

COMPILATION OF PPP TERMS AND CONDITIONS OF CONTRACT

PUBLIC SECTOR VERSION

CLAUSE 26: INTELLECTUAL PROPERTY

DBFOM CONTRACT

CONCESSION CONTRACT

DBOM CONTRACT

OMF CONTRACT

O&M CONTRACT

INTRODUCTION

The SOPC3 Guidance below discusses this issue in some detail. In most PPP Contracts, the Contractor retains its intellectual property and licences it to the Authority for specific purposes in relation to the project. The forms of contract for building and civil engineering works take a different approach and require that all rights in the Contractor's documents transfer to the Employer. The Accommodation Contract involves equipment running special software, for which more detailed provisions were required, to ensure that software's source code would be available if needed. The Operating Contract includes a licence of the Authority's intellectual property in relation to the system.

When deciding a suitable approach in relation to intellectual property (IP) State Authorities should consider the IP needs of the Authority in the event of termination or step-in during the term of the agreement or at contract end.

Where the use of or access to licences are required to deliver the service it is very important for the State Authority to obtain the automatic right to use these licence/s in the event of step-in, termination or at the end of the contract.

SOPC3 GUIDANCE

INTELLECTUAL PROPERTY RIGHTS

26.1 INTRODUCTION

26.1.1 *In most projects, the Contractor will need to use some type of IP in order to deliver the Service. The Contractor may use IP developed by a third party or by itself. Such IP may have a general application or may be specifically developed for the relevant Project. If the Contractor uses IP developed by and belonging to a third party, the Contractor will need a licence to use such IP.*

26.1.2 *The Contract must require the parties not to breach any terms of any licence to use IP and not*

to infringe the IPR of any owner of IP used. The Contract must set out what happens if any breach or infringement of IPR occurs.

26.1.3 In PFI there is a presumption that the Authority does not need to own the tangible assets created as a result of the Project. This should apply equally to intangible assets such as IPR, though the Authority may inherit free, or have an option to purchase IPR which is the core to the continuity of the Service (e.g. specially written software). Irrespective of who “owns” the IP, however, the Contract must ensure that the Authority is able to use any IP required to provide the Service if it takes over the Service or employs/procures a third party to perform the Service (e.g. on expiry or early termination of the Contract).

26.1.4 Where IP and IPR are of central importance to the Contract (e.g. in IT projects and certain defence projects, most notably equipment projects) further refinements and developments of the issues outlined in this Section may be appropriate.

26.2 INFRINGEMENT OF IPR BY THE CONTRACTOR

26.2.1 The general principle is that any costs resulting from infringement by the Contractor of IPR should be borne by the Contractor. It should be responsible for any costs of the owner of the IPR and the Authority. This will normally require the Contractor to offer an indemnity to the Authority.

26.2.2 If the infringement or related legal action threatens the delivery of the Service, the Authority should be notified as soon as possible. The Authority should be obliged to provide reasonable assistance to the Contractor in defending any legal action, but this should not extend to meeting any costs of the Contractor’s defence.

26.3 INFRINGEMENT OF IPR BY THE AUTHORITY

26.3.1 If the Authority infringes IPR (either during the course of the Contract, other than when using IPR for the purpose of the Contract or where the infringement results from the act or omission of the Contractor, or after expiry or termination, it should generally bear any resulting costs. The Authority should bear the owner’s costs and any costs incurred by the Contractor (e.g. if sued by the owner or if it has to procure a licence of different IPR from another party). This will normally require the Authority to offer an indemnity to the Contractor.

26.3.2 The Authority may contribute IP to the Project for the Contractor to use. If it does not own the relevant IPR, it must ensure that it is entitled to pass it on to the Contractor (e.g. by way of sub-licence). If the Authority infringes the owner’s IPR by passing the relevant IP on to the Contractor, the Authority should be liable for any resulting costs unless Section 26.3.3 [below] applies.

26.3.3 If the Contractor uses any IP which the Authority has brought into the Project, it should ensure that it is entitled to do so. It will be liable for any infringement by it unless it is unable (acting reasonably) to verify such matter.

26.4 RIGHTS TO IPR ON EXPIRY OR TERMINATION

26.4.1 The Contract will also need to deal with what happens to IPR on a termination (whether early (see Section 20 (Early Termination) [of the SoPC3 Guidance]) or on expiry of the Contract (see Section 19 (Termination on Expiry of Service Period) [of the SoPC3 Guidance]), particularly in circumstances in which software or similar assets have been developed for the specific project. Examples of this would be an IT project or a similar project, where if the Project is to be transferred to the Authority on a termination then IPR should also be transferred as the Project would be unworkable without this.

