STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

Guidelines for Treatment of Intellectual Property Rights in ICT Contracts

New Zealand Government

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PO Box 329
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January 2008
ISBN: 978-0-478-30323-0

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Definitions

In these Guidelines, unless the context indicates otherwise:

Commercialisation, in relation to new IP in deliverables, means the commercial exploitation of that IP for financial or like gain.

Customer Agency means a State Services agency that is the customer engaging in an ICT contract with a supplier.

ICT means Information and Communication Technologies: the use of electronic devices and applications to convert, store, protect, process, transmit, share and/or retrieve information.

IPR means Intellectual Property Rights, including copyright, trade marks, registered designs, patents, circuit layouts, data and databases, know-how and all other rights conferred under statute, common law or equity in relation to inventions.

State Services means the broad range of organisations that serve as instruments of the Crown in respect of the Government of New Zealand, consisting of:

- all Public Service departments
- other departments that are not part of the Public Service
- all Crown entities (except tertiary education institutions)
- a variety of organisations included in the Government's annual financial statements by virtue of being listed on the Fourth Schedule to the Public Finance Act
- the Reserve Bank of New Zealand.

Supplier means a person or organisation that contracts with a State Services agency for the supply of ICT-related services or deliverables.

Purpose of the Guidelines

These Guidelines set out the Government's approach to the ownership and commercialisation of intellectual property rights (IPR) in State Services agencies' ICT contracts. The Guidelines have been developed in response to requests from agencies to the State Services Commission for advice. The Government considers that these Guidelines will foster the growth, innovation, capability, and sustainability of New Zealand companies within New Zealand and internationally, and will contribute to New Zealand's economic development.

Currently, agencies tend to assume that government ownership of new IP in contract deliverables is the preferred position, often with no consideration given to licensing the supplier to allow commercialisation of that new IP.

These Guidelines specify that only in limited circumstances should the government own and exploit the IP created under a contract. The default position is that the Supplier should own the new IP, with licences being granted to the Customer Agency and all other State Services agencies.

The Guidelines assist agencies to identify when the default position is appropriate or when it may be necessary for the Customer Agency to own the IPR but license the Supplier to commercialise the IP.

Expected benefits of this approach are:

- opportunities for sale of products internationally whilst continuing research and development within New Zealand
- increased competition between suppliers to commercialise the IPR globally
- increased ICT career opportunities for New Zealanders, and
- an attractive industry for skilled migrants to engage in.

A further benefit could also be a strengthening of the relationship between the commercial sector and government. As companies take new commercial products based on government investment in ICT into international markets, the companies should be more motivated to ensure their New Zealand Government customers are strong reference sites.

Commercialisation of IPR by the State Services can also provide benefits, such as:

- potential revenue streams
- return on investment opportunities, and
- opportunities to attract and retain a highly skilled ICT workforce within the State Services

However, exploitation of newly created IP is generally not part of their core business activities. They are generally not mandated or resourced to compete with the commercial sector to sell ICT products within government and externally – in particular to international customers. They also do not usually have a purely commercial profit motive, which is a critical element of successful commercialisation.

The Guidelines are intended to complement existing government advice with IPR implications, including:

Cabinet Guidelines for Intellectual Property from Public Service Research Contracts, released by Ministry of Research, Science and Technology in 2004.	IP in research contract deliverables.
The Guide to Legal Issues in Using Open Source Software, released by the State Services Commission in May 2006.	Recommendations covering the use of stand-alone open source applications, in-house modification or integration of open source software, using third party developers, and distributing software. These include ownership, licensing and intellectual property rights.
Policy Framework for Government-held Information.	Principles relating to ownership of government-held information

The Privacy Act 1993 includes principles relating to the collection, use, and disclosure of information relating to individuals.

Scope of the Guidelines

Typically ICT contracts will be with national or multi-national vendors, external service providers, systems integrators, software developers and sole traders. The services and deliverables may consist of both existing IP and new IP, and new IP can be created through provision of the deliverables as well as through the Supplier's performance of the contract.

These Guidelines are principally concerned with new IP in ICT contracts.

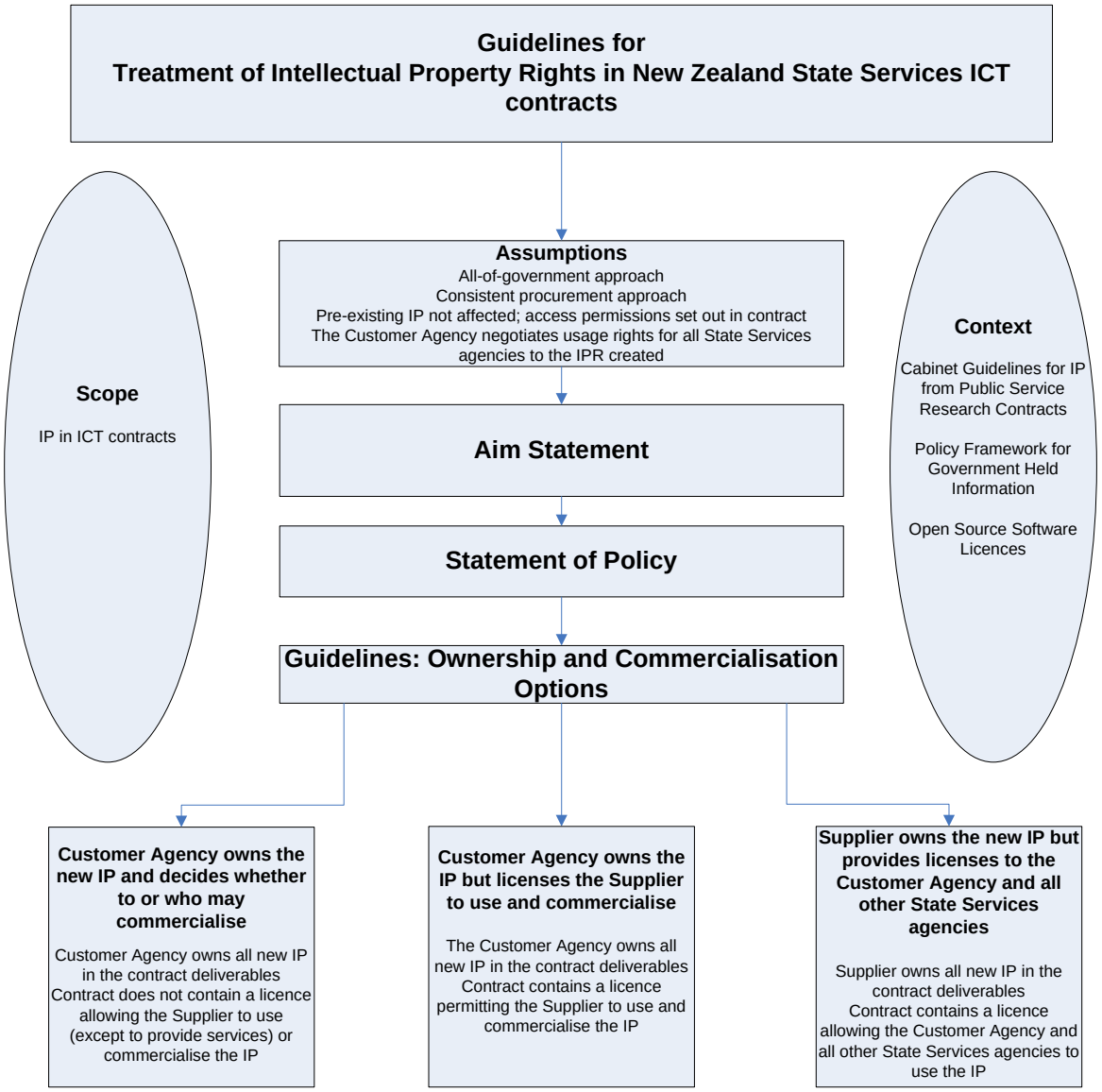
The following matters are not within the scope of the Guidelines:

- IP in packaged software.
- Deliverables from ICT contracts governed by open source licences (such deliverables are covered by *The Guide to Legal Issues in Using Open Source Software*).
- Personal information (regulation of that information is addressed by the Privacy Act 1993).
- Content that could be covered by the *Policy Framework for Government-held Information*.
- IP created by the Supplier in the course of the contract but not forming part of the deliverables.

These Guidelines do not require agencies to renegotiate existing contracts or review their ownership of IPR created prior to the release of these Guidelines. However, there may be other reasons, such as reuse by other agencies or jurisdictions, or unexpected commercialisation opportunities, why an agency would undertake a review, and in such cases they should use the Guidelines in their decision-making.

Overview

The following diagram provides an overview of the structure and content of these Guidelines.



Background

Agencies have tended to consider IPR ownership from their own rather than a wider all-of-government perspective, and to adopt an unofficial default position when negotiating ICT contracts that they will own any new IP created. It has been commonly assumed that this approach is cost-effective for government as it would allow usage of the IPR by other agencies at no further cost.

Potential future commercial exploitation of the IP has not been a prime consideration as commercialisation is generally not core government business. However, by owning the IPR, agencies may be both restricting opportunities for the commercial sector and limiting incentives for innovation.

An emerging view in other governments and amongst intellectual property lawyers is that IPR ownership by government is often unnecessary, and that an all-of-government usage licence would be sufficient, except where there are clear security or other all-of-government reasons for retaining ownership. Other countries are recognising that making IPR arising from government-funded ICT contracts more readily available to the commercial sector can be an important economic development tool. While government is a significant customer of the commercial ICT sector, that sector is usually better placed to commercialise new IP. In other words, government is often a major player in the creation of new intellectual property, but rarely seeks to commercialise it.

