

IP Law Policy and Practice Seminar 2006 - Case study:

Episode 3: Bird Flu and the Da Vinci Code

27 July 2006

The Case Study is an unfolding sequence of events relating to your work on Avian Influenza. It consists of six numbered 'scenarios', each being a snapshot of the facts at a point in time. You are to identify and discuss the IP issues arising from each scenario.

Read carefully

Please read the scenarios carefully, reading between the lines as appropriate. Sometimes the issues are obvious; sometimes less obvious.

Focus on IP

Please confine yourself mainly to IP issues. You may see issues in other areas, e.g. privacy, procurement, probity, etc. You may note these issues, but the main focus should be on IP.

Analysis tips

If you think some critical item of information necessary to your decisions is not provided, state what that is and why it matters. Then make the most plausible assumption(s) to enable discussion to proceed. Identifying the questions to ask is more important than knowing all the answers. 'Model answers' will be provided at the end of the Seminar.

Timing

You have 20 minutes *on average* to discuss each scenario. Suggested timing is given in the heading for each scenario.

Role of facilitator

Each syndicate will be assisted by a facilitator, who will be responsible for monitoring time.. The facilitator is not there to provide you with the answers. However they may occasionally raise issues or suggest factual assumptions on which discussion should be based.

Feedback

Syndicates will *not* be required to formally present outcomes from the Case Study. However, there will be an opportunity to share experiences and raise questions in the panel session.

De-briefing session

An additional informal session will be conducted a few days later for those wishing to pursue further questions after having read the model answers.

Case Study by Philip Crisp - © Australian Government Solicitor 2006. Original artwork - © Cindy Johnson 2006, used under licence. This material may be used under the terms of the 'Free for Education' licence (click on the logo below for details).



The material is primarily designed for presentation, rather than to be merely read. Inquiries re conducting the Case Study may be directed to philip.crisp@ags.gov.au.

The material does not constitute legal advice. For any important matter you should obtain appropriate professional advice relevant to your circumstances. The facts described in the Case Study are fictional and any resemblance to individual agencies or persons is coincidental. The legal issues are, however, real. No animals were hurt in the making of this Case Study.

SETTING THE STAGE

In response to the threats posed by global warming, terrorism and possible pandemics, the government has established a new Department of State: the *Department for the Defence of Government Infrastructure and Essential Services* (**DoDGIES**). The mission of DoDGIES includes planning for a possible pandemic of avian influenza.

And not a moment too soon! Avian influenza ('bird flu' to you) is sweeping through Asia, and is anticipated to arrive on the Australian mainland sometime in the next six months, even assuming the best possible quarantine measures.

DoDGIES is now growing rapidly - recruiting scientists, biologists, program managers, *etc* from anywhere they can be found. They even recruit you and your old mate Bruce Bovver.

Staff are moving into DoDGIES new building in the *Via Barton*.

THOSE WHO STRUT UPON THE STAGE

Bruce ('Boy') Bover

As 'Bruce' he was your boss in two previous Case Studies. You first met in the **Mediwise** project.¹ Then you worked together on the **SCAMGuard** project.² After that failed dismally he retired to Coventry³ for a period, where he spent much of his time meditating and planning a comeback. He was recruited to manage the Contracts Branch in DoDGIES, but was disappointed to find that the office allotted to him was too small to display the enormous stainless steel construction (**the Pentangle**) which Peta gave him for his birthday. He therefore used his political connections to be appointed as acting Secretary of DoDGIES, which carries a bigger office. Impatient and autocratic, he wants to 'get things done'. Has no time for things that are too complicated (especially IP, which is a very sore point with him because of a past dispute with Copyright Agency Limited).⁴

Crunch and Chew

Your legal panel firm. A partnership between Phyle Crunch and Raelene Chew. (The names are not their real names, but rather a capricious result of MS Word spellchecker which *won't* be corrected.)

Klaus K Krescent

Brilliant software designer and cryptologist, who engineered the scam *behind* SCAMGuard.⁵ A gothic dresser, and dedicated blogger. Published a paper on advanced data mining techniques in the Pacific Journal of Heuristic Computing. Bover ran into him in Nimbin recently and Klaus said he was studying the 'black death'. Shortly afterward he disappeared, and no amount of 'googling' has turned up a trace of him.

