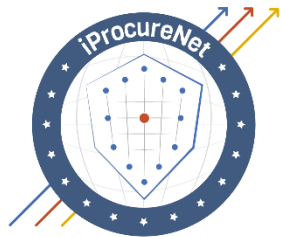


MANAGING IPR IN PUBLIC PROCUREMENT: STRIKING THE BALANCE



Innovation by developing a European Procurer
Networking for security research services



Aleksei Kelli
Professor of IP
Law

University of
Tartu (Estonia)

PUBLIC PROCUREMENT AND IPR



Socrates @Kayslay

I was a Greek philosopher from Athens and was born in 470 BC. I am the founder of western philosophy. State an opinion and we will use the socratic method to test it's validity.



Guest

Should I study intellectual property?

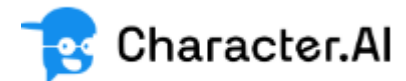


Socrates c.AI

Great question! But first of all, why do you wish to learn about intellectual property? What do you want to achieve by doing this?

Once we establish this, we can then determine what is the best way of going about it, and we can assess the value of intellectual property as a whole!

<https://beta.character.ai/>



GUIDANCE ON INNOVATION PROCUREMENT

- *Member States and public buyers are encouraged to **take a strategic approach to IPR** when dealing with public procurement;*
- ***Defining clear IPR clauses** in the tender documents is thus important for all public procurements;*
- *Public buyers must ensure that the **allocation of intellectual property rights** in their procurement takes into account the **applicable IPR legal framework** in Europe and at national level*

Commission notice - Guidance on Innovation Procurement. Brussels, 18.6.2021. C(2021) 4320 final

GUIDANCE ON INNOVATION PROCUREMENT

*There are **two basic options** available to public buyers for the allocation of intellectual property rights resulting from a project, with many variations in between:*

*— the public buyer **requires the transfer** of the new intellectual property rights; or*

*— the public buyer **does not require such transfer** and the intellectual property rights remain with the contractor.*

Commission notice - Guidance on Innovation Procurement. Brussels, 18.6.2021. C(2021) 4320 final

IP AS HUMAN RIGHT

Universal Declaration of Human Rights (UDHR). Art. 27 (2):

Everyone has the right to the **protection of the moral and material interests** resulting from any scientific, literary or artistic production of which he is the author.

Article 1 of Protocol No. 1 to the European Convention on Human Rights (ECHR):

Every natural or legal person is entitled to the peaceful enjoyment of his possessions.

EU Charter of Fundamental Rights. Art. 17. Right to property:

Intellectual property shall be protected.

CONVENTION ESTABLISHING WIPO

“intellectual property” shall include the rights relating to:

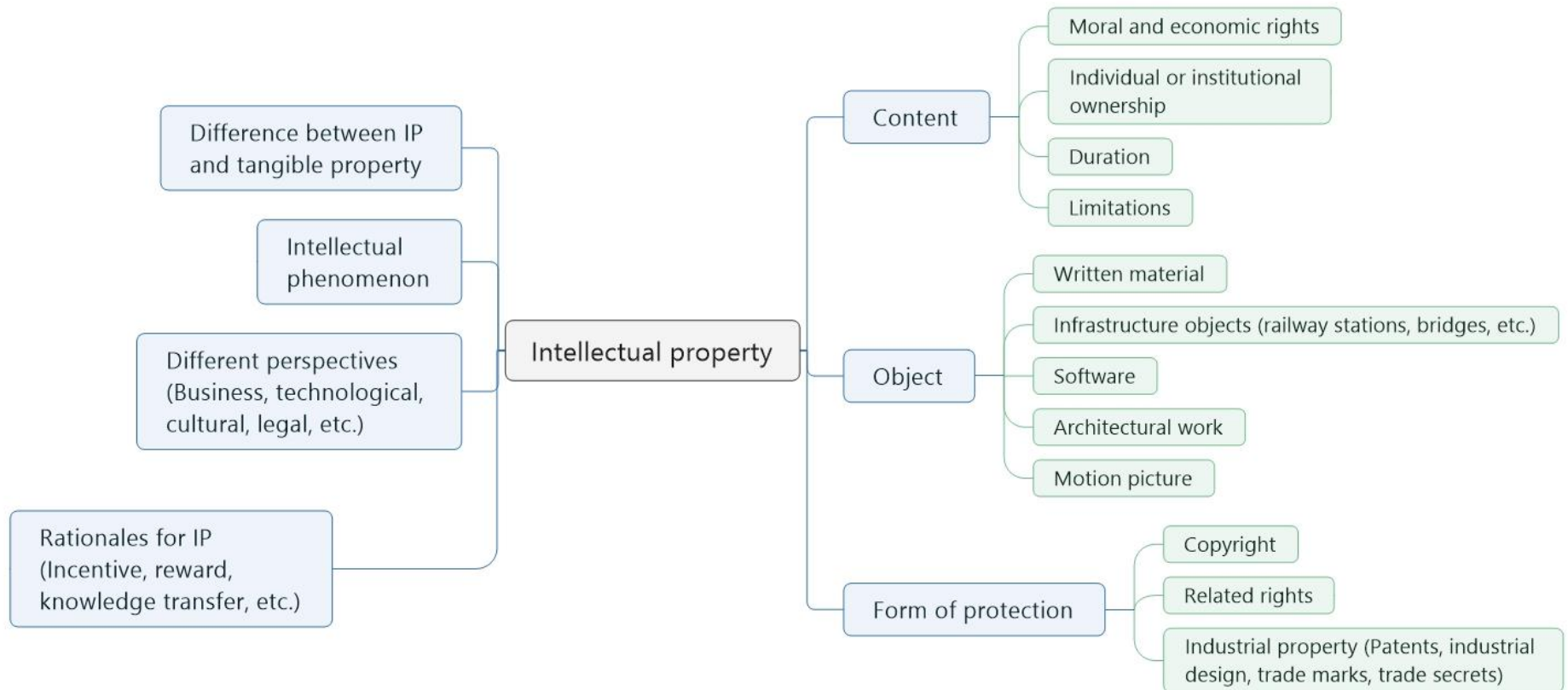
- literary, artistic and scientific works,
- performances of performing artists, phonograms, and broadcasts,
- inventions in all fields of human endeavor,
- scientific discoveries,
- industrial designs,
- trademarks, service marks, and commercial names and designations,
- protection against unfair competition,

and all other **rights resulting from intellectual activity** in the industrial, scientific, literary or artistic fields (art 2).