These ownership and commercialisation guidelines recognise the need to balance economic development drivers with other drivers that are also in the national interest. Just as there will be occasions where supplier ownership of newly created IPR is appropriate, there will be occasions (for example, in matters of national security) where government will want to retain full IPR ownership, regardless of the possible economic development benefits of commercial sector exploitation.

The needs of government as consumer are also recognised. Government, like any other customer, seeks to ensure that ICT infrastructure and applications developed and deployed for it will be supported and maintained to its satisfaction. Government occasionally has concerns about the long-term viability of vendors, or concerns about how the customer-vendor relationship will change over time. These Guidelines anticipate that these concerns can generally be addressed via contractual mechanisms, such as the establishment of a code escrow arrangement.

Government's Aim

The Government has set goals for achieving economic transformation and sustainable development for New Zealand. The Government sees commercialisation of intellectual property rights (IPR) arising from ICT contracts as an important way to create benefits for New Zealand. Generally, it sees commercialisation of the IPR as best achieved by the commercial sector. The Government wishes to see IPR created under government ICT contracts become more readily available to the commercial sector.

Statement of Policy

Government agencies enter into ICT contracts primarily to receive the deliverables for which they have contracted, and to use those deliverables to carry out government business.

Exploitation of the IPR created, except in specific circumstances, is not a core business activity of government agencies and the commercial sector is usually better positioned and motivated to seek out and take advantage of marketplace opportunities. Only in limited circumstances should the government own and exploit the IPR created under a contract.

At the same time, government agencies must have certainty that they will continue to receive the deliverables for which they have contracted, and that this access continues in perpetuity in their agency and/or across government.

When entering into an ICT contract, agencies should apply the following principles:

1. Agencies' decisions about IPR ownership and management should be consistent with the delivery of their core functions and services.
2. Generally, commercialisation of newly created IP is best achieved by the commercial sector.
3. Agencies should, where possible, make IPR ownership and licensing choices that assist the New Zealand commercial sector to develop and exploit newly created IP.
4. Agencies should adopt risk management methodologies when considering the appropriate ownership of newly created IPR to ensure that their level of exposure to risk is acceptable and managed.
5. Agencies should address IPR ownership, commercialisation and usage licences during the business case formulation phase of ICT projects, and include them in their project business cases.
6. Agencies should document the rationale for their choice of ownership, commercialisation and licensing options.
7. Agencies should set out their IPR ownership and commercialisation intention in their tender documentation when approaching the market (e.g. through a Request for Proposal/Tender), providing clarity for suppliers at the earliest stage of a project and potentially reducing the expense and time spent by both parties negotiating ownership of the IPR.
8. Agencies should always address IPR ownership and licences in ICT contracts.
9. When ownership of the IPR vests in the Supplier, agencies should consider obtaining a licence to the IPR that allows for use across the State Services.

Guidelines

Decisions on ownership and commercialisation options

When considering how to treat IPR in each ICT contract, agencies should take an all-of-government approach and apply government procurement best practices. Once they have selected the ownership and commercialisation option which fully meets their business requirements, they may need to ensure that the contract deals appropriately with licences to the pre-existing IP and to the new IP in the deliverables under the contract.

Three options are recommended for the treatment of IPR in ICT contracts:

- The Customer Agency owns all new IP in the deliverables, with no licence back to the Supplier.
- The Customer 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 Customer Agency and other State Services agencies for any purpose other than commercial exploitation.

Each of the options is described below, together with examples of their application within the State Services.

In selecting an option, agencies need to appreciate the different types of IPR that may be relevant to their project, both existing IPR and IPR that may form part of or be relevant to the deliverables under the contract. As is apparent from the definition of IPR above, examples include copyright, patents, trademarks, registered designs and rights in connection with confidential information. Different rights may exist in both the existing IP and IP to be created under the contract, and agencies may need to consider, for each, where ownership lies or should lie and what licences are or may be required.

Agencies may be assisted in this task by approaching it with an IP-ownership matrix in mind, such as the following table in which one ticks the relevant cells as appropriate (the listed components of IP are not intended to be exhaustive):

Potential components of IP in deliverables / Owning entity	**Agency owns**	**Supplier owns**	**Third party owns**	**New IP in deliverables**
Infrastructure design				
Software				
Documentation				
Databases				
Confidential information				
Processes				

Option One: Customer Agency owns the new IP and decides whether to or who may commercialise

The contract provides that the Customer Agency owns the new IP in the deliverables. The contract does not contain any licence allowing the Supplier to commercialise the IP.

The Customer Agency therefore has full discretion whether or not to commercialise the IP and whether any commercialisation will be done by the Customer Agency or under licence by a third party of the Customer Agency's choice or through some other arrangement. Government ownership of the IPR means that other State Services agencies (or any other people the Customer Agency wishes) can use and modify the IP as the Customer Agency sees fit.

Where the Customer Agency plans to make a subsequent decision about whether to and who should commercialise, it should do so in a timely fashion to ensure that commercial opportunities are not jeopardised.

Factors which might make this option necessary (rather than Options 2 or 3)

There are security or integrity reasons why the Customer Agency does not want the IPR to be commercialised.

The IPR applies to a critical government ICT system – agencies should own the IPR to:

- maintain government capability and avoid dependency on a supplier for knowledge or control of such a system;
- uphold public confidence that IPR from critical government systems is owned by a government agency and can be used across the State Services.

The Customer Agency wants the ability to enforce the IPR against third party infringers.

The only likely use for the IPR is expected to be other public sector agencies (i.e. the IPR is specialised to government), and the Customer Agency considers that it is best placed to undertake any modifications that are required to allow the IPR to be used by those other agencies.

The Customer Agency considers that any commercialisation is best done by a third party, rather than the original supplier.

The Customer Agency intends to allow free use of the IPR on open source terms.

There are other reasons why the Customer Agency does not want the original supplier to own the IPR, and licensing them to commercialise it is inappropriate.

Preconditions

Anticipates that most of the IP in the deliverables will be newly developed.

Benefits

Enables and encourages all-of-government use and modification of the IP, where appropriate.

Commercialisation opportunities for third parties.

Potential for royalties (this should not be treated as a determinative rationale for ownership of the IPR and commercialisation by government instead of by the commercial sector. Rather, it should be seen as simply an incidental benefit arising from a decision based on one or more of the factors listed above).

Practical examples

Government Shared Network (State Services Commission); Government Logon Service (State Services Commission); Landonline development and operation (Land Information New Zealand); SWIFTT (benefits management system of Ministry of Social Development).

Option Two: Customer Agency owns the new IP but licenses the Supplier to use and commercialise

The ICT contract provides that the Customer Agency owns the new IP in the deliverables. The contract also provides that the Supplier is granted a licence to commercialise (e.g. use, modify and sell) the new IP.

It covers licensing the new IP in the deliverables, not pre-existing property of the Customer Agency, for example, logos, design.

This option would generally allow *both* the Customer Agency and the Supplier to commercialise the IP (unless limitations were placed on either party's rights, e.g. by way of an exclusive licence). Customer Agency ownership of the IPR means that other State Services agencies (or any other people the Customer Agency wishes) can use and modify the IP as the Customer Agency sees fit. The Supplier's licence will allow it to commercialise the IP, e.g. to create derivative works and sell them to other clients. It may be appropriate for the contract to contain provisions dealing with the overlap of these use rights, e.g. provisions to ensure that the Supplier does not try to on-sell derivative works to other State Services agencies without notifying the Customer Agency.

The types of licences that could be used – non-exclusive, sole or exclusive – are discussed in the 'Licence Arrangements' section below.

Factors which might make this option necessary (rather than option 3)

There is potential for new IP to be commercialised and there is no need for the Customer Agency to undertake that commercialisation, but the IPR is or subsists in a critical government ICT system. Agencies should own the IPR to:

- maintain government capability and avoid dependency on a supplier for knowledge or control of such a system;
- uphold public confidence that IPR in critical government systems is owned by the government and can be used across the State Services without limitation.

The Customer Agency wants the ability to enforce its IPR against infringers.

The Customer Agency wishes to use or share the IP with other agencies in the wider public sector or provide it to overseas governments, and so wishes to have ownership of the IPR to avoid doubt in these parties about their entitlement to use it, but there is potential for the Supplier to commercialise the IP for private sector clients.

Preconditions

Anticipates that most of the IP in the deliverables will be newly developed.

Benefits

Customer Agency makes a conscious choice to allow or become involved in commercialisation.

Enables and encourages all-of-government use and modification of the IP, where appropriate.

Opportunity for suppliers to commercialise newly created IP.

Industry has an additional commercial incentive to tender for government ICT work. This could result in lower prices being tendered.

Practical examples

Agency ICT critical business systems with potential for overseas sale.

Option Three: Supplier owns the new IP but provides licences to the Customer Agency and all other State Services agencies

The ICT contract provides that the Supplier owns the new IP in the deliverables. The contract also provides that the Customer Agency and all other State Services agencies (and, where applicable, third parties acting for them) are granted a licence to exercise the IPR created under the contract.

This option provides the Supplier with full rights to commercialise the new IP, e.g. to sell it to other clients or to modify it and have full ownership of the IPR in any new or improved systems that it develops using the original IP. The Customer Agency is granted a licence to use the IP.

The contract needs to set out the nature of the Customer Agency's licence and agencies should, where feasible, require licence terms allowing the IP to be provided to, and used by, any State Services agency (and third parties acting for them). The licence may also need to include rights for the Customer Agency and/or other State Services agencies (or third parties acting for them) to modify the IP, e.g. so that a system can be customised for use by other State Services agencies. The licence could also contain concessions for the State Services as a result of allowing the Supplier to own and commercialise the IPR, such as free or discounted access to any enhancements that are made as part of the commercialisation.