Mary Madeangel

A treasure, now even more ancient than in the last Episode. She is the repository of much corporate knowledge about comings and goings in government. Now works as assistant to the CEO, Bruce Bover. Has taken to referring to DoDGIES affectionately as '*the Agency*', as if there were no other. A loyal worrier for the cause. Polishes the Pentangle daily.

Peta Plotter

Singer and artist with some indigenous ancestry. Was heartbroken after you tipped her out of 'The Block' in skulduggerous manner.⁶ She later opened up a coffee shop in Nimbin so that she could be close to Bruce during his period in Coventry. *Peta's Eatery* becomes a convenient meeting place for local indigenous artists.

¹ See Episode 1, which is documented in the papers of the 1st AGS IP Law, Policy and Practice Seminar, 2004.

² See Episode 2, which is documented in the papers of the 2nd AGS IP Law, Policy and Practice Seminar, 2005. The spectacular failure of the SCAMGuard project seriously weakened the government. Shortly later, in the shadow of a possible bird flu pandemic, Mr Costello was drafted to form a government of national unity. Bruce Bover is on first name terms with the PM.

³ Coventry is a small rustic settlement near Nimbin, invisible on maps.

⁴ Copyright Agency Limited (CAL) is a copyright collecting society. It collects royalties for print copyright owners under a number of statutory and voluntary licence schemes.

⁵ See Episode 2.

⁶ See Episode 1.

You

You have acquired a reputation as an IP hotshot. In your early days you learnt all about franchising by helping develop a business strategy for a donut and coffee chain. This was followed by a stint on the Mediwise smartcard project. You had a short but stellar career on *'The Block'* before you were evicted under dramatic circumstances; but landed on your feet by scoring a plum job advising Channel Nine on character merchandising deals with the other contestants.⁷ You then spent a period working on the SCAMGuard project.⁸ Both of your previous projects have featured in AGS seminars on Intellectual Property! You are recruited by DoDGIES where Bovver directs that you 'just look after the IP side of things for now and we'll discuss a permanent role for you later.'

⁷ See Episode 1.

⁸ See Episode 2.

THOSE WHO MAKE THE STAGE

DoDGIES

Department for the Defence of Government Infrastructure and Essential Services - described in detail in Scenario 1.

DoCIA

Former Department of Communications, Infrastructure and the Arts - introduced in Scenario 2.

ICS

Former Institute for Climate Studies - introduced in Scenario 2.

CRC-EE (pronounced 'crikey')

Cooperative Research Centre for Experimental Epidemiology - introduced in Scenario 2.

ACAI

Advisory Council for Avian Influenza - introduced in Scenario 4.

BIT PARTS

Barry Bubonic

Enters in Scenario 2; lingers in Scenario 2, and exits in Scenario 4 - to music.

Complexis Corporation

Suppliers of the COMPLEXIS software package used for modelling flows in complex systems. They appear in Scenario 5.

Lloyds

Lloyds of London - the make a move in Scenario 5.

Priory of Psion

You know, from the Da Vinci Code. Mentioned in Scenario 5.

Stretcher bearer

Glimpsed briefly in Scenario 2.

WHO

World Health Organisation - mentioned in Scenario 1. Nothing comes of it, or does it?

SCENARIO 1: THE AGENCY (20 MINUTES)

DoDGIES is an FMA Act agency created to develop a strategic response to the threats posed by global warming, terrorism and possible pandemics (including pandemics that may be deliberately caused). It operates partly in accordance with an Intergovernmental Agreement (**IGA**) of 6 June 2006 between the Commonwealth, States and Territories. There is also a Memorandum of Understanding (**MoU**) with New Zealand. It has been entrusted by the *World Health Organization* (**WHO**) with a leadership mandate in this region of the world.

DoDGIES has a head office in Canberra with branch offices in all capital cities and major regional centres (including New Zealand). There are plans to establish a presence in a number of south Pacific island states.