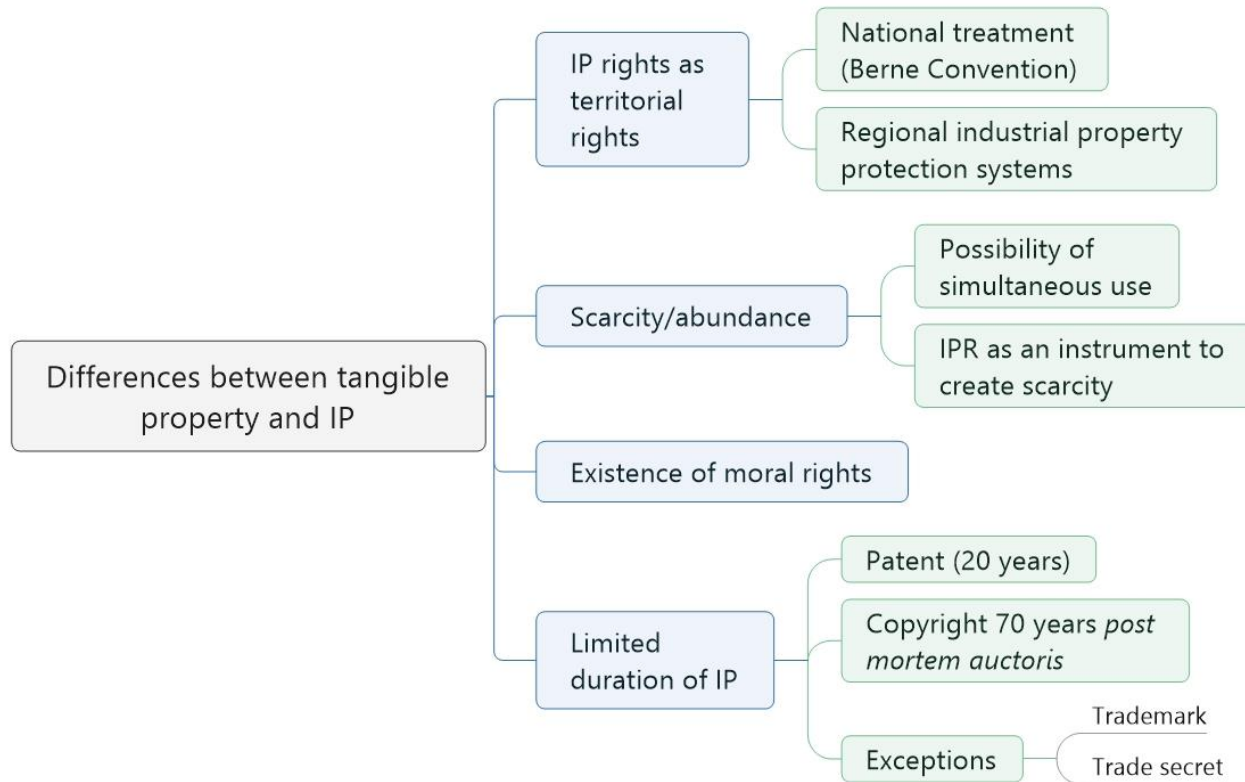
TYPES OF IP:

- **Copyright** (written works, software, audiovisual works, sculptures, databases, three-dimensional designs, architectural works such as buildings, constructions, parks, etc.);
- **Related rights** (*sui generis* database, performances, phonograms, etc.);
- **Industrial property** (patents, trade marks, industrial designs, trade secrets).

IP SYSTEM

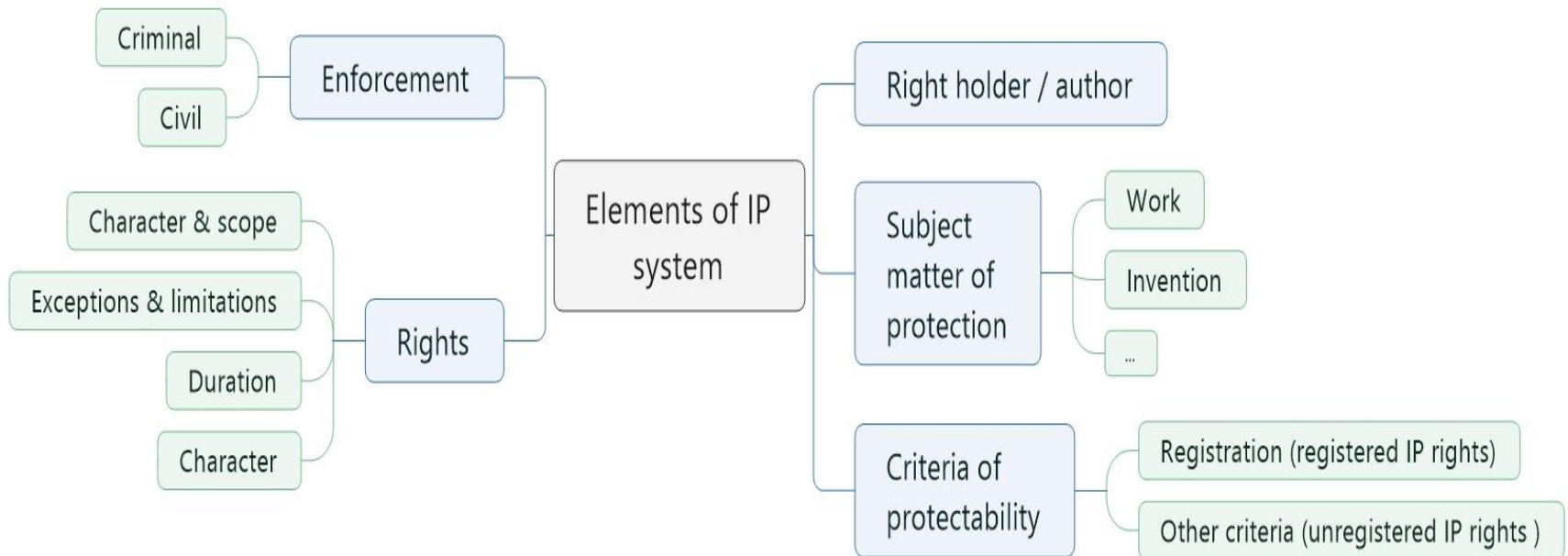


TANGIBLE PROPERTY AND IPR



Ownership of IP is distinct from ownership of any tangible (material) object in which IP is embodied.

IP SYSTEM



INTERNATIONAL LAW

EU / REGIONAL LAW

NATIONAL LAW

COPYRIGHT

Whenever a copyright law is to be made or altered, then the idiots assemble.

- *Mark Twain's Notebook*, 1902-1903

Only one thing is impossible for God: to find any sense in any copyright law on the planet.