Factors likely to make this option appropriate

The contracted deliverables mainly use pre-existing IP (which is owned by the Supplier) and therefore the IP in the deliverables cannot be readily commercialised by the Customer Agency.

Alternatively, there is no need for the Customer Agency to retain ownership and any commercialisation is best undertaken by the Supplier.

Preconditions

The IP is not (a part of) a critical government ICT system.

Benefits

Opportunity for suppliers to commercialise newly created IP.

Encourages suppliers to commercialise newly created IP by removing the potential impediment of non-ownership of the IPR from their negotiations with prospective clients.

Enables commercialisation to occur in a timely manner.

Gives Supplier the ability to enforce its IPR against infringers and thus protect the commercial value of the IPR. (Note the corresponding disadvantage for the Customer Agency, i.e., it cannot enforce a third party breach of the IPR).

Commercial sector has an additional commercial incentive to tender for government ICT work. This could result in lower prices being tendered.

Opportunity for suppliers to sustain R & D and upgrade testing in NZ, whilst growing sales globally.

Government gains access to a broader field of providers and an enhanced level of competition by boosting the local market and promoting economic development.

Keeps government focused on its core business activities.

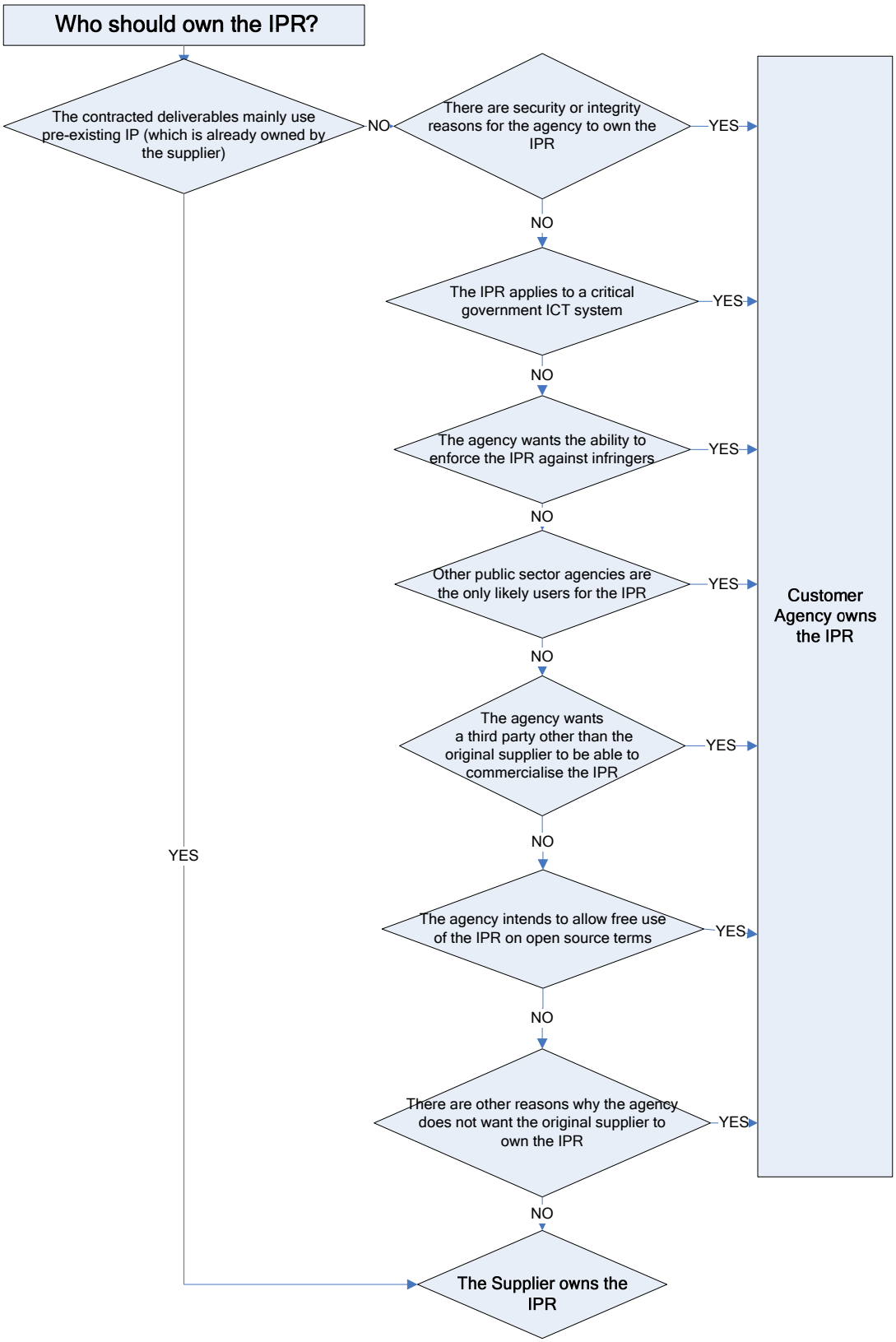
Practical examples

Patient management system; an agency case management system; educational software and digital learning objects.

Decision process and considerations for determining the ownership and commercialisation of the new IP in deliverables

At the ICT project business case formulation stage, State Services agencies should work through a decision flow process to establish which option is appropriate for their project.

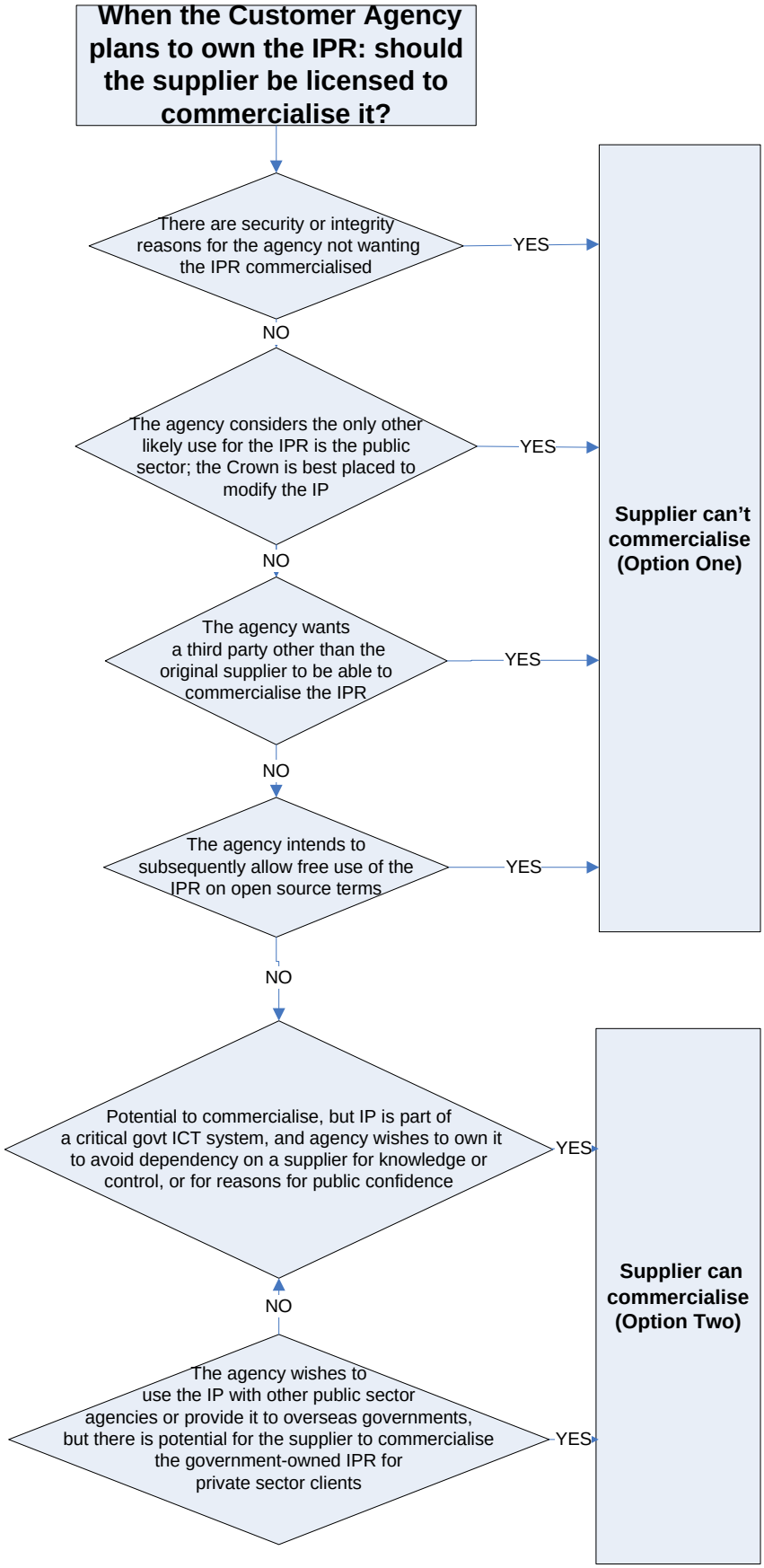
The first consideration will be to identify who should own the new IPR in the deliverables under the contract. In making that decision, agencies should consider the issues represented in the following decision diagram.


Who should own the IPR?
The contracted deliverables mainly use pre-existing IP (which is already owned by the supplier)
NO
There are security or integrity reasons for the agency to own the IPR
YES
NO
The IPR applies to a critical government ICT system
YES
NO
The agency wants the ability to enforce the IPR against infringers
YES
NO
Other public sector agencies are the only likely users for the IPR
YES
NO
The agency wants a third party other than the original supplier to be able to commercialise the IPR
YES
NO
The agency intends to allow free use of the IPR on open source terms
YES
NO
There are other reasons why the agency does not want the original supplier to own the IPR
YES
NO
YES
Customer Agency owns the IPR
The Supplier owns the IPR

The logic in the diagram above is repeated below in textual form.