The activities of DoDGIES relevant to 'bird flu' are:

- research and prediction
- collaboration with WHO and other international bodies to establish protocols for early warning and response
- an ongoing publicity campaign to prepare the public
- establishing robust administrative structures and lines of communication and command that can be invoked rapidly in time of crisis
- protecting key infrastructure and essential services.

The staff of DoDGIES include policy makers, program officers, research scientists, doctors, field officers, computer experts, financial analysts, economists, transport engineers, specialists in various forms of infrastructure and persons experienced in international aid collaboration. In addition DoDGIES has taken on a number of consultants who have been under-employed since 'Y2K'.

DoDGIES liaises with State, Territory and local governments, as well as industry and professional associations, through various policy committees and *ad hoc* working groups.

You have been asked by Bovver to develop an IP Policy for 'the Agency', as DoDGIES has come to be known by the 'in crowd'. Lying awake at night, you let your imagination run free about the IP issues and challenges an agency such as 'the Agency' might face.

Scenario 1: Responses

Hint:

- what sort of *IP subject matters* would you expect DoDGIES to deal with in the course of its work?
- what legal *IP regimes* apply to those subject matters?
- what *IP rights* are conferred by those regimes?
- in what contexts / relationships / transactions might such IP rights in particular subject matters be dealt with?

Alternatively you might arrange your thoughts using a 'Mind Map', or do a 'SWOT' analysis.

SCENARIO 2: QUESTIONS OF INHERITANCE (20 MINUTES)

DoDGIES acquires the main functions, and almost all the personnel, of two Commonwealth agencies which are now abolished . . .

The former *Department of Communications Infrastructure and the Arts (DoCIA)*: With the exception of the arts component, all elements of DoCIA are folded into DoDGIES through an *administrative arrangements order (AAO)*. The former DoCIA generated a large variety of records, plans, position papers, software and datasets which have now been physically delivered to DoDGIES. In addition it had licensed-in a software product called '**COMPLEXIS**' used for modelling flows in complex systems (e.g. population growth, weather patterns, transport movements, etc.). The Licence Agreement states that the licence is granted to '*Commonwealth of Australia as represented by DoCIA*'. Having taken over from DoCIA, DoDGIES assumes it will have the use of all the IP materials mentioned. [See questions 1 and 2 overleaf.]

The former *Institute for Climate Studies (ICS)*. This was a CAC Act Agency. *Crunch and Chew* had previously advised that ICS was *not* the Commonwealth for the purposes of Part VII of the *Copyright Act 1968*⁹; thus any copyright material made by ICS would ordinarily vest in it, rather than the Commonwealth. The legislation establishing DoDGIES also abolishes ICS. There had been a large number of 'academic types' in ICS; in fact it produced a minor outbreak of PhDs. Some of these papers had been published on ICS's website. Others were still in preparation at the time of the transfer. Again, DoDGIES assumes it will inherit all the IP rights in work completed or in preparation by the former ICS. [See question 3 overleaf.]

In addition, DoDGIES has recruited heavily from the *CRC for Experimental Epidemiology (CRC-EE)*, currently in its second round of funding.¹⁰ The recruits from CRC-EE come with valuable know-how. During a visit to Bovver's grand new office, he mentions that one **Barry Bubonic** has brought a CDROM labelled '**Black Death Data**' which models the emergence, progress and subsidence of the Black Death pandemic. Bovver is galvanised by the idea that the Black Death Data could yield valuable predictions about the impact of bird flu. You tell Bovver that we need to know how the data was created and who owns copyright, if any. Bovver immediately summons Bubonic - as an afterthought asking him to collect his Pentangle from the foyer on his way up. Unfortunately the lift is out of commission and Bubonic struggles up the stairs, collapsing at the top under the weight. Hearing the commotion you and Bovver emerge to find him being carted away on a stretcher. The copyright 'pedigree' of the Black Death data remains a mystery! [See question 4 overleaf.]

The stretcher bearer looked vaguely familiar. Is it, could it be . . . Klaus . . . now without the beard?! You push that thought aside. Your immediate task is to ensure there is a sound basis for DoDGIES to exercise IP rights in all the materials discussed above.

