

# Intellectual property in procurement

## Fact sheet

Procurement by the State often involves intellectual property (IP) rights.

The State's IP Policy provides guidance to departments and agencies about how to deal with IP in procurement.

This fact sheet provides further information.

### Addressing IP in procurement agreements

The IP Policy provides that procurement agreements must address any rights to IP that may arise as a consequence of the procurement (Principle 9(a)). Agreements should normally address at least the following IP rights:

- **Background IP:** existing IP owned by the agency or the contractor and brought to the agreement as a tool or building block, such as pre-existing business processes;
- **Third Party IP:** IP brought to the agreement by one of the parties to the contract but owned by a third party, such as software programs;
- **Project IP:** IP generated as a result of the agreement (sometimes referred to as **Contract IP** or **Developed IP**).

Under a procurement agreement, Background and Third Party IP should normally remain the property of the party that owned them prior to the agreement.

In most cases, Project IP should be owned by the contracting party, and the State should seek a licence to use it. This is discussed more in the following parts of this fact sheet.

### Securing a licence to IP

The default position under the IP Policy is that an agency may secure a licence to Project IP in a procurement agreement to the extent necessary to achieve the purposes of the procurement (Principle 9(b)).

In determining the appropriate form of licence, agencies should carefully consider what kind of uses they will need to make of the Project IP in the future.

In circumstances where it is difficult to foresee the potential purposes of an agency's use of Project IP, it may be appropriate to seek a licence 'for any purpose'.

The licence must address issues such as exclusivity, territory, term, royalties, sublicense rights and (in ICT contracts) access to source code. Agencies should seek legal advice to assist in drafting appropriate licence terms.

### Acquiring ownership of IP

The IP Policy provides that an agency may only acquire ownership of IP if a licence is not adequate in the circumstances (Principle 9(c)).

Acquiring ownership of Project IP under a procurement agreement is discouraged under the IP Policy. It is normally inconsistent with the IP Policy's requirement that agencies maximise the value of IP to the community. It can also make negotiations with contractors more complex and result in a higher purchase price.

The State may only acquire ownership of IP under a procurement agreement where the agency has a specific purpose for use of the IP that cannot be achieved under a licence. This may include:

- where development of the IP is the purpose of the contract;
- where an existing agreement requires the State to retain ownership of the IP;
- where there are compelling reasons for the State to acquire or retain ownership of IP, such as privacy, public safety, security and law enforcement, public health and compliance with the law.

### Template IP clauses

**Agencies are encouraged to develop or amend existing template procurement contracts to include standard IP provisions that are consistent with the IP Policy. This can be achieved by adopting the new Victorian Government Purchasing Board (VGPB) baseline contracts.**

The VGPB sets the policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies. VGPB's new baseline contracts are available here: [goo.gl/cZdH7U](https://goo.gl/cZdH7U).

The IP clauses in the VGPB's baseline contracts are consistent with the IP Policy. In particular, the "Agreement for the Provision of Services (One Off Purchase)" has a detailed IP clause. DTF recommends that the VGPB's contracts are adopted by agencies in appropriate circumstances, having regard to their needs.

### Further information

For further information, DTF recommends that agencies refer to the IP Policy and the IP Guidelines, available from [goo.gl/i4xKQS](https://goo.gl/i4xKQS).

DTF's IP team can be contacted directly with queries at [IPpolicy@dtf.vic.gov.au](mailto:IPpolicy@dtf.vic.gov.au).

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