRIPTION
Background IP	Existing IP or IP developed independently of the agreement that is owned by either party and which may be used to develop IP in the outputs and deliverables under the agreement.
Agreement IP	IP generated as a result of the agreement between the parties.
Third Party IP	IP provided by one of the parties to the agreement but owned by a third party.

Types of Project IP that may be generated as a result of a procurement

A procurement for goods or services may involve creation, use, modification or licensing of IP in some form. This might include the IP in the following types of outputs or deliverables:⁴

TYPE OF PROCUREMENT	OUTPUT OR DELIVERABLE IN WHICH IP MAY EXIST
Goods	Designs, patented or patentable inventions, copyright in specifications or operating manuals, supplier or third party trademarks and brands
Services (including consultancy services)	Copyright materials such as reports, design and layout of websites, confidential information, trademarks and brands
Software (or Software as a Service)	Software code, user manuals, specifications, data

³ Australian Government Intellectual Property Manual, June 2018, page 138.

⁴ Australian Government Intellectual Property Manual, June 2018, page 132.

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Types of models of IP ownership

IP rights may be allocated in a number of ways, including:⁵

- sole ownership;
- joint ownership; or
- a licence arrangement, which may be:
 - exclusive or non-exclusive;
 - for a limited or unlimited number of users; and/or
 - for a limited or broad purpose.

Each of these rights confers different levels of use or control of the IP.

IP in Procurement

A public authority's IP position and obligations relating to IP should be considered at various stages of the procurement process to ensure that the public authority is conducting its procurement on the basis of its preferred IP position.

Acquisition Planning

Public authorities should ensure that an assessment of its preferred IP position is conducted in the procurement planning phase. This includes the following process:⁶

1. Identify the inputs and outputs of the proposed agreement.
2. Identify the nature of the IP which attaches to the inputs and outputs.
3. Classify the inputs and outputs as Background IP, Third Party IP or Agreement IP (and any other such categories as are necessary).
4. Identify the requirements of the public authority, and Government more broadly, in relation to each IP input and output.
5. Determine the type of IP rights for each input and output that will satisfy the public authority and Government's IP requirements.

Each of these steps is described in further detail below.

⁵ *Australian Government Intellectual Property Manual*, June 2018, page 138.

⁶ Adapted from the *Australian Government Intellectual Property Manual*, June 2018, page 139-145.

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Step 1: Identify the inputs and outputs of the proposed agreement

The public authority should identify all relevant inputs made by each party in the performance of the agreement, and the expected outcomes or deliverables (i.e. outputs) for the proposed agreement.

	MEANING	EXAMPLES
INPUTS	Pre-existing resources made available by the public authority or the supplier in the course of performing the agreement	Written materials, software, databases, multimedia, know-how, business, tools, templates, internal working papers, methodologies
OUTPUTS	The outputs or deliverables being purchased under the contract	Reports, equipment, software, training materials, consumables

Step 2: Identify the nature of the IP which attaches to the inputs and outputs

The public authority should identify and note the nature of the IP which attaches to the inputs and outputs. This includes types of IP protected by statute (copyright, patents, trademarks, designs, plant breeder’s rights and circuit layout rights) and by contract (i.e. secret and confidential information).

Step 3: Classify the inputs and outputs as Background IP, Third Party IP or Agreement IP (and any other such categories as are necessary)

The public authority should then classify the inputs and outputs as Background IP, Third Party IP or Agreement IP (and any other such categories as are necessary).

Example IP Inputs and Outputs – Steps 1-3:

WHAT ARE THE INPUTS AND OUTPUTS?	WHAT IS THE NATURE OF THE IP IN THE INPUTS AND OUTPUTS?	ARE THE INPUTS AND OUTPUTS BACKGROUND IP, THIRD PARTY IP, AGREEMENT IP, OR OTHER?	
INPUTS	Pre-existing software	Copyright	Either Background IP or Third Party IP
	Business methodologies, data, templates	Copyright	Background IP
	Customer’s requirements for equipment	Copyright	Background IP
OUTPUTS	Customisations made to pre-existing software	Copyright	Agreement IP
	Confidential written report prepared by a consultant	Copyright Confidential Information	Agreement IP
	Equipment	Patents, copyright, designs	Agreement IP

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Step 4: Identify the needs of the public authority and Government in relation to each IP input and output

Public authorities will need to, in relation to each IP input and output:

- identify its needs and purposes for which it will be using the IP input or output; and
- consider the broader Government needs (e.g. whether the IP will be shared across more than one SA Government entity).