⁹ Some CAC Act bodies, despite their having the capacity to own property (including IP), are treated as an agent or emanation of the Commonwealth for copyright purposes. One of the consequences is that copyright in works etc created by or on behalf of the agency vest in the Commonwealth proper, to the exclusion of the agency. This topic is explored more fully in Episode 1.

¹⁰ The Cooperative Research Centres (CRC) program was established in 1990. A typical CRC is an R&D collaboration between academic/research institutions, commercial enterprises and interested government agencies. The CRC is generally established under a joint venture agreement called the 'Centre Agreement', which provides for the allocation of IP rights between the participants. The IP provisions deal with both 'Background IP' (brought to the Centre by a Participant) and 'Foreground IP' (created as a result of the 'Activities of the Centre'). The CRC receives dollar-for-dollar funding from the Commonwealth (DEST) under a funding agreement called the 'Commonwealth Agreement'. DEST does not claim IP. CRCs are funded for 5-7 years, but many have had their funding renewed for a second or third round. The parties to a renewed CRC may be different to the original parties. For this reason it may be necessary to distinguish IP developed in the different funding rounds. Thus the 'Centre IP' developed in round 1 may be treated as 'Background IP' brought to round 2 by the continuing parties.

SCENARIO 3: IN WHICH TWO CONSULTANTS MAKE IP (20 MINUTES)

When engaging consultants, Bovver uses a form of *Consultancy Contract* prepared by Crunch and Chew. It contains IP provisions which you recognise as typical of consultancy contracts:

- IP in all '**Contract Material**' vests in DoDGIES (the Commonwealth), subject to next point.¹¹
- This doesn't affect the ownership of IP in:
 - any '**Agency Material**' incorporated into Contract Material¹²
 - any '**Background Material**' specified in the Schedule.¹³
- DoDGIES grants a licence to the Consultant to use, reproduce and adapt the Agency Material, for the purposes of the Contract only.
- The Consultant grants DoDGIES a permanent, irrevocable, royalty-free, world-wide, non-exclusive licence (including a right of sublicense) to use, reproduce, adapt and exploit the Background Material, in conjunction with the Contract Material.¹⁴
- In addition, the Consultant is required to obtain a 'clearance' of moral rights from any authors who contribute to the Contract Material.

Bovver is very happy with the DoDGIES Consultancy Contract; he tells you it has been used successfully many times and has met with acceptance by most consultants. However one day you get a worried note from Mary. She says that two consultants have kicked up a fuss about the IP provisions and are refusing to sign. It is urgent that this be resolved.

Peta Plotter is to be engaged to develop 'imagery and visual elements' for a publicity campaign to prepare the public for a possible pandemic of bird flu. The engagement would involve her working on site in close collaboration with DoDGIES staff. She will be substantially full time during the six months consultancy, but you suspect she will be exploring other opportunities before that time is up. She has sought a broad licence-back in respect of 'all IP or know-how developed as a result of the Services - so that I will have a secure career after the end of the Consultancy'. She also objects to the requirement to give a moral rights clearance.

CRC-EE (through its commercial agent CRC-EE Pty Ltd) claims that the Black Death Data is 'substantially' their IP, but will not be drawn as to details. They are to be engaged for a 2-year period to work on the Black Death Data with the COMPLEXIS package, producing data models of the possible behaviour of a bird flu pandemic (**Bird Flu Models**) under varying assumptions regarding population density, hygiene, infection rates and mortality. They will be paid a small retainer. From time to time they may be commissioned to develop a specific Model on a time and materials basis, under a **Work Order** to be agreed. In a typical month they might bill for between 1 and 5 personnel, depending on what jobs come up. It is expected they will work out of their own premises.

¹¹ '**Contract Material**' is defined (in summary) as all Material: (i) created for the purposes of the Contract; (ii) provided or required to be provided to DoDGIES as part of the Consultancy; or (iii) any Material derived from the foregoing. The term 'Material' is defined as the subject matter of any category of IP rights.

¹² '**Agency Material**' is defined (in summary) as Material provided by DoDGIES to the Consultant at any time for the purposes of the Contract. The IP may be owned by DoDGIES anyway, but if not DoDGIES is responsible for procuring a licence to enable the Consultant to use it in carrying out the 'Services'.