Do the contracted deliverables mainly use pre-existing IPR (which is already owned by the supplier)								
	Yes The Supplier owns the IPR.							
	No *Are there security or integrity reasons for the agency to own the IPR?*							
		Yes The Customer Agency owns the IPR.						
		No *Does the IPR apply to a critical government ICT system?*						
			Yes The Customer Agency owns the IPR.					
			No *Does the agency want the ability to enforce the IPR against infringers?*					
				Yes The Customer Agency owns the IPR.				
				No *Are other public sector agencies the only likely users for the IPR?*				
					Yes The Customer Agency owns the IPR.			
					No *Does the agency want a third party other than the original supplier to be able to commercialise the IPR?*			
						Yes The Customer Agency owns the IPR.		
						No *Does the agency intend to allow free use of the IPR on open source terms?*		
							Yes The Customer Agency owns the IPR.	
							No *Are there other reasons why the agency does not want the original supplier to own the IPR?*	
								Yes The Customer Agency owns the IPR.
								No The Supplier owns the IPR.

If the outcome of the above process is that the Customer Agency should own the IPR, the following process should be followed to assist in determining who, if anyone, should be permitted to exploit the IP.


When the Customer Agency plans to own the IPR: should the supplier be licensed to commercialise it?
There are security or integrity reasons for the agency not wanting the IPR commercialised
YES
NO
The agency considers the only other likely use for the IPR is the public sector; the Crown is best placed to modify the IP
YES
NO
The agency wants a third party other than the original supplier to be able to commercialise the IPR
YES
NO
The agency intends to subsequently allow free use of the IPR on open source terms
YES
NO
Supplier can't commercialise (Option One)
Potential to commercialise, but IP is part of a critical govt ICT system, and agency wishes to own it to avoid dependency on a supplier for knowledge or control, or for reasons for public confidence
YES
NO
The agency wishes to use the IP with other public sector agencies or provide it to overseas governments, but there is potential for the supplier to commercialise the government-owned IPR for private sector clients
YES
Supplier can commercialise (Option Two)

The logic in the diagram above is repeated below in textual form.

Are there security or integrity reasons for the agency not wanting the IPR commercialised?						
	Yes Supplier can't commercialise (Option One).					
	No *Does the agency consider the only other likely use for the IPR is the public sector, and so the Crown is best placed to modify the IP?*					
		Yes Supplier can't commercialise (Option One).				
		No *Does the agency want a third party other than the original supplier to be able to commercialise the IPR?*				
			Yes Supplier can't commercialise (Option One).			
			No *Does the agency intend to subsequently allow free use of the IPR on open source terms?*			
				Yes Supplier can't commercialise (Option One).		
				No *Is there potential to commercialise, but the IP is part of a critical government ICT system, and the agency wishes to own it to avoid dependency on a supplier for knowledge or control, or for reasons of public confidence?*		
					Yes Supplier *can* commercialise (Option Two).	
					No *Does the agency wish to use the IP with other public sector agencies or provide it to overseas governments, but there is potential for the supplier to commercialise the government–owned IPR for private sector clients?*	
						Yes Supplier *can* commercialise (Option Two).

Licence Arrangements

Customer Agency owns the IPR, Supplier commercialises (Option Two)

If the Customer Agency is to own the IPR and licence the Supplier to commercialise the IP (Option Two), the agency will need to decide what type of licence to grant to the Supplier. The main options, all assuming terms allowing commercialisation, are:

Type of licence	**Who can commercialise the IPR**
Non-exclusive	Supplier can commercialise. Customer Agency can commercialise. The Customer Agency can grant licences to other State Services agencies and third parties.
Sole	Supplier can commercialise. Customer Agency can commercialise.
Exclusive	Only the Supplier can commercialise.

The value to the Supplier could be reduced if the licence is non-exclusive, due to the prospect of competition from other licensees, which in some cases may be sufficient to deter the Supplier from attempting to commercialise the product. The reduced value of the licence could result in a higher price being charged to the agency for the creation of the deliverables. However, the agency may consider there are more compelling reasons to make the licence non-exclusive, e.g. the opportunity to grant licences to other developers may be judged likely to produce a greater national economic benefit than would accrue if a sole organisation had commercialisation rights.

Supplier owns the IPR (Option Three)

A key element in the decision process is consideration of the Customer Agency's licence arrangements should the IPR be vested in the Supplier. Agencies will need to have certainty that they will continue to receive and have access to the deliverables that they are contracting to receive. Agencies should consider the use of IP escrow or, where appropriate, require provision of a copy of the relevant intellectual property (for example, source code) with rights to modify and use.

Internationally, governments promoting the vesting of IPR ownership in suppliers are also recommending perpetual all-of-government licensing of the IP in the contracted deliverables. When issuing RFP/RFTs or developing contracts, agencies should, where feasible, require terms granting perpetual licences to all State Services agencies.

There may be exceptional circumstances where the usage rights should be negotiable, e.g. where an all-of-government usage licence may not be appropriate, and the scope of usage should be restricted, e.g. to the agency itself, or to a sector. Cost saving, however, is usually not a sufficient reason for accepting a restricted licence. Accepting cost savings as a valid reason could:

- reward vendors for deliberately tendering an unrealistic all-of-government licence price whilst offering a realistic single agency licence price

- incentivise agencies to take a purely self-interested approach, at the expense of the government as a whole.

If the agency has decided to forgo the ownership rights for the benefit of the supplier, then it is not unreasonable to require in return a licence allowing State Services-wide use.

Agencies may need to ensure that the licence terms allow the IP or parts of it to be used by third parties acting for or on behalf of the Customer Agency or other State Services agencies. A significant number of State Services agencies outsource ICT support and other services to a number of different suppliers. Those other suppliers may need to use the relevant IP to support the State Services agency. If use by third party suppliers is not expressly permitted by the relevant licence terms, then the supplier who originally developed the IP could try to prevent such use or charge royalties for such use.

The position regarding licence rights, and the extent to which they are negotiable, should be set out in project business case and tender documentation.

Pricing

Ownership and commercialisation decisions are likely to inform the pricing negotiations. It is anticipated that making these decisions prior to issuing a request for proposals or tenders will provide flexibility for those negotiations.

Agencies should ensure that expected benefits to the supplier resulting from the agency's proposed ownership and licensing arrangements are made explicit in the RFT/RFP document, so as to encourage lower priced tenders and ensure that all tenderers are bidding on an equal footing.

Model Clauses

Model ownership and licensing clauses for agencies to insert into their ICT contracts are set out in Appendix One. These will be included in the Ministry of Economic Development's Model ICT Contracts resource when it is released on the Public Sector Intranet.

Commercialisation of existing, government-owned IPR

If an agency has invented something novel and considers there is a reasonable prospect of its commercialisation, it may wish to consider applying for patent protection at an early stage and certainly before publication of its ideas.

When an agency owns IP which neither the supplier nor any third party is licensed to commercialise, the agency may subsequently decide commercialisation is worth considering. The decision as to who should be given the opportunity to commercialise needs to be made with an open, fair and transparent process to ensure adequate opportunity is given to the market to respond and add value.

To assist in deciding *whether to* commercialise existing government-owned IPR, or to allow commercialisation by others, agencies should consider the following factors:

- Except in limited circumstances, exploitation of IPR is not a core business activity of government organisations. Even when another party is commercialising, agencies can be

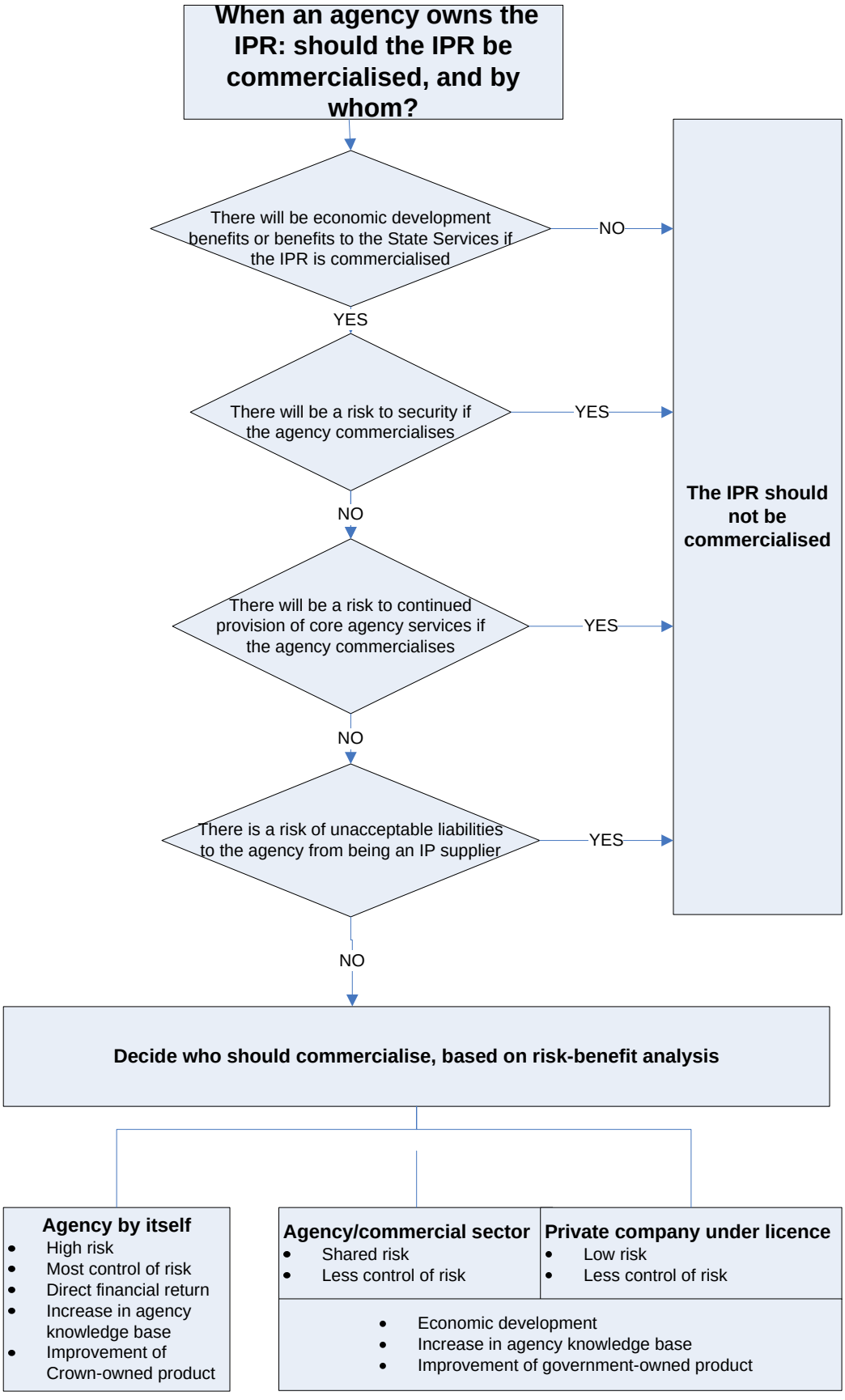
put under pressure to divert resources to assist with the commercialisation, especially when the product is not yet mature or fully implemented.

