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UPDATED STATEMENT OF IP PRINCIPLES ISSUED

The Attorney-General's Department has just issued an updated version of the Intellectual Property Principles for Australian Government Agencies (IP Principles). The update contains two key changes:

- For information and communication technology (ICT) contracts for software, FMA Act agencies should adopt a default position that the ICT supplier owns the IP in any software developed under the contract.
- When releasing public sector information consistent with an agency's obligations, FMA Act agencies should consider an open access licence following a process of due diligence and on a case-by-case basis.

Information and communication technology contracts

The new principle 8(a) requires that agencies allow the contractor to own IP in any software developed under an ICT contract as the default position. This position is not required where:

- the ICT contractor is not developing software for the agency as part of the contract
- the ICT contractor does not agree to grant the Commonwealth (meaning all Commonwealth agencies) a perpetual, irrevocable, world-wide (if required) royalty free, fully paid-up licence to all rights normally accompanying IP ownership (including a right to sub-license but excluding a right of commercial exploitation) in IP developed under the contract for government activities. Significantly, paragraph 8(a) makes clear that if a whole-of-government licence is not granted, the agency should not allow the contractor to retain ownership of the developed IP.
- the developed IP is governed by open source licences
- an exceptional circumstance applies. These include (but are not limited to):

  reasons of national security and/or strategic interest

  reasons of law enforcement

  reasons in the public interest

  where there are statutes, regulations, Commonwealth Government policies or prior obligations to a third party or parties that preclude ownership of the developed IP by the ICT contractor

  where the main purpose of the ICT contract and the developed IP is to generate knowledge and information for public dissemination or the agency intends to allow free use of the IP on open source terms

  where the IP applies to a critical government ICT system

where the IP includes personal information

where there are protected matters relating to fraud detection and return processing rules

where complex information technology assets involve multiple build partners over the asset lifecycle

where the underlying IP is wholly or predominantly owned by the Commonwealth before entering into the agreement

economic and financial risks.

IP needs analysis

The IP Principles require an agency to conduct an IP needs analysis before allowing a contractor to take ownership of developed IP, to determine whether the Commonwealth needs to retain ownership.

Commercial exploitation

The licence from the contractor excludes commercial exploitation. This does not extend to circumstances where an agency retains (on commercial terms) any ICT contractor to further develop the software for government activities. The IP Principles do not provide further guidance on what might be considered commercial exploitation.

Government activities

Agencies have discretion to determine what constitutes 'government activities'. At the least though, this extends to sharing software with State and Territory governments. This policy position suggests that 'government activities' can potentially have a broad operation.

Commencement of the policy

The policy applies to ICT contract negotiations commenced after 1 October 2010.

Application to CAC Act agencies

The policy does not apply to CAC Act agencies, however those agencies should consider the policy as an expression of good practice.

Model contract clauses

A set of model contract clauses is also supplied by the Attorney-General's Department which should be used where the principle 8(a) applies. These can be tailored to suit agency contracting templates, however, the explanatory material accompanying the IP Principles provides advice on when changes should not be made. In return for allowing the contractor to own the IP in developed software, agencies are also permitted to negotiate additional terms including pricing concessions, discounts or free access to upgrades, enhancements and new products based on the original or commercial version of the developed software.

Where the agency determines that the Commonwealth should retain ownership of the IP in developed software, the model contract clauses should not be used.

Open access to public sector information

Principle 11(b) requires FMA Act agencies to consider licensing their public sector information under an open access licence (also known as an open content licence) when releasing that information.

Case-by-case consideration

As licensing of public sector information on any basis (and particularly on an open access basis) can have legal and financial implications for the Commonwealth, the IP Principles require agencies to approach open access licensing on a case-by-case basis. That is, agencies should not simply adopt a blanket approach of licensing all their public sector information on an open access basis. Consideration may, for example, suggest an alternative approach to making the information available, such as on a cost recovery or cost plus basis.

Conducting due diligence

The IP Principles state that a due diligence process should be followed in licensing public sector information on an open access basis. A due diligence process will include determining whether licensing items of public sector information would:

- infringe a third party's IP rights (and therefore open the Commonwealth to potential legal action)
- breach an agency's obligation of confidence
- breach a contract entered by the agency, or
- be contrary to law or policy (for example, if it would disclose personal information in breach of the *Privacy Act 1988*).

Choosing an open access licence

There are a variety of open access licence approaches that agencies could adopt. The most common is a Creative Commons licence. But bespoke open access licences are another option. The appropriate licence will depend on the circumstances and analysis of the advantages and disadvantages of a particular licence.

How can AGS help you?

AGS is experienced in advising agencies on due diligence processes and on determining the appropriate open access licence to use. Obtaining advice on these issues will help agencies avoid the very real possibility of legal action and financial loss that can occur if public sector information is licensed without adequate consideration of due diligence issues (and in particular the rights of third parties) and the legal obligations associated with particular open access licences.

AGS has a large and expert team of ICT lawyers who advise on all types of ICT contracts. AGS can assist agencies in tailoring both template contracts and individual transaction contracts to take account of the updated IP Principles as well as advising on circumstances where it is appropriate to rely on an exception. We also note that transitional issues exist with implementing the updated IP Principles for procurements that have already commenced but which have not, as at 1 October 2010, reached the negotiation stage and AGS would also be pleased to resolve such issues for agencies.

The updated Intellectual Property Principles for Australian Government Agencies and associated explanatory material can be found at:

http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright_CommonwealthCopyrightAdministration_StatementofIPPrinciplesforAustralianGovernmentAgencies

AGS will be hosting an Intellectual Property forum on 24 November in Canberra. To register interest please contact Michelle Easte.

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