¹³ '**Background Material**' is *pre-existing* Material specified in the Schedule and brought to the Contract by the Consultant. The Consultant does not necessarily own IP in Background Material, but they must be entitled to incorporate it as part of the Contract Material.

¹⁴ In other words, DoDGIES can do anything they like with the Contract Material as a whole, but they cannot deal with the Background Material (or layer) separately.

The CRC-EE tender raised the issue of IP rights and specified lower pricing if they were allowed several concessions:

- they claim that that they are already in the process of developing improvements to the Black Death Data, so any such improvements that are utilised for the consultancy services should be treated as Background Material;
- they also insist that, *inasmuch* as the Bird Flu Models incorporate the Black Death Data, they 'cannot' provide a broad licence allowing DoDGIES to exploit and sublicense it, though they will give a licence for internal use;
- on the other hand they want DoDGIES to grant a 'licence back' of the Bird Flu Models, broad enough to allow them to exploit and sublicense the Models. This last one particularly incenses Bovver: *'No way! We paid for it, and now they're just going to make a mint flogging it to other governments'*.

In hospital Barry Bubonic is diagnosed with bird flu.

Scenario 3: Responses

You develop a negotiating position for DoDGIES in the form of a table.

Consultants' top 5 requests re IP clauses	Requests by Peta Plotter	Requests by CRC-EE
<p>Treat concurrent work as Background: The 'carve-out' for Background Material should include Material developed after commencement of the Contract <i>but for a completely different purpose</i>, which is later applied for purposes of the Contract</p>		
<p>Drop requirement for a list of Background IP: The 'carve-out' for Background Material should apply to <i>any</i> Material incorporated in the Contract Material, <i>with no requirement to identify such Background Material</i></p>	(Concession not sought)	(Concession not sought)
<p>Narrower licence for Background IP: The licence required to be granted (or procured) in relation to Background Material, should only allow the Agency to use, reproduce and adapt the Material <i>internally</i>, i.e. not to exploit or sublicense.</p>	(Concession not sought)	
<p>Grant licence back: The Agency should grant a broad 'licence back' to the Consultant, i.e. a non-exclusive licence to use, reproduce, adapt and exploit the Contract Material (including the right to sublicense)</p>		
<p>Moral rights: Requirement to procure clearances should be deleted</p>		(Concession not sought)

COFFEE BREAK (5 MINUTES)

SCENARIO 4: LICENSING-IN (15 MINUTES)

The *Advisory Council on Avian Influenza (ACAI)* is the most important of the external committees associated with the work of DoDGIES. It includes senior officials of the Commonwealth, persons selected from State, Territory and local governments, a New Zealand official, and representatives of the medical profession, the insurance industry, business bodies, etc. ACAI is supported by a secretariat within DoDGIES. Council members collaborate in developing a wide range of materials which are freely circulated within their organisations, and in some cases published by DoDGIES in print form and on its website. Until now, nobody has thought about copyright in these materials. But you think it needs to be sorted out . . .

It is proposed that DoDGIES establish a 'disaster line' for people to report various events in time of crisis. No-one really knows how many staff will be required to operate the Call Centre, and Mary is worried there will be delays. She suggests a 'music on hold' service, so that worried people can be appropriately soothed whilst waiting to be evacuated, informed of the fate of their loved ones, etc. Bover likes the idea and suggests *Pachelbel's Canon* and all that old stuff would be just perfect 'and on top of that we won't have to pay any copyright fees because its out of copyright'. You ring Phyle Crunch and he says that is nonsense. You consider your options . . .

A reggae version of Pachelbel's Canon is played at Barry Bubonic's funeral.¹⁵

Meanwhile the Bird Flu Models are producing astonishing results, which closely match the actual behaviour of the bird flu pandemic as it works its way through Asia towards Australia. In preparation for possible commercialisation of the Models, Bruce suggests we should register '*Avian Influenza Modelling*' as a business name.

¹⁵ If Pachelbel was alive today he would turn over in his grave.

Scenario 4: Responses

Advisory Counsel on Avian Influenza (ACAI)

The disaster line - who're you gonna call about music on hold?