- Encouragement of New Zealand economic and private sector growth.
- Potential fiscal/monetary return to the government.
- Increase in agency knowledge base.
- Improvement of government-owned IP.
- Risks, including:
  - threats to the integrity of government networks arising from access to the IP by other parties
  - potential liabilities arising from the provision of IP
  - potential costs of protecting IP.

To assist in deciding *who should* commercialise, agencies should consider the potential risk and benefits as follows:

Who Commercialises	**Benefits**	**Risk**
Agency by itself	Direct financial return (royalties) Increase in agency knowledge base Improvement of government-owned product	High risk Most control of risk
Agency in conjunction with commercial sector	Economic development Increase in agency knowledge base Improvement of government-owned product	Shared risk Less control of risk
Private organisation under licence	Economic development Increase in agency knowledge base Improvement of government-owned product	Low risk Least control of risk

The decision-making process can be represented as follows:


When an agency owns the IPR: should the IPR be commercialised, and by whom?
There will be economic development benefits or benefits to the State Services if the IPR is commercialised
NO
YES
There will be a risk to security if the agency commercialises
YES
NO
There will be a risk to continued provision of core agency services if the agency commercialises
YES
NO
There is a risk of unacceptable liabilities to the agency from being an IP supplier
YES
NO
The IPR should not be commercialised
Decide who should commercialise, based on risk-benefit analysis
Agency by itself
High risk
Most control of risk
Direct financial return
Increase in agency knowledge base
Improvement of Crown-owned product
Agency/commercial sector
Shared risk
Less control of risk
Private company under licence
Low risk
Less control of risk
Economic development
Increase in agency knowledge base
Improvement of government-owned product

The logic in the diagram above ('When an agency owns the IPR: should the IPR be commercialised, and by whom?'), is repeated below in textual form.

Will there be economic development benefit or benefits to the State Services if the IPR is commercialised?

No
The IPR should not be commercialised.

Yes
Will there be a risk to security if the agency commercialises the IPR?

Yes
The IPR should not be commercialised.

No
Will there be a risk to continued provision of core agency services if the agency commercialises the IPR?

Yes
The IPR should not be commercialised.

No
Is there a risk of unacceptable liabilities to the agency from being an IP supplier?

Yes
The IPR should not be commercialised.

No
Decide who should commercialise, based on risk-benefit analysis.

Agency by itself
- High risk
- Most control of risk
- Direct financial return
- Increase in agency knowledge base
- Improvement of Crown-owned product

Agency/commercial sector
- Shared risk
- Less control of risk
- Economic development
- Increase in agency knowledge base
- Improvement of government-owned product

Private company under licence
- Low risk
- Less control of risk
- Economic development
- Increase in agency knowledge base
- Improvement of government-owned product

Appendix One: Model Ownership and Licensing Clauses

This appendix includes recommended clauses for implementing the ownership and licensing options described in the body of these Guidelines.

The clauses come in three versions:

- **Short form** – For use in low value *and* low risk transactions.
- **Medium form** – For use if the short form or long form is not appropriate.
- **Long Form** – For use in high value *or* high risk transactions.

Each version includes the three ownership and licensing options referred to in the body Guidelines, namely:

- **Option 1** – Customer Agency owns all new intellectual property in the deliverables, with no licence back to the Supplier.
- **Option 2** – Customer Agency owns all new intellectual property in the deliverables, with a licence back to the Supplier for its commercial exploitation.
- **Option 3** – Supplier owns all new intellectual property in the deliverables, and provides a licence to the Customer and other State Services agencies for any purpose other than commercial exploitation.

To use the clauses, select the appropriate version (short, medium or long) then delete the options that are not required in accordance with the Guidelines, as well as any highlighted notes and illustrations in square brackets. Clause numbering, clause cross references, and the names of the parties (currently referred to as Customer and Supplier), will need to be modified as required. When inserting the clauses into other documents, it is best to use the "Edit/Paste Special" command and insert the clauses as "Unformatted Text".

Relevant definitions are included for insertion into one's wider agreement. A confidentiality clause is also included as the IP clauses cross-refer to a confidentiality clause.

The provision of these model clauses does not constitute legal advice nor are any express or implied warranties given as to the suitability of the clauses for a given transaction. Independent legal advice may be required to ensure that the definitions fit properly within the remainder of one's agreement and that the selected clauses are otherwise appropriate in the wider context of that agreement.

PART A – SHORT FORM

A1 DEFINITIONS

A1.1 In this Agreement, unless the context requires otherwise:

A1.1.1 ***Deliverables*** means all tangible and intangible property, including software, hardware, and documentation, provided or to be provided under this Agreement by or on behalf of Supplier, including [eg Purchased Product, Reports, etc].

A1.1.2 ***Intellectual Property Rights*** means any patents, trade marks, trade names, service marks, registered designs and all goodwill rights associated with such works, copyright, circuit layouts, domain names, symbols, logos and all other all intellectual property rights and interests in any jurisdiction.

A1.1.3 ***Pre-existing Intellectual Property Rights*** means Intellectual Property Rights developed prior to the date of this Agreement or outside the scope of this Agreement, but does not include later modifications, adaptations or additions to such Intellectual Property Rights.

A1.1.4 ***Services*** means the services provided or to be provided under this Agreement by or on behalf of [Supplier], including [eg the Managed Services, etc].

A1.1.5 ***State Services Agency*** means:

(a) any New Zealand public service and non-public service department;

(b) any Crown Entity under the Crown Entities Act 2004;

(c) any organisation listed on the Fourth Schedule to the Public Finance Act 1989;

(d) the Reserve Bank of New Zealand.

A2 CONFIDENTIALITY

A2.1 **Confidentiality.** Each party (the recipient) agrees that at all times, including after this Agreement, it will hold in confidence, and will not, other than for purposes of this Agreement or to obtain the intended benefit of the Services and Deliverables, use or disclose to any third party any information in any form relating to the other party (the owner) which becomes known to or is created by the recipient in connection with this Agreement, excluding any information to the extent the recipient can show the relevant information:

A2.1.1 may be used or disclosed as agreed by the owner;

A2.1.2 becomes public knowledge otherwise than by the other party's own disclosure;

A2.1.3 is already in the unrestricted possession of the recipient prior to disclosure;

A2.1.4 has been independently developed by the recipient (as evidenced by its records);

A2.1.5 is not intended to be confidential as evidenced by the owner's written agreement; or

A2.1.6 legally must be disclosed.

Check that this adequately covers any known confidential information.

A2.2 **Official information.** Regardless of any other provision of this Agreement, Supplier acknowledges that its information held by Customer may be official information under the Official Information Act 1982 and, in accordance with that Act, may be released to the public.

A3 INTELLECTUAL PROPERTY

[Option 1 – New IP in Deliverables owned by Customer with no licence back to Supplier]

A3.1 **Customer owns new IP.** Exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Customer upon their creation. To the extent such ownership does not so vest, Supplier irrevocably assigns such Intellectual Property Rights to Customer.

> For some IPRs, such as New Zealand registered design rights, the *present assignment* recorded above will only give Customer *beneficial* ownership of the new IP, not *legal* ownership. To perfect Customer's legal ownership in such cases, further action will be required by Supplier after the property has come into existence.
>
> Because most ICT contracts only involve copyright, which can be presently assigned under section 116 of the Copyright Act, such further action to perfect title will usually not be required. But if the requirement for such further action is a possibility, a "further assurances" clause should be added to these short form clauses. A sample further assurances clause can be found in the medium and long form clauses.

A3.2 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right to use, copy, modify and distribute the Deliverable.

> If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property.

A3.3 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer arising out of any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them in accordance with this Agreement infringes a third party's rights.

[Option 2 – New IP in Deliverables owned by Customer with licence back to Supplier]

A3.4 **Customer owns new IP.** Exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Customer upon their creation. To the extent such ownership does not so vest, Supplier irrevocably assigns such Intellectual Property Rights to Customer.

