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New IP guidelines

IF THERE'S ONE issue that often creates confusion and bogs down negotiations, it's who should own the intellectual property created in an ICT deal and how it should be licensed. In the past, many public sector agencies have been too quick to insist that they should own any new IP.

The State Services Commission has recently produced the 'Guidelines for Treatment of Intellectual Property Rights in ICT Contracts'. These provide much needed guidance as to when agencies should seek to own the new IP that's created under many of their ICT contracts.

They are important not only for the public sector, but also suppliers to that sector. The principles are useful anyway for local government, the private sector, SOEs, etc.

Default position: Supplier ownership of new IP

For some time many agencies have come to the negotiating table with the default position that they should own any new IP that is created. This should no longer be the case. The Guidelines state that it is only in limited circumstances that the government should seek to own and exploit the IP created under its ICT contracts.

The Guidelines specify that agencies should, where possible, make IP ownership and licensing choices that assist the New Zealand commercial sector to develop and exploit newly created

IP. This yields obvious benefits for New Zealand companies, and the local economy. It makes sense as government agencies are not typically in the business of commercialising IP.

Agencies are not left in the dark as to when they should depart from the default rule and seek to own any new IP. The Guidelines include factors that agencies

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should consider when deciding whether they need to own the IP and, if so, whether the supplier should be licensed to use and commercialise that IP.

For example, the Guidelines provide that it may be necessary for an agency to own the new IP in a deliverable, if there are security or integrity reasons why the agency may not want the IP to be commercialised.

Three ownership models

The Guidelines set out three recommended options for the treatment of IP in ICT contracts:

The agency owns all new IP in the deliverables, with no licence back to the supplier.

The agency owns all new IP in the deliverables, with a licence back to the supplier for its commercial exploitation.

The supplier owns all new IP in

the deliverables, and provides a licence to the agency and other State Services agencies for any purpose other than commercial exploitation.

Each of these options is accompanied by guidance as to when they might apply, together with short, medium and long-form model clauses from the Ministry of Economic Development's

forthcoming Model ICT Contracts. Anyone who's preparing ICT contracts, will find these draft clauses to be a helpful resource.

Of key interest to both agencies and suppliers is that the Guidelines look for some trade-off if the supplier is to own the new IP. In return for an agency forgoing ownership of new IP, the supplier is expected to licence that IP to all other State Services agencies and the third parties that act for them.

The Guidelines also float the option that the all-of-government licence could contain a concession that the State Services agencies obtain free or discounted access to any enhancements that are made as a result of the supplier's commercialisation of the new IP.

Naturally, this all-of-government licence may be a key issue for those suppliers who make

a business out of replicating solutions between their public sector customers.

The Guidelines do recognise there may be exceptional circumstances in which the all-of-government licence may not be appropriate. However, cost savings alone will not usually be a valid reason to restrict the licence (for example, to a particular agency or sector).

The Guidelines note that to accept cost savings as a valid reason, could risk rewarding vendors who deliberately tender unrealistic pricing for all-of-government licences. They also note that it may encourage agencies to focus on their own interests at the expense of the government as a whole. While negotiations on IP are sure to remain a feature of ICT deals, the Guidelines provide welcome assistance in this much debated and misunderstood area.

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If there is a question you would like Stuart to answer in relation to IT issues, please forward it to divina@cio.co.nz