Pachelbel

SCENARIO 5: LICENSING OUT & COMMERCIALISATION (25 MINUTES)

As a result of the CRC-EE consultancy, you are presented with a quite complex situation. The schedule of Background Material reveals that the **Black Death Data** is comprised of two parts:

- 1) the **locus mortis compilation**. This is a compilation of data on the locations of burial sites used during the black death. It is derived from scattered records kept secret for centuries by various chapters of the **Priory of Psion**. The records were located, combined and normalised over 20 years by a syndicate of insurers from **Lloyds of London**. You learn that CRC-EE is now in dispute with Lloyds in regard to the initial release of the *locus mortis* compilation to DoDGIES;
- 2) **DNA data** from tissue samples taken from the burial sites under the direction of CRC-EE. The process of DNA sampling commenced under the first funding round and continued with the current round. It was completed one month after the commencement of the consultancy agreement.

Using both parts together the Black Death Data allows a picture to be built up of the emergence, progress and subsidence of the black death. Now, under the consultancy agreement, CRC-EE have enhanced it with the aid of the COMPLEXIS package to produce the **Bird Flu Models**. The new Models have the capacity to predict the emergence, progress and subsidence of bird flu.

After tough negotiation, the CRC-EE consultancy agreement had provided that:

- ‘Background Material’ includes anything that was initially developed for a purpose *other than* the performance of the consultancy services. Thus CRC-EE retains ownership of the DNA Data, *even though* it was completed during the consultancy period is reproduced in the Bird Flu Models.
- DoDGIES is granted a licence to do pretty well anything with the Bird Flu Models, *except* for an important ‘carve-out’ insisted on by CRC-EE: no licence (or warranty) is given to the extent that the Bird Flu Models incorporate a reproduction of the *locus mortis* compilation.

To make it more complicated, Mary remembers that ICS was originally a party to the CRC-EE in first round, but withdrew at some point. You suspect it may have acquired a share to the IP rights in the early DNA Data, and any such IP would now be inherited by DoDGIES. You obtain the current **Centre Agreement** and it provides that non-continuing parties from round 1 retain their IP rights as stated in the **round 1 Centre Agreement**. It transpires that ICS’s signed original of the round 1 Centre Agreement has been lost in the movement of records to DoDGIES, but after an intensive search you locate an unsigned copy of that Agreement. The IP clauses occupy 5 dense pages, so you forward the document to Phyle Crunch for an expert opinion.

A few days later Ms Chew rings with news. First, Phyle Crunch has left unexpectedly for an urgent meeting in London. She also has bad news: the document you retrieved only contains the odd numbered pages from the original round 1 Centre Agreement; evidently it was photocopied in a hurry from a double-sided original!

Meanwhile the world is beating at Bover’s door to obtain access to the Bird Flu Models. Among those interested are: Lloyds, CRC-EE and **Complexis Corporation**. Lloyds has offered US\$15,000,000 cash for an exclusive licence.

Scenario 5: Responses

Are we just unlucky, or could the missing even-numbered pages be a conspiracy? (1 minute)

Dissect the layers of IP material; for each layer say who owns IP and who has a licence

What should your IP objectives be in the current situation?