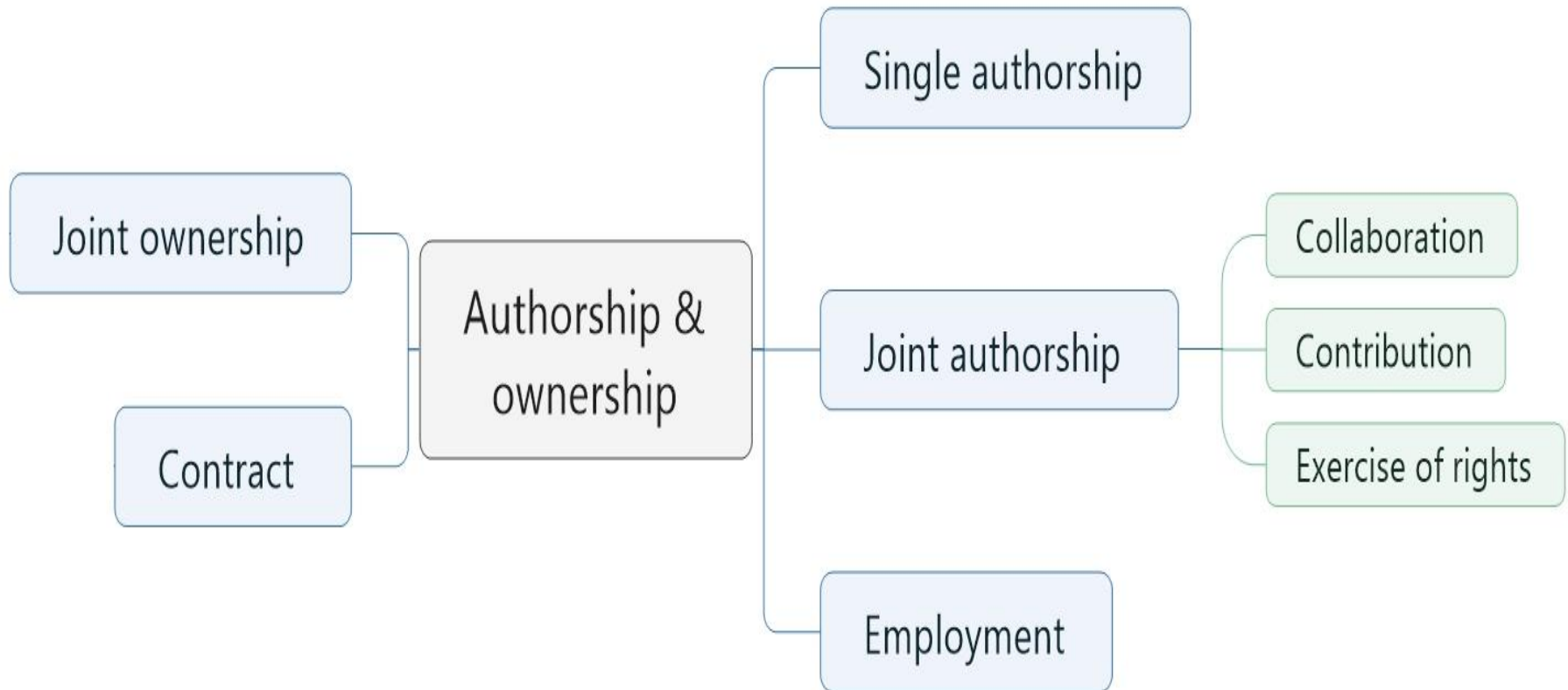
- *Mark Twain's Notebook*, 1902-1903

<http://www.twainquotes.com/Copyright.html>

FROM STATUTE OF ANNE (1710) TO DSM DIRECTIVE



THE AUTHOR



THE WORKS (*ŒUVRE DE L'ESPRIT*)

The concept of 'work' that is the subject of all those provisions constitutes, as is clear from the Court's settled case-law, **an autonomous concept of EU law** which must be interpreted and applied uniformly, requiring two cumulative conditions to be satisfied.

- First, that concept entails that there exists an **original subject matter**, in the sense of being the **author's own intellectual creation**.
- Second, classification as a work is reserved to the elements that are the **expression of such creation**.

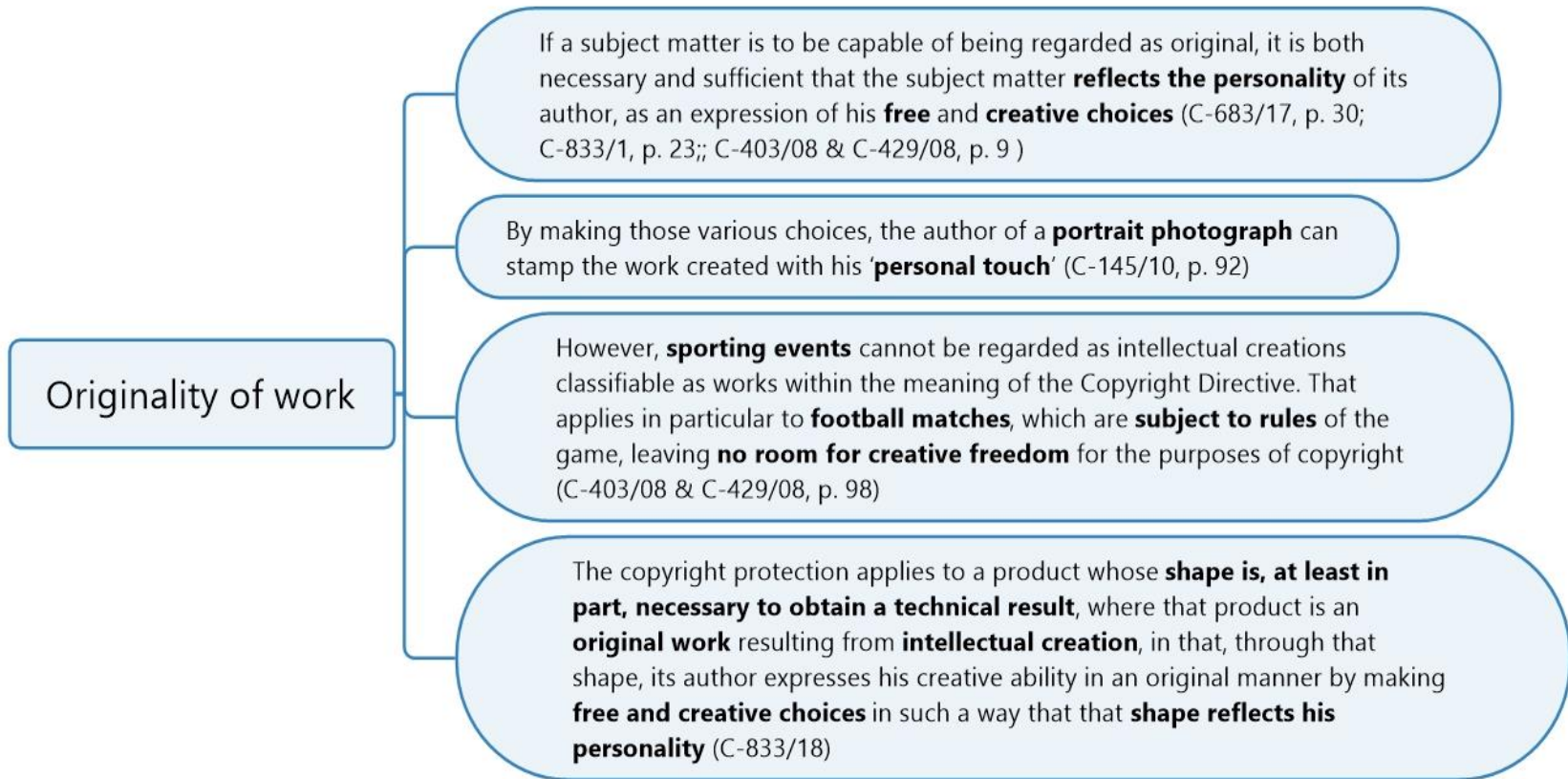
- C-683/17, Cofemel, p 29, cited C-5/08, Infopaq, p-d 37 & 39; C-310/17, Levola Hengelo, p-d 33, 35-37

THE WORKS (ŒUVRE DE L'ESPRIT)