This process will depend on the nature of the contribution, deliverable or output and should take into account future uses throughout the lifecycle of the IP input or output.

Examples of the types of needs and purposes for IP inputs and outputs that may be identified through this analysis include (but are not limited to):

- reproduction (copying)
- communication
- modification
- updates or maintenance
- confidentiality
- publication.

It is important to note that the public authority and Government more broadly may have multiple needs in relation to particular IP inputs and outputs. For example, a report prepared and delivered by a consultant engaged by a public authority may need to be reproduced, kept confidential (by the consultant) and distributed across Government.

As part of this process, consideration should be given to the public authority's IP policy and other relevant policies and procedures.

Step 5: Determine the type of IP rights that meet the public authority and Government's requirements

Public authorities should assess what IP rights will be required to meet the public authority and Government's needs for each IP input and output. This may range from:⁷

- Public authority sole ownership of IP rights
- Public authority sole ownership of IP rights with a license of the IP to the supplier
- Joint public authority and supplier ownership of IP rights
- Supplier sole ownership of IP rights

⁷ Australian Government Intellectual Property Manual, June 2018, page 143.

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- Supplier sole ownership of IP rights with a license of the IP to the public authority.

The IP rights selected for each input and output should be sufficient to allow the public authority to meet its objectives. Different inputs and outputs can also have different IP ownership and licensing arrangements.

Generally for most goods and/or services procurements, it will only be necessary for the public authority to have a licence to use rather than ownership of Background, Third Party and/or Agreement IP. For example, where goods are being purchased, the public authority will not require ownership of IP; however, in some cases a licence to use IP may be required.

If a supplier owns the IP rights in a particular input or output, public authorities should consider whether they require ongoing rights to that input or output to:

- access the input or output;
- use the input or output;
- modify or update the input or output; and/or
- sub-licence those rights.

Development of market approach documentation

The market approach documentation should clearly specify what the public authority's preferred IP position is in relation to the ownership of IP in outputs and deliverables. The public authority should also consider whether or not it has any Background IP which it will be making available to the supplier.

The default IP position in the *Standard Goods and Services Agreement* is that the Supplier will own the IP in any reports and manuals required to be developed under the Agreement. The Agreement is otherwise silent in relation to ownership of IP in specific deliverables or outputs and as such IP will generally not be owned by the public authority. Accordingly, if the public authority needs to own the IP in the deliverables and outputs under the agreement (i.e the Agreement IP), then the public authority will need to include a special condition in the draft contract which sets out the required IP ownership position.

Consultation with the CSO is advised if a public authority wishes to change or add to the standard terms and conditions of these contract templates. CSO advice is also recommended where a bespoke contract (i.e. not a standard agreement) is required.

Evaluation of supplier offers

Offers are to be evaluated against the public authority's preferred IP position and departures to the proposed IP position should be evaluated in accordance with the evaluation plan.

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If a preferred supplier requires a different IP position to that published in the market approach documentation, the public authority should consider the impacts of the change and risks arising from departing from the preferred position.

Negotiation and finalisation of contract

Agreed changes should be documented in the contract and where required CSO assistance sought to review or draft revised IP clauses.

Contract management

Public authorities should ensure that IP is managed in accordance with the agreed IP position. Any proposed variations to the contract should be assessed as to whether there is (or should be) a corresponding impact on the IP position.

Upon expiry or termination of the contract, consideration should be given as to whether the public authority has ongoing rights in relation to the Agreement IP.

Standard NFP Funded Services Agreement

Any change to the default IP position in the *Standard NFP Funded Services Agreement* will require approval from DTF.

i References and Attribution

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