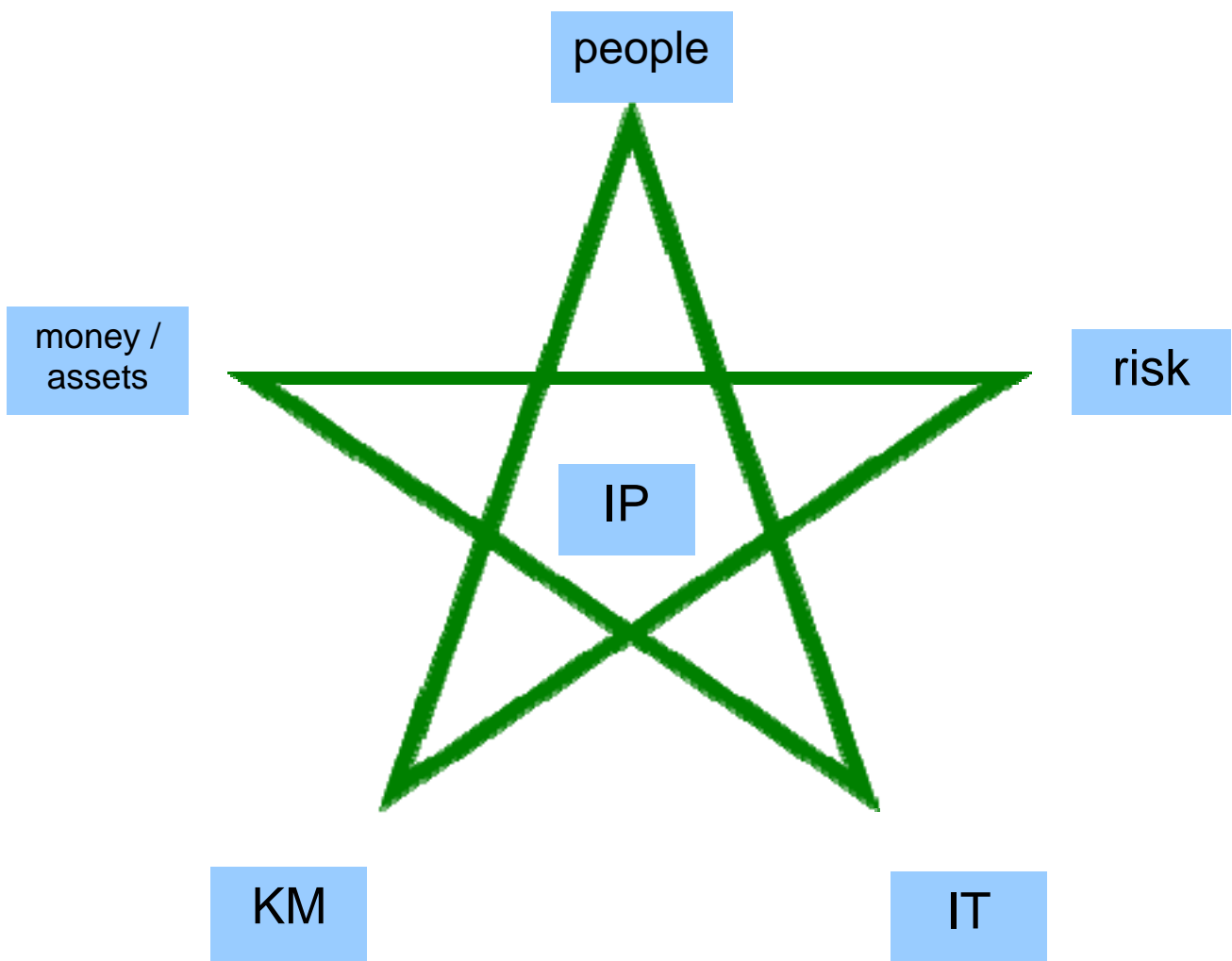
What strategies might you follow in order to achieve your objectives?

SCENARIO 6: THE LECTURE (15 MINUTES)

You are a star! Due to your work developing an excellent solution to the IP issues raised in Scenario 5, Secretary Bover¹⁶ is now convinced of the central role that IP plays in the affairs of the Agency. He asks you to present a keynote address at the *South Pacific Regional Conference on Avian Influenza* convened by the ACAI.

You decide to present a holistic message, demonstrating the relevance of IP to other key areas of corporate governance within the Agency. The premise is that IP is not a discrete topic, but has areas of tangency with other objectives or values. Your audience will include stakeholders, the executive, policy makers, program administrators, HR managers, lawyers, accountants, auditors, *etc.*, and you expect to be able to say something that each one of them can relate to.

After some thought you come up with a model which focuses on five key areas of corporate governance. This is great because you will be able to illustrate your theme with an image of Bover's beloved Pentangle. Peta insists on proper attribution of course, and a place on the main table at the conference dinner.



¹⁶ No-one calls him 'Boy' now.

Scenario 6: Responses

People management

Knowledge management (KM)

IT planning

Asset and financial management

Risk management