> For some IPRs, such as New Zealand registered design rights, the *present assignment* recorded above will only give Customer *beneficial* ownership of the new IP, not *legal* ownership. To perfect Customer's legal ownership in such cases, further action will be required by Supplier after the property has come into existence.
>
> Because most ICT contracts only involve copyright, which can be presently assigned under section 116 of the Copyright Act, such further action to perfect title will usually not be required. But if the requirement for such further action is a possibility, a "further assurances" clause should be added to these short form General Terms. A sample further assurances clause can be found in the medium and long form General Terms.

A3.5 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to

Customer under this Agreement. This license includes the right to use, copy, modify and distribute the Deliverable.

Note that if intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property

A3.6 **Licence to Supplier.** Customer grants Supplier **[Option 1…**a non-exclusive**] [Option 2…**the sole**] [Option 3…**the exclusive**]** licence to exercise for commercial purposes all Intellectual Property Rights in a Deliverable that are owned by Customer. This licence is perpetual, **[Optional…**non-transferable, **]** irrevocable and fully paid-up (ie not subject to any licence fees, royalties or other charges). To the extent permitted by law, Customer disclaims all implied conditions, representations and warranties in relation to the licence.

"**Non-exclusive**" means Customer may license other parties to commercialise the intellectual property and may commercialise it itself. "**Sole**" means Customer may not license any third party to commercialise the intellectual property, but may commercialise it itself.
"**Exclusive**" means Customer may not commercialise the intellectual property itself or license a third party to do so. None of these licenses restricts Customer's ability to license third parties for non-commercial purposes.

A3.7 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer in connection with any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them infringes a third party's rights.

[Option 3 – New IP in Deliverables owned by Supplier with licence back to Customer and other State Services Agencies]

A3.8 **Supplier owns new IP.** Subject to clause A2 (Confidentiality), exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Supplier upon their creation.

If Supplier needs to use any of Customer's intellectual property on an ongoing basis, in order to commercialise the intellectual property it will own under this clause, consider a separate licence of that intellectual property from Customer to Supplier.

A3.9 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any non-commercial purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right, for Customer, other State Service Agencies and contractors on their behalf, to use, copy, modify and distribute the Deliverable.

Note that if intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property.

A3.10 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer in connection with any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them infringes a third party's rights.

PART B – MEDIUM FORM

B1 DEFINITIONS

B1.1 In this Agreement, unless the context requires otherwise:

B1.1.1 ***Deliverables*** means all tangible and intangible property, including software, hardware, and documentation, provided or to be provided under this Agreement by or on behalf of Supplier, including [eg Purchased Product, Reports, etc].

B1.1.2 ***Intellectual Property Rights*** means any patents, trade marks, trade names, service marks, registered designs and all goodwill rights associated with such works, copyright, circuit layouts, domain names, symbols, logos and all other all intellectual property rights and interests in any jurisdiction.

B1.1.3 ***Pre-existing Intellectual Property Rights*** means Intellectual Property Rights developed prior to the date of this Agreement or outside the scope of this Agreement, but does not include later modifications, adaptations or additions to such Intellectual Property Rights.

B1.1.4 ***Services*** means the services provided or to be provided under this Agreement by or on behalf of [Supplier], including [eg the Managed Services, etc].

B1.1.5 ***State Services Agency*** means:

(a) any New Zealand public service and non-public service department;

(b) any Crown Entity under the Crown Entities Act 2004;

(c) any organisation listed on the Fourth Schedule to the Public Finance Act 1989; and

(d) the Reserve Bank of New Zealand.

B2 CONFIDENTIALITY

B2.1 **Confidentiality.** Each party (the recipient) will hold in confidence, and will not, other than for the purposes of this Agreement or to obtain the intended benefit of the Services, use or disclose to any third party any information in any form relating to the other party (the owner) which becomes known to or is created by the recipient in connection with this Agreement (***Confidential Information***), excluding any information to the extent the recipient can show the relevant information:

B2.1.1 may be used or disclosed as agreed by the owner;

B2.1.2 becomes public knowledge otherwise than by the other party's own disclosure;

B2.1.3 is already in the unrestricted possession of the recipient prior to disclosure;

B2.1.4 has been independently developed by the recipient (as evidenced by its records);

B2.1.5 is not intended to be confidential as evidenced by the owner's written agreement; or

B2.1.6 legally must be disclosed.

B2.2 **Responsibility for third parties.** Each party will be liable for any use or disclosure of Confidential Information by any person in possession of Confidential Information through that party as if such use or disclosure was by that party.

B2.3 **Publicity.** Supplier will not, without Customer's prior written consent which may be withheld, or granted on such conditions, as Customer determines:

B2.3.1 make any public statement in relation to this Agreement, including making press releases or naming Customer on any customer list; or

B2.3.2 offer any customer reference in relation to this Agreement.

B2.4 **Official information.** Regardless of any other provision of this Agreement, Supplier acknowledges that its Confidential Information may be official information under the Official Information Act 1982 and, in accordance with that Act, such information may be released to the public.

Check that this adequately covers any known confidential information.

B3 INTELLECTUAL PROPERTY

[Option 1 – New IP in Deliverables owned by Customer with no licence back to Supplier]

B3.1 **Customer owns new IP.** Exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Customer upon their creation. To the extent such ownership does not so vest, Supplier irrevocably assigns such Intellectual Property Rights to Customer. Supplier will ensure all moral rights in such Intellectual Property Rights are waived before provision of the Deliverables to Customer.

For some IPRs, such as New Zealand registered design rights, the *present assignment* recorded above will only give Customer *beneficial* ownership of the new IP, not *legal* ownership. To perfect Customer's legal ownership in such cases, further action will be required by Supplier after the property has come into existence. The requirement for Supplier to take that further action is contained in clause B4 (Further assurances).

B3.2 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right to use, copy, modify and distribute the Deliverable. Each State Services Agency that is not a party to this Agreement is entitled to the benefit of and may enforce this licence as if it were a party to this Agreement. The parties may vary the terms of this license at any time by agreement in writing.

If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property.

B3.3 **License to Supplier.** Customer grants Supplier a non-exclusive licence to exercise, only for the Term and to the extent necessary to provide the Services and Deliverables, all Intellectual Property Rights provided by or on behalf of Customer under this Agreement.

B3.4 **Supplier warranty.** Supplier represents and warrants that:

B3.4.1 the exercise in accordance with this Agreement of any Intellectual Property Right vested in or licensed to Customer under this Agreement will not infringe the rights of any third party; and

B3.4.2 it has obtained and/or will make available to Customer all licences, clearances, consents and authorisations necessary for the use of the Services and Deliverables in accordance with this Agreement.

B3.5 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer arising out of any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them in accordance with this Agreement infringes a third party's rights (each ***a Claim***). In the event of any Claim, Customer will:

B3.5.1 promptly notify Supplier in writing of the Claim and not make any admission or purport to settle any Claim without Supplier's prior written consent, which will not be unreasonably withheld or delayed;

B3.5.2 at Supplier's request and expense, allow Supplier to conduct and/or settle all negotiations and litigation resulting from the Claim, provided that Customer will be entitled to be represented at, and be consulted on, all such negotiations and litigation; and

B3.5.3 at Supplier's request, provide reasonable assistance with such negotiations or litigation, and Supplier must reimburse Customer its fully loaded staff costs and expenses of so doing.

[Option 2 – New IP in Deliverables owned by Customer with licence back to Supplier]

B3.6 **Customer owns new IP.** Exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Customer upon their creation. To the extent such ownership does not so vest, Supplier irrevocably assigns such Intellectual Property Rights to Customer. Supplier will ensure all moral rights in such Intellectual Property Rights are waived before provision of the Deliverables to Customer.

For some IPRs, such as New Zealand registered design rights, the *present assignment* recorded above will only give Customer *beneficial* ownership of the new IP, not *legal* ownership. To perfect Customer's legal ownership in such cases, further action will be required by Supplier after the property has come into existence. The requirement for Supplier to take that further action is contained in clause B4 (Further assurances).

B3.7 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right to use, copy, modify and distribute the Deliverable. Each State Services Agency that is not a party to this Agreement is entitled to the benefit of and may enforce this licence as if it were a party to this Agreement. The parties may vary the terms of this license at any time by agreement in writing.

If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property

B3.8 **License to Supplier.** Customer grants Supplier:

B3.8.1 a non-exclusive licence to exercise, only for the Term and to the extent necessary to provide the Services and Deliverables, all Intellectual Property Rights provided by or on behalf of Customer under this Agreement; and

B3.8.2 **[Option 1…**a non-exclusive**] [Option 2…**the sole**] [Option 3…**the exclusive**]** licence to exercise for commercial purposes all Intellectual Property Rights in a Deliverable that are owned by Customer. The licence is perpetual, **[Optional…**non-transferable, **]** irrevocable and fully paid-up (ie not subject to any licence fees, royalties or other charges). To the extent permitted by law, Customer disclaims all implied conditions, representations and warranties in relation to the licence.

"**Non-exclusive**" means Customer may license other parties to commercialise the intellectual property and may commercialise it itself. "**Sole**" means Customer may not license any third party to commercialise the intellectual property, but may commercialise it itself. "**Exclusive**" means Customer may not commercialise the intellectual property itself or license a third party to do so. None of these licenses restricts Customer's ability to license

third parties for non-commercial purposes.

B3.9 **Supplier warranty.** Supplier represents and warrants that:

B3.9.1 the exercise in accordance with this Agreement of any Intellectual Property Right vested in or licensed to Customer under this Agreement will not infringe the rights of any third party; and

B3.9.2 it has obtained and/or will make available to Customer all licences, clearances, consents and authorisations necessary for the use of the Services and Deliverables in accordance with this Agreement.