26.4.2 Generally, the Authority should be entitled to a free and perpetual licence of IPR specifically developed for the Project (e.g. specially written software) for use in that project only (either by

it or an alternative provider of the Service). The Authority should not usually attempt to extend its right to use such IPR in other projects but should be entitled to negotiate a price for its use on other projects, having taken into account any development costs incurred in producing that software. Particular issues may arise on certain projects that make such licences impossible to obtain.

26.4.3 In respect of other IPR central to the Project such as third party software licences, the Contractor should ensure that the Authority is either entitled to a novation of such licences or has the right to obtain a licence of such software at commercial rates. It is for the Contractor to ensure that any licence it (or its Sub-contractors) enters into reflects these requirements. If the Contractor is unable to ensure that the Authority will have the benefit of all necessary IPR, it must indemnify the Authority against any costs incurred due to such non-availability. For example, if the Contractor chooses to use proprietary software, it must bear the risk if the owner will not agree to licence such software to the Authority or replacement Contractor. Similarly, the Contractor must bear the risk of the owner of the relevant IPR being prevented from licensing such IPR to the Authority or replacement Contractor due to trade restrictions imposed by its Government. If the Contractor does not want to bear such risks, it should find alternative IPR which is capable of being licensed to the Authority.

26.4.4 In addition to ensuring that the Authority has the right to use IPR required to continue provision of the Service (e.g. on expiry, early termination or Authority step-in), arrangements should wherever possible be put in place to ensure that the Authority has immediate access to such IPR and any information required to operate it. For example, source codes of IT products should be held in escrow by an independent party (e.g. the National Computer Centre). It should be noted that an additional or new service provider will need access to IPR in advance of the Expiry Date or the commencement of its service contract in order to acquaint itself with the Service and allow a smooth handover and such access rights should be negotiated in advance, rather than left to be resolved on termination.

CORE CONTRACT DRAFTING

26 INTELLECTUAL PROPERTY

26.1 Design and Other Data

Subject to Clause 26.1(c) and to the extent permitted by Law and Legal Requirements, the PPP Co shall make available to the Authority, without charge, in paper based and/or computer readable form as required by the Authority:

- (a) all materials, documents and data of any nature (including without limitation all Design Data) acquired or brought into existence in any manner whatsoever by the PPP Co for the purposes of the Project and which may reasonably be required by the Authority whether during or after the Contract Period for the purposes of exercising its rights or carrying out its duties under this Agreement or carrying out any other functions contemplated by Law;
- (b) all other such materials, documents and data acquired or brought into existence by third parties save in the circumstances set out in Clause 26.1(c) (whether directly or indirectly at the request of, or for the benefit of the PPP Co) for the purposes of the Project as may reasonably be required for the purposes referred to in Clause 26.1(a); and
- (c) where any material, documents and data referred to above is acquired or brought into existence by a third party (other than the Operator, the Contractor, the Designer, any of the Sponsors or any of their respective Associated Companies), the PPP Co shall use its reasonable endeavours to procure that the said material, documents and data are made

available to the Authority for any purposes (whether during or after the Contract Period) without charge and without infringing any third party rights and in the form specified in this Clause 26.1 from the Commencement Date if in existence at the Commencement Date or if the Intellectual Property comes into existence or is acquired after the Commencement Date then from the date on which it comes into existence or is acquired.

26.2 Licences

(a) The PPP Co:

- (i) hereby grants to the Authority a perpetual, transferable, non-exclusive, royalty-free licence (carrying the right to grant sub-licences) to use for any purpose (whether during or after the Contract Period), all and any Intellectual Property which is or becomes vested in the PPP Co and to make any alterations, adaptations or additions to the Design Data at its own risk and cost which is or becomes vested in the PPP Co provided that the PPP Co shall have no responsibility for the alterations, adaptations or additions referred to in this Clause 26.2(a)(i);

Comment: In the NRA Model Contract, the licence includes Traffic Data as well as Design Data.