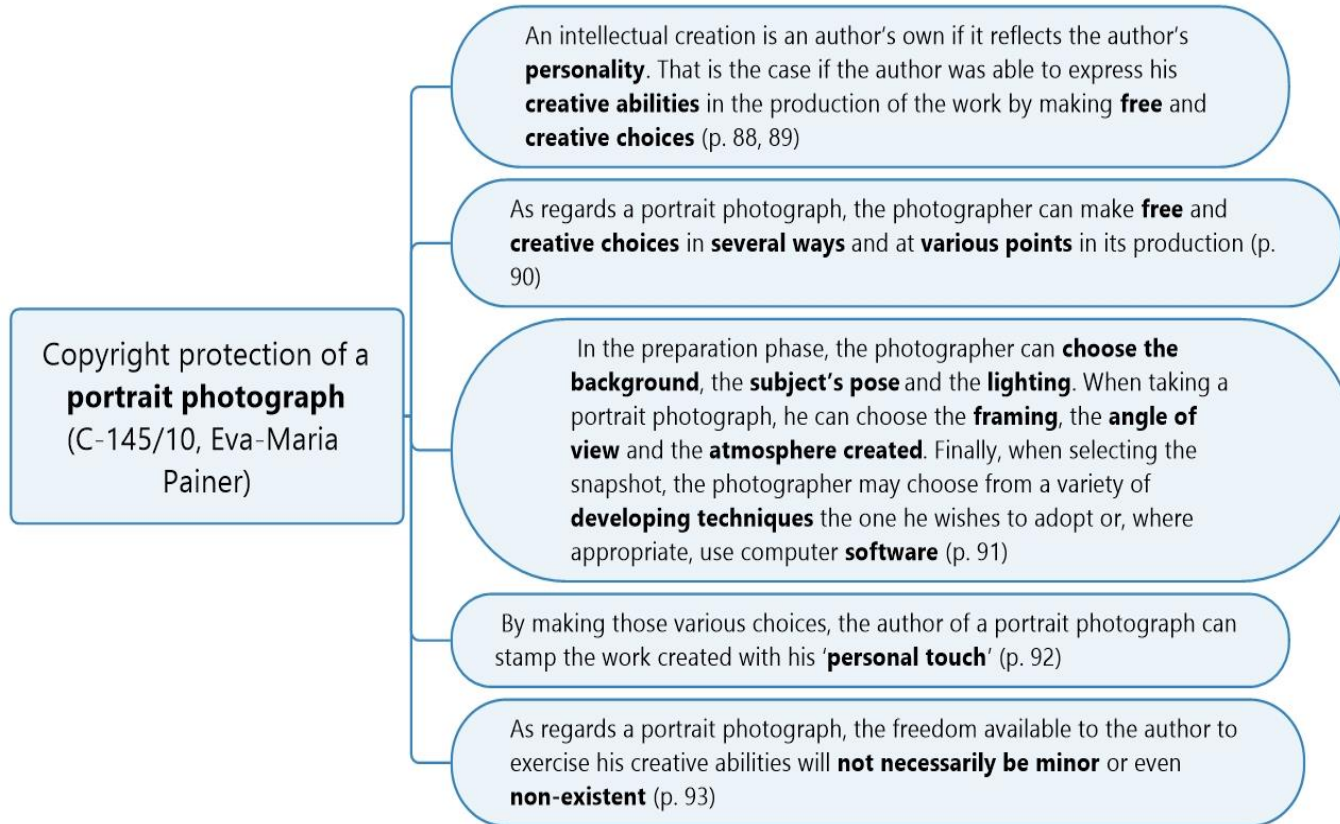
Words which, considered **in isolation**, are not as such an **intellectual creation of the author** who employs them. It is only through the choice, sequence and combination of those words that the author may **express his creativity** in an original manner and achieve a result which is an intellectual creation.

C-5/08 Infopaq, para 45

THE WORKS (ŒUVRE DE L'ESPRIT)



THE WORKS (ŒUVRE DE L'ESPRIT)

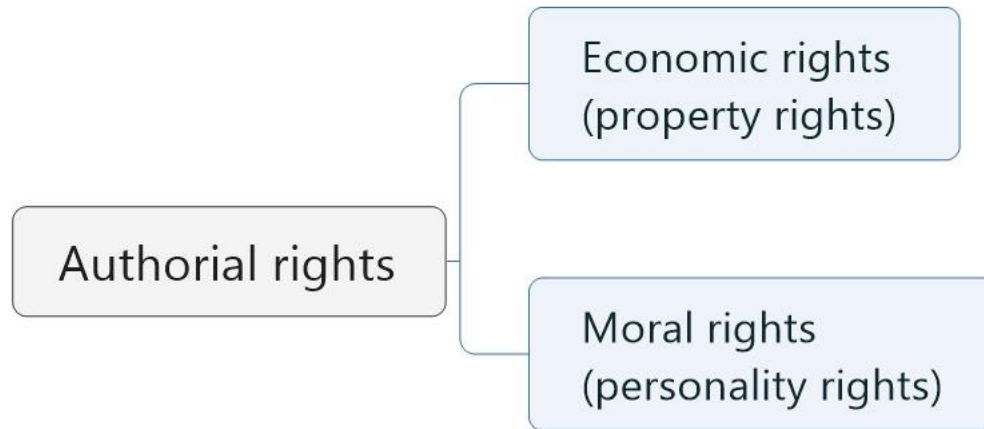


MOMENT OF CREATION OF COPYRIGHT

Authors do not have to apply for copyright protection; it “follows the author’s pen across the page”.

E. von Hippel, *Democratizing Innovation*, MIT Press, 2005, p. 85.
<https://web.mit.edu/evhippel/www/books/DI/DemocInn.pdf>

