Innovation procurement: Which IP strategy?

For a smart use of IPRs – The 2021 EC Guidance on innovation procurement

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Key concepts about IP rights

*"A set of **exclusive** rights granted by law to some persons*
*on the **creations of their minds**,*
*usually for a **temporary** period of time,*
*allowing them to **control use and exploitation***
of these creations by all others"

Examples:

Copyright on a manuscript or on a software
Patent on a pharmaceutical formulae or on a piece of machinery
Design right on the shape of a product
Database right on a dataset

Key concepts about IP rights

*"A set of **exclusive** rights granted by law to some persons on the **creations of their minds**, usually for a **temporary** period of time, allowing them to **control use and exploitation** of these creations by others"*

Exclusive:

A sort of legal monopoly for the IP owner (at the exclusion of all others)

Control use and exploitation:

Right to prevent others from using or exploiting

Right to authorise others to use or exploit (licence)

Key concepts about IP rights

Types of activities which can be controlled/prohibited/licensed (the « exclusive rights » of the IP owner):

Copyright: reproduction, adaptation, distribution of exemplars, on-line communication, …

Trade secrets: use, exploit, put to practice, …

Patents: put to practice, commercialise, …

IPRs are a **powerful** legal tool to control exploitation (authorise/prohibit): in order to exploit an IP protected asset, one needs either the ownership or a licence.

In the contract between public buyer and contractor, the IPR clauses are **crucial** to decide who can exploit

Key concepts about IP rights

IPRs can be transferred or licensed:

Transfer = sales

Transfer of ownership:
- For ever (irrevocable)
- For all uses, all territories, etc.

Loss of control

License = (+/-) renting

No transfer of ownership:
- all kinds of conditions and limitations attached (time, territories, uses, etc.)

Control can remain with owner

Licences are very flexible tools

Licence can deal within many limitations/authorisations:

- Types of activities (use, exploitation – see list exclusive rights)
- Fields of activities (fields of use)
- Territories
- Duration
- Exclusivity or not
- Sub-licences allowed or not
- Obligations of licensee: payment, obligation to put on the market (including under open licences), confidentiality, …
- « Proprietary » licences vs « open » licences (open source, open data)

A licence can allow very little or very much!

Licences are very flexible tools

A very generous licence, if granted on an exclusive basis, can become quite similar to a transfer of ownership

In some countries, “transfer of copyright” not possible, at least not explicitly, but workarounds can be used, with the same result

So, the difference ownership vs. licence is not an “all or nothing” option

Which allocation of IP rights in public procurement?

- No harmonised practice in the EU:
  - No EU legislation imposes to obtain IP ownership
  - Some MS impose to leave IP with contractor
  - Many MS leave the choice open
  - Some provide guidance and encourage leaving IP with the contractor
- Standard practice in the US and other large jurisdictions to leave the IP with the contractor
- Various studies illustrate the economic benefits of leaving the IP with the contractor

Which allocation of IP rights?

- Very often, the public buyer requires the IP ownership:
  - Sense of control
  - « *I paid for it, I might as well own* it »

- Yet, is this always the optimal solution?
  - Control can come from other mechanisms
  - « *Maybe you paid too much*! »
  - What does the administration do with the IP ownership afterwards? (sometimes, not very much): further innovation stiffled
  - The public buyer is not in a competitive environment

Which allocation of IP rights?

- **Leaving the IP ownership with the contractor**:
  - allows the contractor to commercialise the innovative solution
  - should bring costs to public buyer down
  - ensures a larger clients' base to the solution (better maintenance, new releases)

- But it must be **accompanied with the appropriate clauses in the licence**, to safeguard the interests of the administration

EC Guidance on Innovation Procurement, 2021

- MS encouraged to take a « **strategic approach** » to IPRs

- On the **choice between** the two basic options (transfer or licence):

  … think about your needs and « *consider leaving the IPR with the supplier, unless there are overriding public interests at stake* »:
  e.g. security, confidentiality, exclusivity (logo), open data policies

- When you leave the IPRs with the supplier, « *protect your interests and the public interest* »

No « one size fits all »

General recommendations for the licence to the public buyer:

Make sure the rights granted via the licence are sufficiently largely defined (including for the future): « *all you need, but only all you need!* »:

Scope: use, modify (including by a subcontractor of public buyer)

Territory: worldwide?