B3.10 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer in connection with any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them infringes a third party's rights (each ***a Claim***). In the event of any Claim, Customer will:

B3.10.1 promptly notify Supplier in writing of the Claim and not make any admission or purport to settle any Claim without Supplier's prior written consent, which will not be unreasonably withheld or delayed;

B3.10.2 at Supplier's request and expense, allow Supplier to conduct and/or settle all negotiations and litigation resulting from the Claim, provided that Customer will be entitled to be represented at, and be consulted on, all such negotiations and litigation; and

B3.10.3 at Supplier's request, provide reasonable assistance with such negotiations or litigation, and Supplier must reimburse Customer its fully loaded staff costs and expenses of so doing.

[Option 3 – New IP in Deliverables owned by Supplier with licence back to Customer and other State Services Agencies]

B3.11 **Supplier owns new IP.** Subject to clause B2 (Confidentiality), exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Supplier upon their creation. To the extent such ownership vests in the Customer, Customer irrevocably assigns such Intellectual Property Rights to Supplier.

B3.12 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any non-commercial purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right, for Customer, other State Service Agencies and contractors on their behalf, to use, copy, modify and distribute the Deliverable. Each State Services Agency that is not a party to this Agreement is entitled to the benefit of and may enforce this licence as if it were a party to this Agreement. The parties may vary the terms of this license at any time by agreement in writing.

If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property

B3.13 **License to Supplier.** Customer grants Supplier a non-exclusive licence to exercise, only for the Term and to the extent necessary to provide the Services and Deliverables, all Intellectual Property Rights provided by or on behalf of Customer under this Agreement.

If Supplier needs to use any of Customer's intellectual property on an ongoing basis, in order to commercialise the intellectual property it will own under this Agreement, consider a further licence of that intellectual property from Customer to Supplier.

B3.14 **Supplier warranty.** Supplier represents and warrants that:

B3.14.1 the exercise in accordance with this Agreement of any Intellectual Property Right licensed to Customer under this Agreement will not infringe the rights of any third party; and

B3.14.2 it has obtained and/or will make available to Customer all licences, clearances, consents and authorisations necessary for the use of the Services and Deliverables in accordance with this Agreement.

B3.15 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer in connection with any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them infringes a third party's rights (each ***a Claim***). In the event of any Claim, Customer will:

B3.15.1 promptly notify Supplier in writing of the Claim and not make any admission or purport to settle any Claim without Supplier's prior written consent, which will not be unreasonably withheld or delayed;

B3.15.2 at Supplier's request and expense, allow Supplier to conduct and/or settle all negotiations and litigation resulting from the Claim, provided that Customer will be entitled to be represented at, and be consulted on, all such negotiations and litigation;

B3.15.3 at Supplier's request, provide reasonable assistance with such negotiations or litigation, and Supplier must reimburse Customer its fully loaded staff costs and expenses of so doing.

B4 FURTHER ASSURANCES

B4.1 Each party undertakes, at its own expense, to execute and deliver any document and to do all things as may reasonably be required in order to assist, in respect of matters within that party's control, the other party to obtain the full benefit of this Agreement according to its true intent **[Optional if Customer is to own any new IP…** , including assisting Customer to register as proprietor of, and to perfect Customer's title to, any Intellectual Property Right owned by Customer under this Agreement**]**.

PART C – LONG FORM

C1 DEFINITIONS

C1.1 In this Agreement, unless the context requires otherwise:

C1.1.1 ***Confidential Information*** of a party means:

(a) in the case of Customer:

- all electronic data stored in any computer of Customer; or
- all information created by Supplier in connection with this Agreement;

(b) all information:

- designated as "confidential", "commercial-in-confidence", “budget sensitive” or by some similar designation;
- relating to the affairs of that party and, in the case of Customer, any other state, regional or local government body or agency; or
- otherwise treated as confidential at law,

which is made available by that party, or otherwise obtained by or on behalf of the other party, under or in connection with this Agreement; or

(c) all information developed, obtained or derived from that party’s Confidential Information.

C1.1.2 ***Deliverables*** means all tangible and intangible property, including software, hardware, and documentation, provided or to be provided under this Agreement by or on behalf of Supplier, including [eg Purchased Product, Licensed Software, Reports, etc].

C1.1.3 ***Intellectual Property Rights*** means copyright, trade mark, registered designs, patent, semiconductor or circuit layout rights, trade, business or company names, domain names, rights in inventions, rights in computer software, rights in databases, trade secrets, know-how, business processes, methodologies or tools, or other proprietary rights, whether registered or unregistered, and all equivalent rights and forms of protection anywhere in the world.

C1.1.4 ***Pre-existing Intellectual Property Rights*** means Intellectual Property Rights developed prior to the date of this Agreement or outside the scope of this Agreement, but does not include later modifications, adaptations or additions to such Intellectual Property Rights.

C1.1.5 ***Services*** means the services provided or to be provided under this Agreement by or on behalf of [Supplier], including [eg the Managed Services, etc].

C1.1.6 ***State Services Agency*** means:

(a) any New Zealand public service and non-public service department;

(b) any Crown Entity under the Crown Entities Act 2004;

(c) any organisation listed on the Fourth Schedule to the Public Finance Act 1989;

(d) the Reserve Bank of New Zealand.

C2 CONFIDENTIALITY

C2.1 **Restrictions.** Except to the extent set out in this clause C2 (Confidentiality) or otherwise expressly permitted in this Agreement, each party holding the other party's Confidential Information (***the Receiving Party***):

C2.1.1 will use the Confidential Information only for the purposes of this Agreement (which, in the case of use by Customer, will include obtaining the full benefit of this Agreement and all rights granted under it) or otherwise for the purpose for which it was disclosed by the other party;

C2.1.2 will keep the Confidential Information confidential and not, without first obtaining the written consent of the other party, disclose it to any third party or in the presence of any person other than its Personnel or advisors permitted under this clause C2 (Confidentiality);

C2.1.3 may disclose the Confidential Information to the Receiving Party's Personnel to the extent they need to know the Confidential Information for the purpose of this Agreement, provided that:

(a) the Personnel have been made aware of the need to keep such information confidential **[Optional, if likely to be complied with in practice…** and, if requested by the disclosing party, have agreed in writing to obligations of confidentiality and use that are no less protective of the Confidential Information than this clause C2 (Confidentiality)**]**

(b) the Receiving Party ensures that such Personnel comply with those obligations

(c) the Receiving Party is responsible for the acts and omissions of its Personnel in relation to the Confidential Information;

C2.1.4 may disclose the Confidential Information to its professional advisors only if such disclosure is necessary for the purposes of receiving professional advice and those professional advisors are subject to a duty of confidentiality that covers that information; and

C2.1.5 must take all action reasonably necessary to secure the Confidential Information against theft, loss or unauthorised disclosure.

C2.2 **Exceptions.** A party is not required to comply with clause C2.1 (Restrictions) to the extent that the relevant Confidential Information is:

C2.2.1 already in its unrestricted possession, without an obligation of confidentiality, at the time of receipt of the Confidential Information;

C2.2.2 independently developed without the benefit or use of any other Confidential Information;

C2.2.3 generally known and available to the public through no fault of that party;

C2.2.4 disclosed to the party by a third party, who has the right to make such disclosure, without an obligation of confidentiality; or

C2.2.5 required to be disclosed by law or under the rules of any stock exchange.

C2.3 **Intellectual Property not affected.** Nothing in this clause C2 (Confidentiality) will limit Customer in any way from exercising or enjoying any Intellectual Property Rights that it owns or that are, or are to be, licensed or granted to it by Supplier or any third party under or in relation to this Agreement.

C2.4 **Publicity.** Supplier will not, without Customer's prior written consent which may be withheld, or granted on such conditions, as Customer determines:

C2.4.1 make any public statement in relation to this Agreement, including making press releases or naming Customer on any customer list; or

C2.4.2 offer any customer reference in relation to this Agreement.

C2.5 **Official information.** Regardless of any other provision of this Agreement, Supplier acknowledges that its Confidential Information may be official information under the Official Information Act 1982 and, in accordance with that Act, such information may be released to the public.

Check that this adequately addresses any known confidential information.

C3 INTELLECTUAL PROPERTY

[Option 1 – New IP in Deliverables owned by Customer with no licence back to Supplier]

C3.1 **Customer owns new IP.** Exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Customer upon their creation. To the extent such ownership does not so vest, Supplier irrevocably assigns such Intellectual Property Rights to Customer. Supplier will ensure all moral rights in such Intellectual Property Rights are waived before provision of the Deliverables to Customer.

For some IPRs, such as New Zealand registered design rights, the *present assignment* recorded above will only give Customer *beneficial* ownership of the new IP, not *legal* ownership. To perfect Customer's legal ownership in such cases, further action will be required by Supplier after the property has come into existence. The requirement for Supplier to take that further action is contained in clause **C4** (Further assurances).

C3.2 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right to use, copy, modify and distribute the Deliverable. Each State Services Agency that is not a party to this Agreement is entitled to the benefit of and may enforce this licence as if it were a party to this Agreement. The parties may vary the terms of this license at any time by agreement in writing.

If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property

C3.3 **License to Supplier.** Customer grants Supplier a non-exclusive licence to exercise, only for the Term and to the extent necessary to provide the Services and Deliverables, all Intellectual Property Rights provided by or on behalf of Customer under this Agreement.

C3.4 **Supplier warranty.** Supplier represents and warrants that:

C3.4.1 it has full right and title to vest Intellectual Property Rights in Customer in accordance with clause C3.1 (Customer owns new IP);

C3.4.2 it is authorised to licence Intellectual Property Rights to Customer in accordance with clause C3.2 (License to Customer);

C3.4.3 the exercise in accordance with this Agreement of any Intellectual Property Right vested in or licensed to Customer under this Agreement will not infringe the rights of any third party; and

C3.4.4 it has obtained and/or will make available to Customer all licences, clearances, consents and authorisations necessary for the use of the Services and Deliverables in accordance with this Agreement.