AUTHORIAL RIGHTS



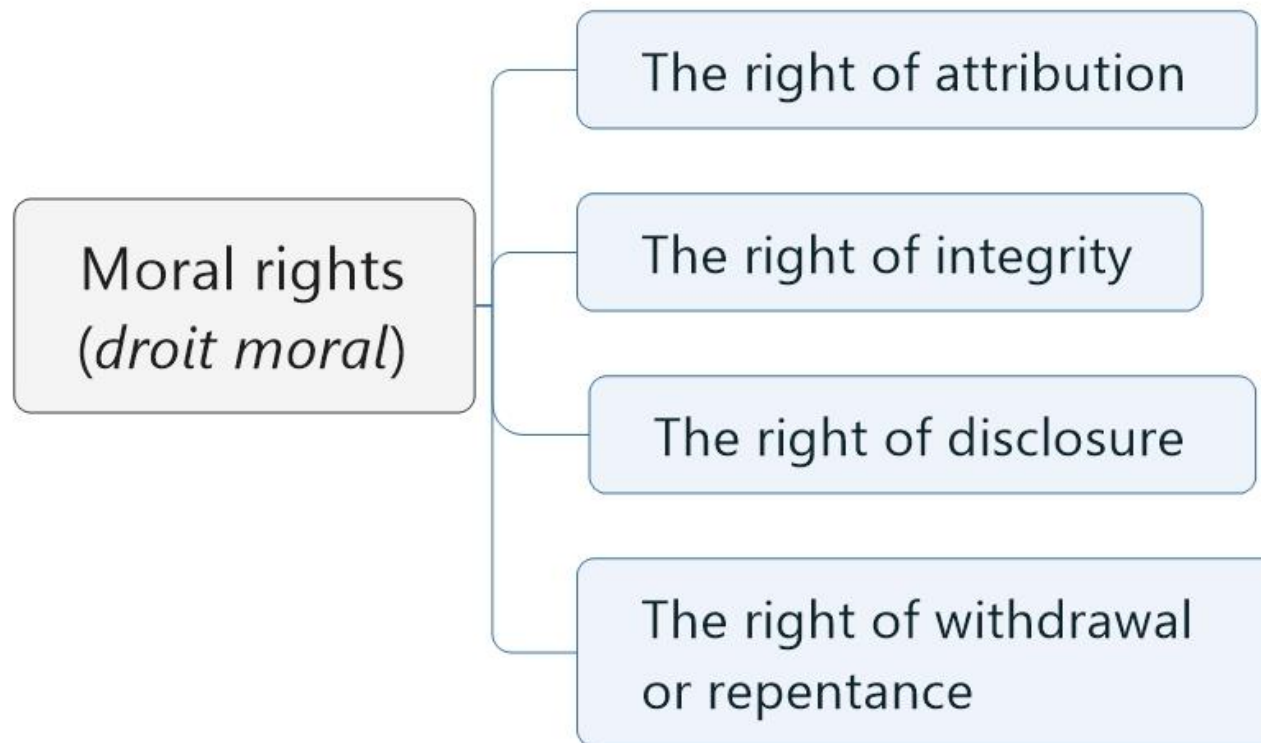
Everyone has the right to the protection of the **moral and material interests** resulting from any scientific, literary or artistic production of which he is the author (The Universal Declaration of Human Rights art. 27 (2))

MORAL RIGHTS

Berne Convention for the Protection of Literary and Artistic Works (1886). Article *6bis*. Moral Rights:

(1) **Independently of the author's economic rights**, and even after the transfer of the said rights, the author shall have the right to **claim authorship** of the work and to **object to any distortion, mutilation or other modification of, or other derogatory action** in relation to, the said work, which would be prejudicial to his honor or reputation.

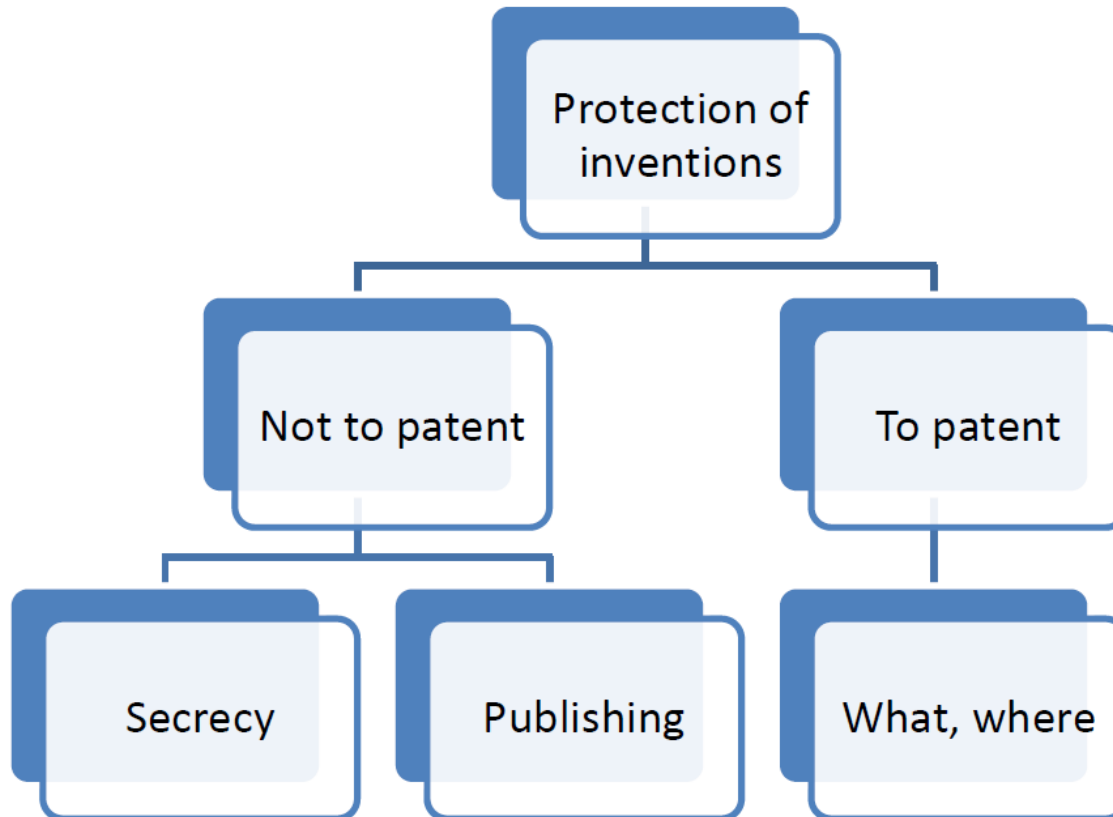
MORAL RIGHTS



ECONOMIC RIGHTS

- Open vs. closed catalogue of rights;
- Reproduction right;
- Distribution right;
- Right of translation;
- Right of alteration of the work;
- Right to communicate works to public;
- Making available right;
- The interplay between economic and moral rights

PATENTS AND TRADE SECRETS



TRADE SECRETS

Protection against unfair competition;

Proprietary information:

- technological information;
- business information (broad interpretation);