- (ii) where any Intellectual Property is vested in any other third party, save in the circumstances set out in Clause 26.2(a)(iii), shall procure the grant of a perpetual, transferable, non-exclusive, royalty-free licence (carrying the right to grant sub-licences) with effect (subject to Clause 26.2(c)) from the Effective Date (having immediate effect from the grant thereof) to the Authority for any purpose (whether during or after the Contract Period); and
- (iii) where any Intellectual Property is vested in a third party (other than the Operator, the Contractor, the Designer, any of the Sponsors or any of their respective Associated Companies) the PPP Co shall use its reasonable endeavours to procure the grant of a perpetual, transferable, non-exclusive, royalty-free licence (carrying the right to grant sub-licences) with effect (subject to Clause 26.2 (c)) from the Effective Date (having immediate effect from the grant thereof) to the Authority for any purpose (whether during or after the Contract Period).

Comment: The obligation to licence intellectual property owned by unrelated third parties is weaker than that to licence intellectual property of the Operator, Contractor, Designer and Sponsors. This reflects the commercial reality that the PPP Co. may be unable to obtain licences from unrelated third parties.

- (b) The Authority hereby grants to the PPP Co (subject to Clause 17.2 (Assignment)) a non-transferable, non-exclusive, royalty-free licence (but with no right to grant sub-licences other than to Principal Sub-Contractors or any Staff (during the Contract Period only) who require such Intellectual Property in order to perform their obligations in connection with the Project) to use (during the Contract Period only) all and any Intellectual Property which is or becomes vested in the Authority for any purpose relating to the Project.
- (c) With respect to Intellectual Property coming into existence or acquired during the Contract Period, the licence granted pursuant to Clause 26.2 (a) and/or Clause 26.2 (b) shall take effect immediately upon the coming into existence or acquisition of such Intellectual Property.
- (d) Neither the PPP Co nor the Principal Sub-Contractors shall have any liability for the use

by or on behalf of the Authority of any Intellectual Property or the material, documentation and data referred to in Clause 26.1 (Design and Other Data) for any purpose other than that purpose for which it was originally provided to the Authority.

26.3 Access to Data

- (a) To the extent that any of the data, materials and documents referred to in this Clause 26 including, without limitation, all Design Data are generated by or maintained on a computer or other equipment or otherwise in any machine readable format, the PPP Co shall procure for the benefit of the Authority at no charge the grant of a non-exclusive licence or sub-licence for any relevant software or database to enable the Authority or any person authorised by the Authority to access and otherwise use such data (including, without limitation, online access and use, as applicable) for the purposes set out in this Agreement or whether during or after the Contract Period as otherwise permitted under this Agreement or following its termination.
- (b) Within [●][●] Working Days after the Effective Date the PPP Co shall submit to the Authority's Representative for Commercial Review its proposals for backing-up and storage in safe custody of the data, materials and documents referred to in Clause 26.1 (Design and other Data) and the Authority's Representative shall only be entitled to make comments, object and require alterations or additions if the same shall not accord with Good Industry Practice. The PPP Co shall comply with the procedures to which no such objection has been raised by the Authority's Representative. The PPP Co may vary its procedures for such back up and storage subject to submitting for Commercial Review proposals for change to the Authority's Representative who may only object on the basis set out in this Clause 26.3(b).

26.4 Further Assurances

The PPP Co and the Authority each undertakes at the request of the other to execute all documents and do all acts which may be necessary to bring into effect or confirm the terms of any licence contained or referred to in Clause 26.2 (Licences).

26.5 Termination

This Clause 26 shall survive the Termination Date irrespective of the reason for termination.

PUBLIC WORKS CONTRACT DRAFTING

[●].4 Property and Rights in Contractor's Documents

[●].4.1 The Employer may use, copy, modify, adopt and translate for any purpose in connection with the Works [including to construct, maintain, extend, use, operate, let, sell, promote, advertise, reinstate, and repair the Works] the Contractor's Documents that are given (or, according to the Contract, must be given) to the Employer and the Works Proposals.

[●].4.2 If the Schedule (part [●]) so states, ownership of and all copyright and other rights in the Contractor's Documents that are prepared for the Works and are given (or according to the Contract, must be given) to the Employer and the Works Proposals transfers to the Employer when the Employer receives them (and, in relation to Works Proposals in the Contract, from the Contract Date). The Employer shall be entitled to use and copy all other Contractor's Documents for any purpose.

[●].4.3 The Contractor shall ensure that the Employer obtains the rights and interests

described in this sub-clause [●].4.

[●].4.4 The Contractor has no liability for the use of the Contractor's Documents for any purpose other than that for which they were provided to the Employer.

ACCOMMODATION CONTACT DRAFTING

[●].7 Intellectual Property

[●].7.1. In the event of termination or expiry of this Agreement, Intellectual Property Rights in the form of software owned by [●] shall be licensed to the Minister and/or any replacement service provider in executable (object code) form.