Duration: irrevocable?

Beneficiaries: sublicensable to some other institutions

Careful: in case of doubt, interpretation of the licence in favour of licensor (contractor)

No « one size fits all »

General recommendations for the licence to the public buyer:

Make sure you avoid the risk of vendor lock-in

Careful with pre-existing rights (obligation for contractor to declare)

Obligation for the contractor to effectively commercialise?

Obligation to commercialise under certain terms (FRAND)? Otherwise, call-back clause

No « one size fits all »

General recommendations for the licence to the public buyer:

Quid in case of transfer of the contract by the contractor (also sublicences, transfer of assets)? (strategic autonomy, security)

prior notification, right of veto

Competition law to be considered (State aids)

Software

- For software already existing: a licence
- For software developed specifically:
  - **Often, no strong reason to require IP ownership**
    - Licence should come at a better price
    - Community of clients/users: maintenance guaranteed
    - Not an issue that others use « your » software
  - **But appropriate licence mechanisms must be put in place**

Software

- For software developed specifically:
  - **Appropriate licence mechanisms must be put in place for the public buyer**
    - Obtain « large » rights of use for the contracting authority (use, make copies, modify, share with some other public users and with service providers)
    - Require copy of the source codes, documentation, training
    - Worldwide, irrevocable, not exclusive
    - Avoid lock-in: reversibility clauses (documentation, handover…)

Software

- **Sometimes, still better to obtain ownership:**
  - If the software is meant to become open source (alternatively: oblige contractor to put software under open source)
  - Security reasons, confidentiality (alternatively: confidentiality obligations on contractor?)

Data, datasets

- More and more important (Big Data, AI)
- In many cases, just a licence to pre-existing datasets already commercialised
- But what if the data is collected specifically for the administration?

Data, datasets

- **Maybe more problematic to leave IP with contractor:**
  - Software is just a tool, data is information: transparency, accountability considerations
  - Software is mono-purpose; data is multi-purpose
  - Avoid creating private monopolies (data held by a single provider)
  - Open data objectives (PSI and OD Directive)
- **So, think hard, maybe it is better to require the IP ownership…**

Technical inventions

- **Asset most prone to contribute to innovation by leaving ownership with contractor**
- **Ownership or licence: depends on purpose of the project**
  - Use only by the administration (security, confidentiality)
  - Also interesting for a commercial exploitation
  - Use by all at no costs (IP to administration, then open licence)
  - Invention important for a future standard
  - Has the administration the resources to distribute (commercialise) the technology?

Technical inventions

- **If only a licence is agreed:**
  - make sure the licence rights are **sufficiently wide** (use, adapt, make available to selected third parties)
  - What about confidentiality obligations for the administration?
  - **Technical assistance** by the contractor
- **If ownership remains with public administration:**
  - Dissemination requires good **tech-transfer resources** and skills
  - IPRs is not enough: related know-how and skills

Studies

- **Studies in support of a possible policy initiative:**
  - Protected by copyright
  - Copyright (on the study) should **belong to the administration**, which must be free to decide to publish (transparency of policy-making)
- **Studies of a more technical nature:**
  - Protected by copyright, but also contains technical information which could lead to industrial exploitation
  - **Transfer of ownership or licence**: depends on the topic (commercialisation desirable? Standardisation? Confidential study?)

Final remarks

- IPRs are one of the tools to do smart (innovation) procurement
- **Because IP is flexible, there is room to satisfy both parties and optimise the agreement**
- However, this requires:
  - a case-by-case analysis on the licence/transfer issue
  - when no transfer is required: a number of precautions, mainly via adequate clauses in the licence agreement
- For more information, check the IP Annex to the Guidance

Thank you for your attention!

Any question?

Disclaimer: the information and views expressed in this presentation do not necessarily reflect the official position of the European Commission.

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