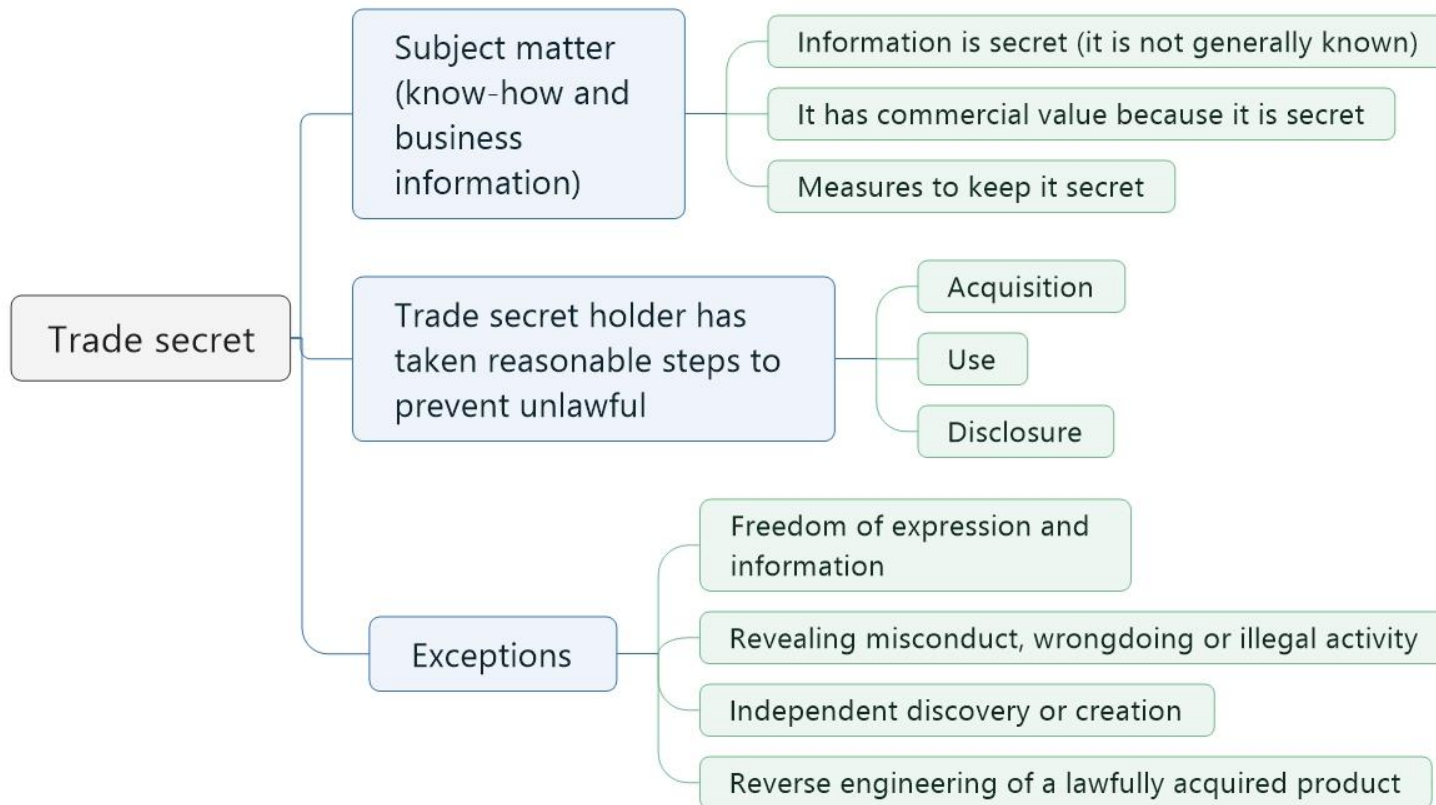
Negative know-how: unsuccessful research paths;

Independent creation and reverse engineering allowed;

Misappropriation:

- abuse of a confidential relationship;
- improper means of acquisitions.

TRADE SECRETS



PATENTS

- Invention;
- *Patere* (to lay open);
- Patent (product/process; radical/incremental);
- Patent rights (*ius excluendi*);
- Justifications for the patent system:
 - Natural/moral right;
 - Compensation;
- Mechanism to disseminate knowledge;
- Justifications for the acquisition of a patent;
- Limitations of the patent system

PATENTS

- Patentable (patent-eligible) subject matter;
- Novelty and grace period;
- Inventive step/non-obviousness (a person skilled in the art);
- Industrial applicability/utility;
- Enablement.

GUIDANCE ON INNOVATION PROCUREMENT

*As these rights are a **valuable asset** and may have an impact on the **attractiveness of public procurement for innovators**, it is important that public buyers clearly **define upfront, in the tender documents**, the allocation of intellectual property rights linked to the public contract, taking into account the various interests at stake, namely the public interest and policy objectives*

Commission notice - Guidance on Innovation Procurement. Brussels, 18.6.2021. C(2021) 4320 final

GUIDANCE ON INNOVATION PROCUREMENT

*As the procuring entity pays 100 % of the costs, it often considers that it is **entitled to all results**. However, **transferring** the intellectual property rights that are attached to those results to the public buyers may **stifle innovation**. The contractors may be **prevented** from **re-using or even adapting/improving the innovation** in a different context or for a different customer, which might also result in lower quality and higher costs for the public buyer. In many cases, **suppliers are better placed than public buyers to commercialise the innovations** resulting from a public procurement, to **secure** the appropriate protection of the intellectual property, and defend the intellectual property rights **in courts**.*

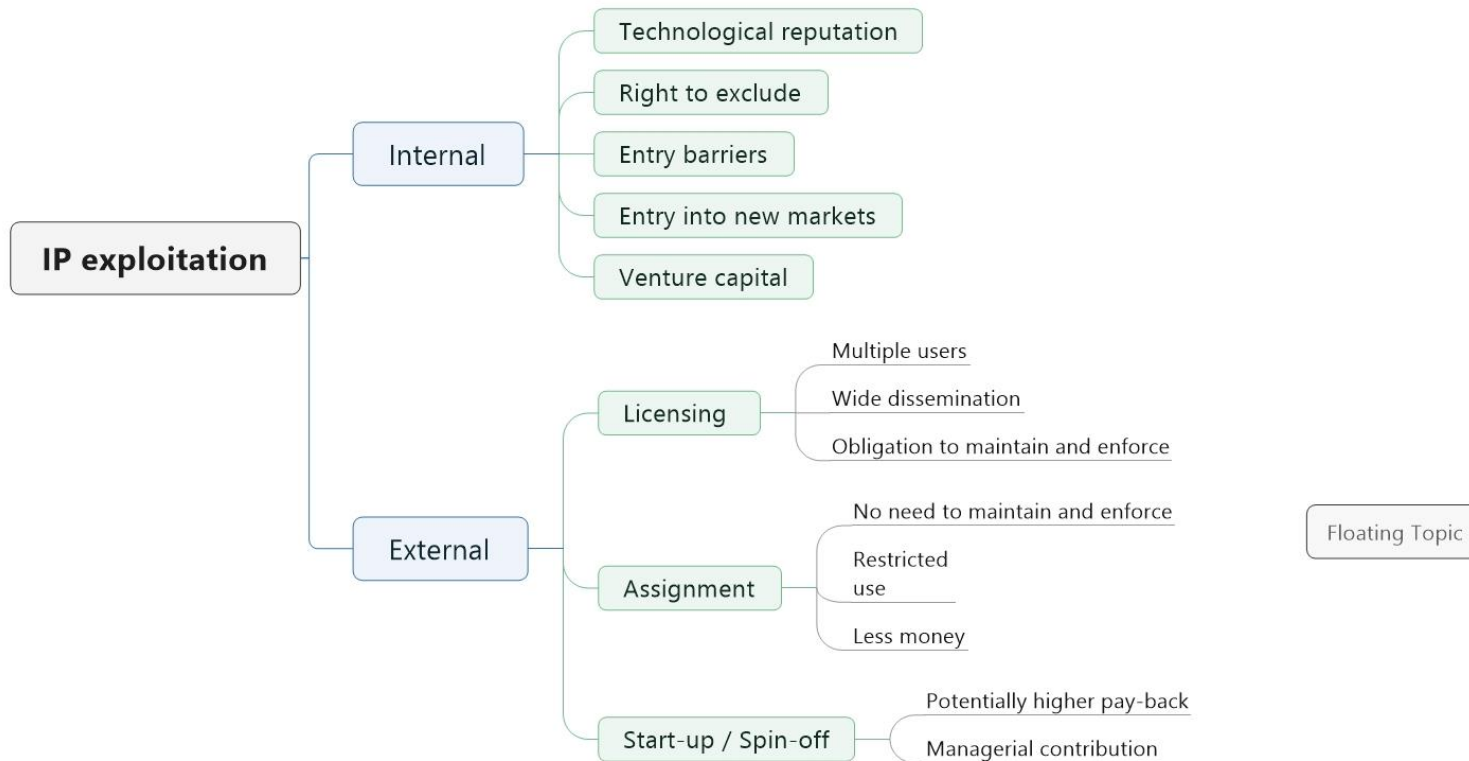
Commission notice - Guidance on Innovation Procurement. Brussels, 18.6.2021. C(2021) 4320 final