[●].7.2 The Operator shall in respect of the source codes for each item of software in respect of which Intellectual Property Rights are owned by [●] and licensed pursuant to Clause [●].7.1 [above] enter into an agreement in the form of [an Escrow Agreement].

[●].7.3 The Operator shall within thirty ([●]) days of the date of Certification of the [●] Equipment deposit copies of the source codes referred to in Clause [●].7.2 [above] together with any associated documentation, manuals, technical information and any modifications, updates, releases, improvements and enhancements thereto (together the **Related Materials**) to the National Computer Centre and thereafter deposit copies of any such source codes and Related Materials which subsequently become contained with the Intellectual Property Rights to be licensed pursuant to Clause [●].7.1 [above] as soon as reasonably practicable.

[●].7.4 The Operator shall pay all fees required in accordance with the [Escrow Agreement] and in the event of default, the Minister may pay them and recover them from the Operator as a debt payable on demand.

OPERATING CONTRACT DRAFTING

INTELLECTUAL PROPERTY AND BRANDING

[●].1 [Authority's] obligations

[●].1.1 [The Authority] grants to the Operator a non-transferable, non-exclusive, royalty-free licence (carrying the right to grant sub-licences) to use all [Data] in respect of which the [Authority] has the unfettered power to grant such a licence, and all brands, trademarks and logos in respect of [●] owned by [the Authority] as are required by the Operator to provide the Services in accordance with the Contract.

[●].1.2 [The Authority] shall make available to the Operator without charge the [Data] which are the subject of the licence granted in Clause [●].1 and are within [the Authority's] power, possession or custody.

[●].1.3 The licences in Clause [●].1. are granted solely for the purpose of performing the

Services in accordance with the Contract, and shall terminate on the Expiry Date. The Operator shall not (and shall ensure that any sub-licensee does not) use those licences, or their subject matter for any other purpose.

[●].2 Operator's obligations

The Operator shall ensure that all Intellectual Property Rights in [Data] acquired or brought into existence in any manner whatsoever by or on behalf of the Operator or a Sub-Contractor for the purposes of the Project and are vested in [the Authority] (or [the Authority's] nominee) at the Expiry Date at no cost to [the Authority], provided that in the case of software generally available in the market the Operator shall ensure that [the Authority] is granted a non-exclusive, transferable, royalty-free perpetual licence in such Intellectual Property Rights and [the Authority] shall assume the obligation to discharge all fees, charges and expenses of any third party supplier in connection with the acquisition and use by [the Authority] of such Intellectual Property Rights.

[●].3 Branding

The Operator shall not, without the consent of [the Authority's] Representative, use in connection with the Services any brand, trademark or logo other than those licensed under Clause [●].1 [above].

[●].4 Computerised Data

[●].4.1 To the extent that any of the [Data] referred to in Clause [●].1 [above] are generated by or maintained on a computer or in any other machine readable format, [the Authority] shall use all reasonable endeavours to procure for the benefit of the Operator the grant of a licence or sub-licence on the same terms given to [the Authority] or the relevant third party, as the case may be, for the supply of any relevant software or data base to enable the Operator, or its nominees to have access to, and otherwise to use, such data for the purposes set out in Clause [●].1. [above].

[●].4.2 To the extent that any of the [Data] referred to in Clause [●].2 are generated by or maintained on a computer or in any other machine readable format, the Operator shall procure for the benefit of [the Authority] the grant of a licence or sub-licence on the same terms given to the Operator or the relevant third party, as the case may be, for the supply of any relevant software or data base to enable [the Authority], or its nominees to have access to, and otherwise to use, such data for the purposes set out in Clause [●].2.

[●].5 Execution of Documents etc.

The Operator and [the Authority] each undertakes, at the request of the other, to execute all documents and do all acts which may be necessary to bring into effect or confirm the terms of any transfer assignment or licence contained in this Clause.

[●].6 Reciprocal Obligations

In carrying out their respective obligations under the Contract (but without limiting those obligations), neither Party will infringe any material Intellectual Property Rights of the other, or of third parties.

CROSS REFERENCES

This clause is referred to the following clauses of the Compendium:

- Clause 3 (Effectiveness of this Agreement)
- Clause 20 (General Project Undertakings)
- Clause 53 (Effect of Termination)

This clause is relevant to the following entries in the Risk Matrix:

- Clause B5 (Intellectual Property Rights)
- Clause C31 (Intellectual Property Rights)