

Joint BRINC-P5 Innobroker webinar on Intellectual Property Rights and Innovation Procurement

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CONCLUSIONS PAPER

IP and IPRs, views from the administration side

- I. The IPR concept is comprehensive, as well as the whole set of activities related to its exploitation, which make up a powerful, safe, flexible (scope, territory, duration) and efficient toolbox
- II. IPR protection tools must be properly adapted to the Innovation Procurement (IP) case, one-size-fits-all schemes do not work. Specific, well-designed contract IPR clauses setting up clear rights and obligations and their scope are essential to ensure adequate and effective follow up exploitation activities by contractors, safeguarding buyers' rights.
- III. The EU is neutral regarding parties' arrangements as long as framework is aligned with EU Regulation, especially on competition, although contractors IPR granting is recommended, provided specific clauses to assure fair and equitable access by the public buyer are included in the contract. At Member States level the situation varies, some of them align with EU recommendations whilst other pre-empt buyers IPRs withholding
- IV. If IPR clauses are well drawn up, leaving IPRs to contractors can be beneficial for both parties, win-win schemes are attainable. IPR management is usually not the core business of public buyers; it can be burdensome and non-profitable whilst on contractors side it can pay off more easily for both sides. As mentioned above, the only aspect to be borne in mind is allowing for appropriate buyer accession rights safeguarding clauses in the IP contract.

IP, IPRs and corporate strategy

- V. The IPR negotiation process is led by the public buyer and it is so provided in the legislation, but there is room for a balanced, dialogued, mutually agreed and beneficial scenario and companies may help design it.
- VI. Before entering an IP process, motivations and prioritizations must have been clearly well thought out on both sides since they influence the IPR strategy to adopt:

- a. Public buyer interest (problem solving / service improvement / results exploitation)
- b. Contractor business plans (service provision / product supply / product development)

A clear WIN-WIN scenario based on mutual confidence, risk & benefits sharing, collaboration and proactiveness, targeting reasonable quality/price ratios and good market prospects must be identified right from the start.

- VII. Contractor size matters (IPR critical for start-ups whilst mid-cap / large firms can be more flexible) as well as the expected IP tender outcome (prototype vs. end product) in terms of tender price / compensation / Freedom to Operate (FTO)
- VIII. When providing for IPR clauses, both vendor lock-out and back-out risks must be considered, care must be taken during contract negotiations to avoid both.

- IX. IPR issues must be considered and appear through the whole IP cycle, and may evolve:
- a. Open Market Consultations (OMCs): They must be anticipated and verbalised from both sides. Confidential information must be earmarked by tenderers but must not be overwhelming as it is contrary to EU Regulation and case law. Some non-sensitive information is to be disclosed.
 - b. Call for tender preparation and implementation
 - i. Unless defence / public security issues are involved, the contractor should keep foreground results ownership; co-ownership schemes normally do not work as they are difficult to manage and the decision-making process is lengthy and inefficient.
 - ii. Fair licensing to the public buyer must be granted on account of its legitimate public interest, contribution to product development cost coverage and early adoption.
 - iii. Vendor locking avoidance clauses must be included, such as:
 1. Right to order fair, reasonable, non-discriminatory (FRAND) non-exclusive (sub)licences
 2. Right to evolve/ adapt product and/or have access to its updates
 3. Reasonable Most Favoured Nations (MFN) provisions
 4. Duty on commercial exploitation / call-back provisions. Access to contractor accounts (for verification / royalties' purposes)
 - iv. Background IPR access must be facilitated under fair conditions from both sides, and, if needed for contract implementation, extended from / to other involved third parties. Its costing must be borne in mind when drafting the tender budget.
 - v. Foreground IPR and expected legal ways of protection must be clearly described in the tender documents, as well as results reporting, protection, and confidentiality commitments. It is important to justify contract performance and to facilitate adequate protection.

Stakeholders' views (public buyer) – Pre-Commercial Procurement

- X. IPR for involved constructors, but “right of use” on new knowledge
- XI. PCP contract does not include further purchase commitments, but allows for further product development (iterations) in view of subsequent tendering process
- XII. Contractor has to market the technology at a fair price, otherwise “call-back” clauses apply
- XIII. Post PCP high level market awareness sessions without entering into nor prescribing technical specifications. Both public and private buyers mobilised

Stakeholders' views (solution provider SME) – Public Procurement of Innovation

- XIV. IP allows tech SMEs to access emerging markets and bigger contracts through niche technology and partnership leading roles.
- XV. Safe IP framework ensured in public tender: reliable customer and robust legal framework, but protected assets definition may prove challenging (process vs. end product; HW/SW, methodologies...) and therefore IPR provisions need some degree of flexibility and refinement as tender implementation evolves in order to become effective and proportionate.

XVI. Although effort is mainly paid at final invitation stage, timing and resources allocation may turn out overwhelming and compromise costing and technology. Intermediate payments and interim know-how safeguarding provisions are crucial.

Wrap-up conclusions

The IP related IPR framework is comprehensive and allows for a safe, customized, and mutually beneficial playground throughout the whole IP process, wherein trade-offs and WIN-WIN schemes are set to emerge. To this end, provide right from the start a mutual understanding of the interests involved from both parties is essential to create confidence, comfort, and assurance.

IPR settings must be addressed as early as possible, clearly verbalised at the Open Market Consultation (OMC) stage and subject to continuous fine tuning. Foreground assets legal definition and settlement may be burdensome and development costs much bigger than expected; IPR provisions and contract payment terms must reflect it.

Both vendor-lock in and back out situations must be avoided; exploitation commitment clauses must be also clearly lay down, especially ways of verification of commercialization efforts to avoid the application of call-back mechanisms.