IPR OWNERSHIP IN PROCUREMENT

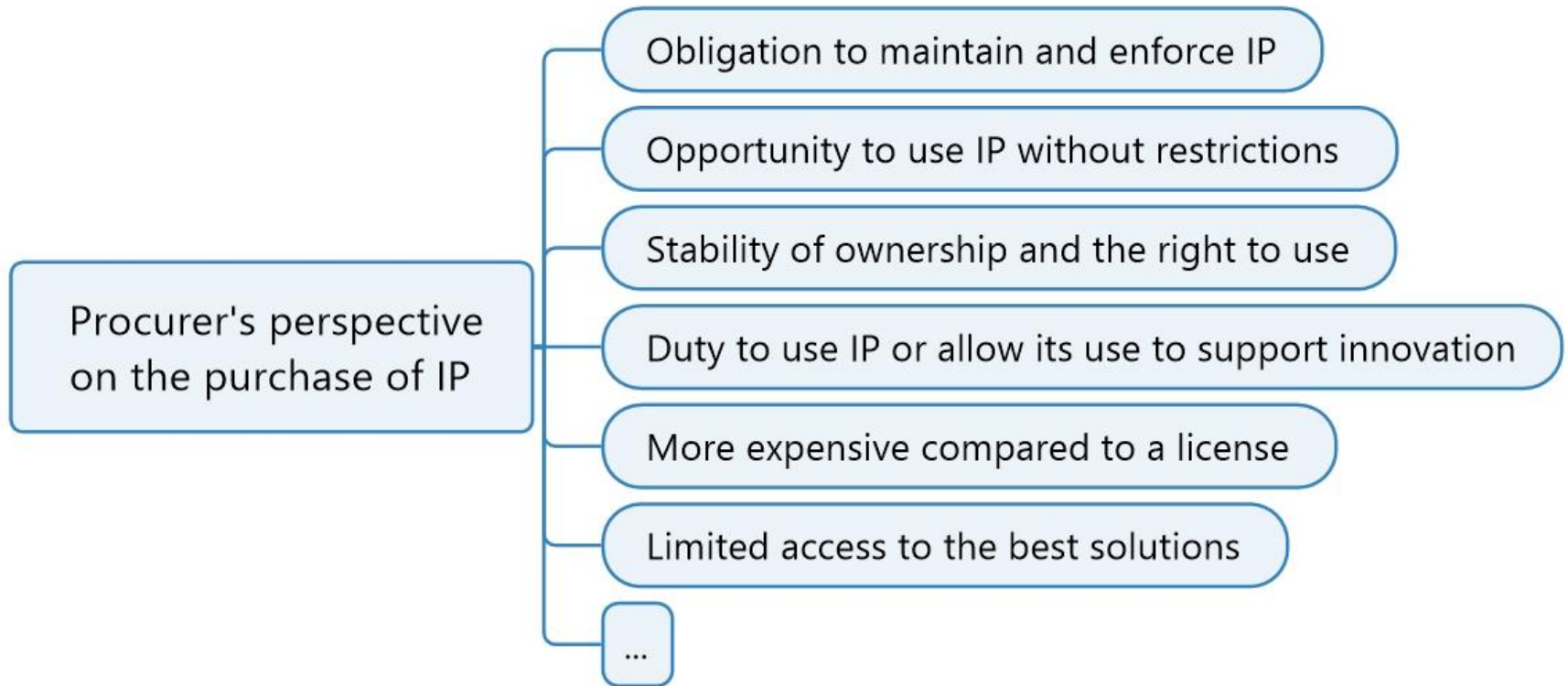
*There is also a need to improve the conditions for companies to protect and use IP in public procurement with a view to stimulating innovation and boosting the economy. **Member States should consider leaving IP ownership to the contractors where appropriate, unless there are overriding public interests at stake or incompatible open licensing strategies in place.***

Communication “Making the most of the EU’s innovative potential - An intellectual property action plan to support the EU’s recovery and resilience”. COM/2020/760 final