C3.5 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer arising out of any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them in accordance with this Agreement infringes a third party's rights (each ***a Claim***). In the event of any Claim, Customer will:

C3.5.1 promptly notify Supplier in writing of the Claim and not make any admission or purport to settle any Claim without Supplier's prior written consent, which will not be unreasonably withheld or delayed;

C3.5.2 at Supplier's request and expense, allow Supplier to conduct and/or settle all negotiations and litigation resulting from the Claim, provided that Customer will be entitled to be represented at, and be consulted on, all such negotiations and litigation; and

C3.5.3 at Supplier's request, provide reasonable assistance with such negotiations or litigation, and Supplier must reimburse Customer its fully loaded staff costs and expenses of so doing.

C3.6 **Customer's remedies.** If any Claim prevents or threatens to prevent the supply or exploitation of a Service or Deliverable then Supplier must, at the request of and at no cost to Customer:

C3.6.1 obtain for Customer the right to continue the supply or exploitation;

C3.6.2 modify the Service or Deliverable so it becomes non-infringing; or

C3.6.3 replace the Deliverable with another non-infringing item,

provided that Supplier must ensure that the remedy does not materially affect the Service or Deliverable or Customer's exploitation of it. Without prejudice to any right or remedy, Customer may terminate this Agreement if Supplier is unable to remedy the Claim in accordance with this clause within [two months] of Customer's request.

[Option 2 – New IP in Deliverables owned by Customer with licence back to Supplier]

C3.7 **Customer owns new IP.** Exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Customer upon their creation. To the extent such ownership does not so vest, Supplier irrevocably assigns such Intellectual Property Rights to Customer. Supplier will ensure all moral rights in such Intellectual Property Rights are waived before provision of the Deliverables to Customer.

For some IPRs, such as New Zealand registered design rights, the *present assignment* recorded above will only give Customer *beneficial* ownership of the new IP, not *legal* ownership. To perfect Customer's legal ownership in such cases, further action will be required by Supplier after the property has come into existence. The requirement for Supplier to take that further action is contained in clause **C4** (Further assurances).

C3.8 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right to use, copy, modify and distribute the Deliverable. Each State Services Agency that is not a party to this Agreement is entitled to the benefit of and may enforce this licence as if it were a party to this Agreement. The parties may vary the terms of this license at any time by agreement in writing.

If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property.

C3.9 **Licence to Supplier.** Customer grants Supplier

C3.9.1 a non-exclusive licence to exercise, only for the Term and to the extent necessary to provide the Services and Deliverables, all Intellectual Property Rights provided by or on behalf of Customer under this Agreement

C3.9.2 **[Option 1…**a non-exclusive**] [Option 2…**the sole**] [Option 3…**the exclusive**]** licence to exercise for commercial purposes all Intellectual Property Rights in a Deliverable that are owned by Customer. The licence is perpetual, **[Optional…**non-transferable, **]** irrevocable and fully paid-up (ie not subject to any licence fees, royalties or other charges). To the extent permitted by law, Customer disclaims all implied conditions, representations and warranties in relation to the licence.

"**Non-exclusive**" means Customer may license other parties to commercialise the intellectual property and may commercialise it itself. "**Sole**" means Customer may not license any third party to commercialise the intellectual property, but may commercialise it itself. "**Exclusive**" means Customer may not commercialise the intellectual property itself or license a third party to do so. None of these licenses restricts Customer's ability to license third parties for non-commercial purposes.

C3.10 **Supplier warranty.** Supplier represents and warrants that:

C3.10.1 it has full right and title to vest Intellectual Property Rights in Customer in accordance with clause C3.7 (Customer owns new IP);

C3.10.2 it is authorised to licence Intellectual Property Rights to Customer in accordance with clause C3.8 (License to Customer);

C3.10.3 the exercise in accordance with this Agreement of any Intellectual Property Right vested in or licensed to Customer under this Agreement will not infringe the rights of any third party; and

C3.10.4 it has obtained and/or will make available to Customer all licences, clearances, consents and authorisations necessary for the use of the Services and Deliverables in accordance with this Agreement.

C3.11 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer in connection with any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them infringes a third party's rights (each ***a Claim***). In the event of any Claim, Customer will:

C3.11.1 promptly notify Supplier in writing of the Claim and not make any admission or purport to settle any Claim without Supplier's prior written consent, which will not be unreasonably withheld or delayed;

C3.11.2 at Supplier's request and expense, allow Supplier to conduct and/or settle all negotiations and litigation resulting from the Claim, provided that Customer will be entitled to be represented at, and be consulted on, all such negotiations and litigation; and

C3.11.3 at Supplier's request, provide reasonable assistance with such negotiations or litigation, and Supplier must reimburse Customer its fully loaded staff costs and expenses of so doing.

C3.12 **Customer's remedies.** If any Claim prevents or threatens to prevent the supply or exploitation of a Service or Deliverable then Supplier must, at the request of and at no cost to Customer:

C3.12.1 obtain for Customer the right to continue the supply or exploitation;

C3.12.2 modify the Service or Deliverable so it becomes non-infringing; or

C3.12.3 replace the Deliverable with another non-infringing item,

provided that Supplier must ensure that the remedy does not materially affect the Service or Deliverable or Customer's exploitation of it. Without prejudice to any right or remedy, Customer may terminate this Agreement if Supplier is unable to remedy the Claim in accordance with this clause within [two months] of Customer's request.

[Option 3 – New IP in Deliverables owned by Supplier with licence back to Customer and other State Services Agencies]

C3.13 **Supplier owns new IP.** Subject to clause C2 (Confidentiality), exclusive ownership of and title to any Intellectual Property Rights in the Deliverables, other than Pre-existing Intellectual Property Rights which will remain vested in their current owner, will immediately and directly vest in Supplier upon their creation. To the extent such ownership vests in the Customer, Customer irrevocably assigns such Intellectual Property Rights to Supplier.

C3.14 **Licence to Customer.** Supplier grants Customer and all other State Services Agencies a perpetual, non-exclusive and irrevocable license to exercise for any non-commercial purpose all Intellectual Property Rights in a Deliverable that are not owned by Customer or otherwise licensed to Customer under this Agreement. This license includes the right, for Customer, other State Service Agencies and contractors on their behalf, to use, copy, modify and distribute the Deliverable. Each State Services Agency that is not a party to this Agreement is entitled to the benefit of and may enforce this licence as if it were a party to this Agreement. The parties may vary the terms of this license at any time by agreement in writing.

If intellectual property is licensed elsewhere in this Agreement (eg there may be separate software licences) then this clause will not apply to that intellectual property.

C3.15 **License to Supplier.** Customer grants Supplier a non-exclusive licence to exercise, only for the Term and to the extent necessary to provide the Services and Deliverables, all Intellectual Property Rights provided by or on behalf of Customer under this Agreement.

If Supplier needs to use any of Customer's intellectual property on an ongoing basis, in order to commercialise the intellectual property it will own under this Agreement, consider a further licence of that intellectual property from Customer to Supplier.

C3.16 **Supplier warranty.** Supplier represents and warrants that:

C3.16.1 it is authorised to licence Intellectual Property Rights to Customer in accordance with clause C3.14 (License to Customer);

C3.16.2 the exercise in accordance with this Agreement of any Intellectual Property Right licensed to Customer under this Agreement will not infringe the rights of any third party; and

C3.16.3 it has obtained and/or will make available to Customer all licences, clearances, consents and authorisations necessary for the use of the Services and Deliverables in accordance with this Agreement.

C3.17 **Supplier indemnity.** Supplier indemnifies Customer from any expenses, damage or liability incurred by Customer in connection with any third party claim that the supply of the Services or Deliverables to Customer or Customer's exploitation of them infringes a third party's rights (each ***a Claim***). In the event of any Claim, Customer will:

C3.17.1 promptly notify Supplier in writing of the Claim and not make any admission or purport to settle any Claim without Supplier's prior written consent, which will not be unreasonably withheld or delayed;

C3.17.2 at Supplier's request and expense, allow Supplier to conduct and/or settle all negotiations and litigation resulting from the Claim, provided that Customer will

be entitled to be represented at, and be consulted on, all such negotiations and litigation; and

C3.17.3 at Supplier's request, provide reasonable assistance with such negotiations or litigation, and Supplier must reimburse Customer its fully loaded staff costs and expenses of so doing.

C3.18 **Customer's remedies.** If any Claim prevents or threatens to prevent the supply or exploitation of a Service or Deliverable then Supplier must, at the request of and at no cost to Customer:

C3.18.1 obtain for Customer the right to continue the supply or exploitation;

C3.18.2 modify the Service or Deliverable so it becomes non-infringing; and/or

C3.18.3 replace the Deliverable with another non-infringing item,

provided that Supplier must ensure that the remedy does not materially affect the Service or Deliverable or Customer's exploitation of it. Without prejudice to any right or remedy, Customer may terminate this Agreement if Supplier is unable to remedy the Claim in accordance with this clause within [two months] of Customer's request.

C4 FURTHER ASSURANCES

C4.1 Each party undertakes, at its own expense, to execute and deliver any document and to do all things as may reasonably be required in order to assist, in respect of matters within that party's control, the other party to obtain the full benefit of this Agreement according to its true intent **[Optional if Customer is to own any new IP…**, including assisting Customer to register as proprietor of, and to perfect Customer's title to, any Intellectual Property Right owned by Customer under this Agreement**]**.