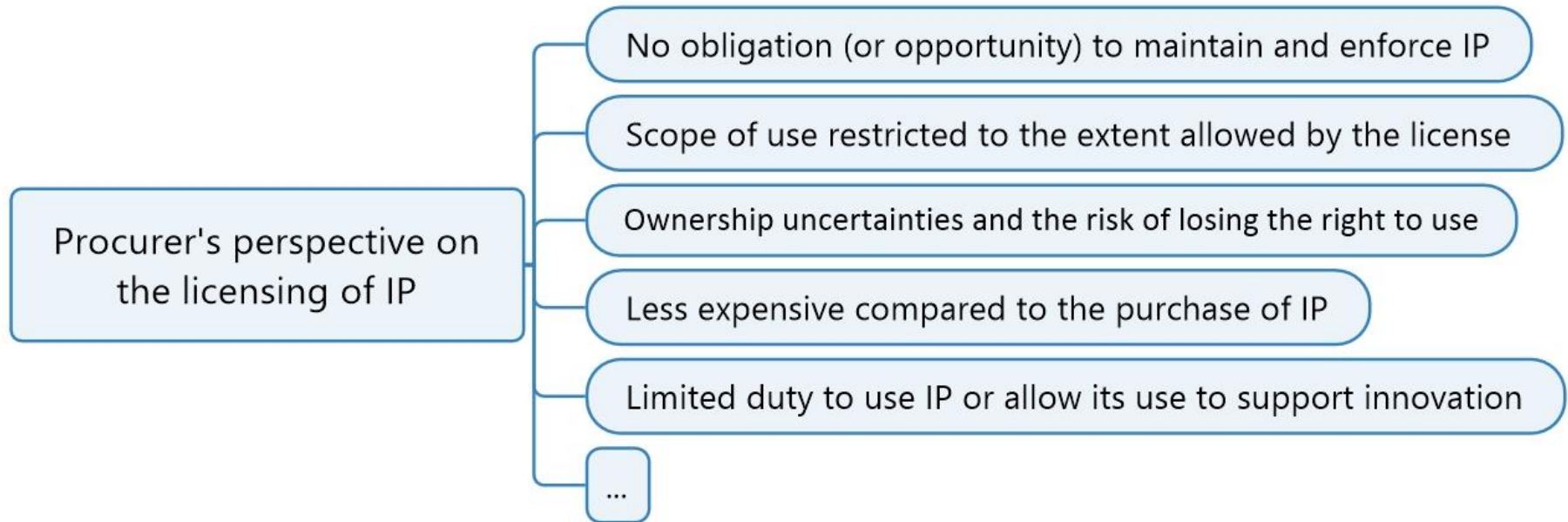
IPR MANAGEMENT



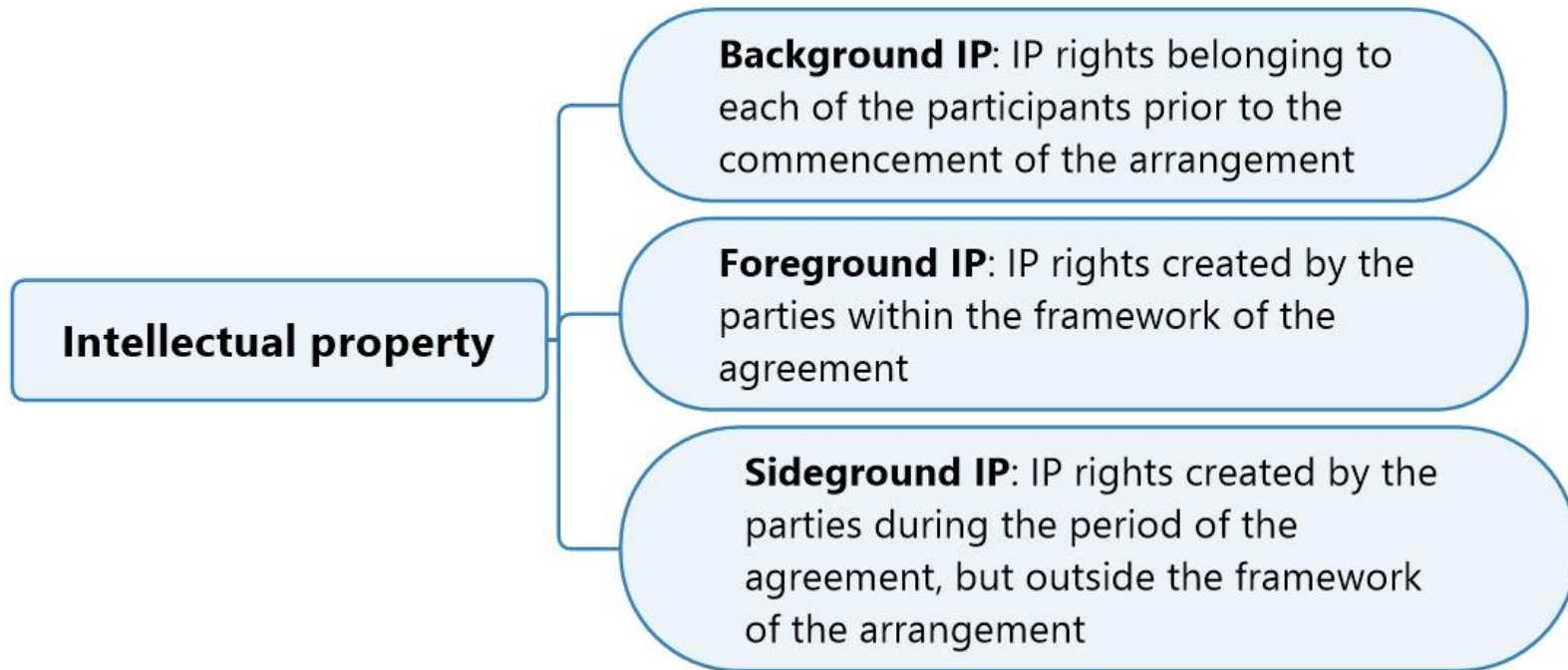
IPR MANAGEMENT



IPR MANAGEMENT

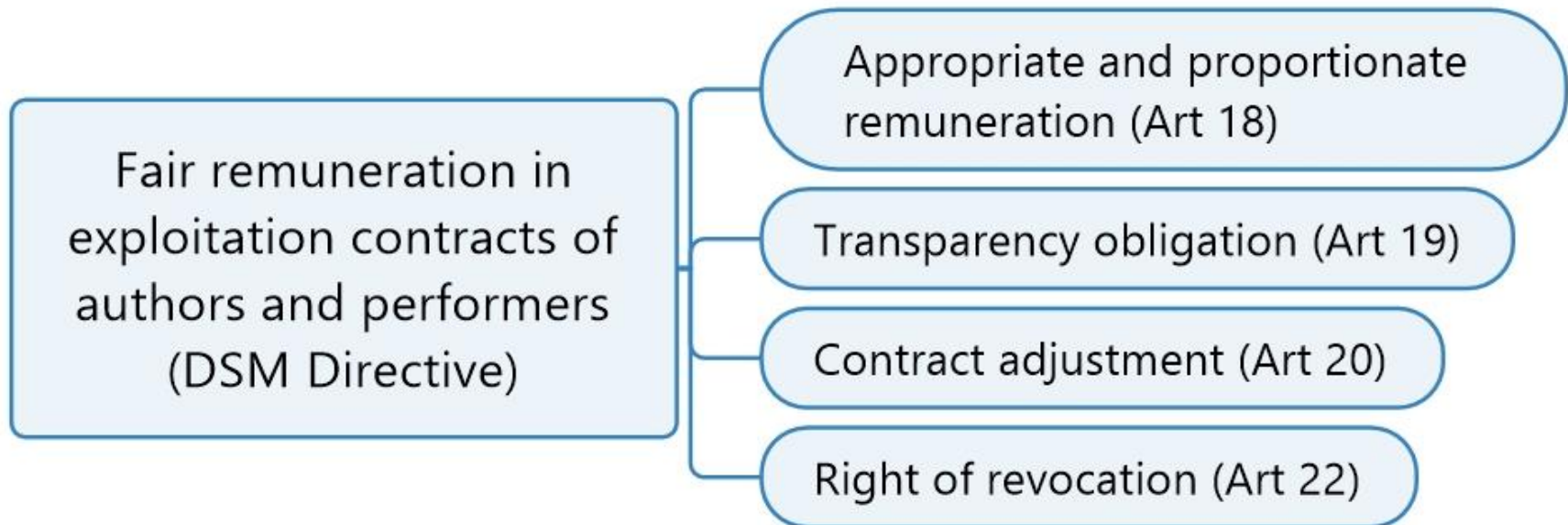


IPR MANAGEMENT ISSUES



Neil Wilkof (2010). Background, Foreground and Sideground IP; Whence, What and Why? Available at <https://ipkitten.blogspot.com/2010/06/background-foreground-and-sideground-ip.html>

DSM DIRECTIVE (2019/790)



MANAGEMENT OF STATE-OWNED IPR

Avoid dog-in-the-manger policy;
State aid issues;
Compatibility with open data policies.

CONCLUSION (ONE SIZE DOES NOT FIT ALL)

- The aims of the procurement determine the extent of the control you need over IPR;
- It is necessary to pay attention to whether the tenderer can transfer all rights (*Nemo plus iuris ad alium transferre potest quam ipse habet*);
- Inalienability of moral rights;
- Lock-in situations and co-ownership challenges.

CLOSING REMARKS: DO THE BEST YOU CAN



Three Little Procurers, Innovation Procurement Conference 2017, EU2017EE



Majandus- ja Kommunikatsiooniministeerium
288 subscribers

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14



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Ministry of Economic Affairs and Communications of Estonia (2017). **Three Little Procurers.**

https://www.youtube.com/watch?v=xTZTp-Tv2z0&ab_channel=Majandus-jaKommunikatsiooniministeerium

THANK YOU!

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21/02/2023



Practical examples of joint procurement - best practice



Innovation by developing a European Procurer
Networking for security research services