



Sellafield Ltd

# Intellectual Property Considerations in contracts for Technical Development Work

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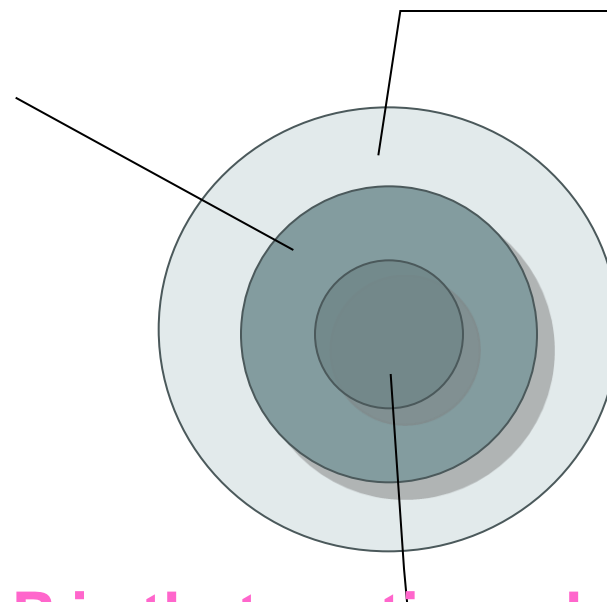
Date: Nov 2014

Site or Business area

# Definition of Intellectual Property

**Knowledge Assets (IA) are all of the knowledge resources held by an organisation.**

- includes (*tacit and codified*) knowledge that is present in the form of results, designs, plans, reports, lessons learned, best practices, the expertise of staff, ways of working of the company and information held in documents and computer systems.



External information in public domain

**IP is that portion which is protectable by LAW**

# There are many different IP Rights

- Patent
- Registered Trademark
- Registered design
- Confidentiality agreement
- Copyright
  - *Literary works, artistic works, dramatic works, performance rights, recording rights, paternity rights, moral rights, format rights, artists resale rights*
- Database right
- UK Unregistered design rights
- Unregistered trademarks
- Confidential information/ trade secret
- Semiconductor topography rights
- Geographical origins

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**Lots  
Rights are protected under  
legislation  
- Some of which is inconsistent**



# Generally - two broad areas

- Patent
- Registered Trademark
- Registered design
- Confidentiality agreement

**Formal registration – provides monopoly right**

- Copyright
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**Arise automatically – sui generis – but not prevent copying – independent generation or use**





# What type of activities involve IP?

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- Technical Development work
- Design work
- Bespoke manufacturing contracts
- Creation of bespoke software, documentation, film/photographs
- Routine record keeping/collation of results or information etc
- Use of computer software
- Use/reuse of drawings, designs, instructions
- Retro-engineering - Manufacturing of spare parts
- Copying documents, magazines, journals
- Lifting documents, illustrations etc from the internet
- Listening to the radio at work

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## Generate new (arising) IP

- ensure appropriate ownership and access

## Use of third party IP

- Need to ensure use is covered by appropriate licence

# Who should own the Arising IP?

- Who wants to own it?
- Who wants rights to it?
- Is it dependent upon background IP
- Who is in a position to exploit or further develop it?
- To whom has it most value?
- Are there limitations to its ownership or use?

# Who should own the Arising IP?

- Who wants to own it?
  - Why? – and if so, will they look after it?
- Who wants rights to it?
  - Almost certainly the Customer
  - The supplier?
  - Could they be limited by field? Eg: University for teaching purposes?
  - How can this be achieved – defensive publication?

# Who should own the Arising IP?

- Is it dependent upon background IP?
  - in which case it may be of little use on its own
- Who is in a position to exploit or further develop it?
  - Originator? and does this ultimately benefit the customer?
    - ‘open innovation’ model
- To whom has it most value?
  - Could ownership be used to incentivise the supplier?
- Are there limitations to its ownership or use?
  - Eg: due to terms of financial grant? Procurement / antitrust legislation?

# Background IP

IP that is owned or licensed to one of the parties and is to be used on the Project and / or is necessary for use of the Results

- Do we know what it is?
- Is it owned or licensed in?
- Are there terms or limitations applicable to its use?

# Background IP

- Do we know what it is?
  - We need to find out
  - .....and have a mechanism to update this
- Is it owned or licensed in?
  - Is the supplier able to provide a licence to the customer?
  - Are the terms known and agreed?



# Background IP

- Are there terms or limitations to its use?
  - Because it is valuable to the supplier?
  - Because rights have been granted to another party?
  - Because it belongs to another party –eg: proprietary software
- Terms - Could be payment, or limitations to use by field, operator or territory

# Contractual procedure

- Identify background IP
  - Including third party background IP
  - Unimpeded licence granted unless terms identified
  - Register to be kept – and updated as project progresses
  - No background IP with limitations is to be used unless terms are agreed
- Identify and record Arising IP
  - Sentence
    - patent (process, territories etc.), publish
    - Licence as required

# Successful features- arising IP

- Pooled development work
  - Lead party owns IP, others get licence as required
  - Contract acts as licensing vehicle
- Contractor keeps IP as part of reward for job
  - Valuable to them
  - They may input more background IP if they derive benefit
  - Subject to licence to customer

# Successful features – background IP

- Contractor and supply chain grants licence to background IP but has opportunity to identify special IP subject to limited rights
  - Protects IP all down the supply chain
  - Allows contractor to bring forward IP for limited use
  - .....and his supply chain

# Successful features – background IP

- Contractor has design of equipment (background IP) and wants customer to fund testing and development
- If successful, customer wants to buy finished device
- .....but, is bound by procurement legislation and must be able to compete production of final product
- - so needs access to the background IP
- How to avoid either
- Unnecessary expenditure on untested background?
- Or, being held to ransom if testing is successful?

# The answer

- Arrangement:
  - Customer pays for testing and development work
  - Contractor owns arising IP – subject to licence to customer
  - Contractor agrees to licence background IP to customer on defined terms, if requested
- So:
  - Customer gets access to Background at agreed, advantageous price
  - Contractor gets paid for updating his own design

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Everyone's a Winner!

# Factors to consider

- Procurement law – limits flexibility to negotiate IP matters
  - *European procurement directive*
  - *Antitrust legislation*
  - *State aid*
  - Biggest hurdle is testing and development of existing technology
    - If we test a device we can't guarantee to buy from the supplier
- Grants often have conditions re IP
  - Eg research establishment to own arising IP



# Summary

- Need to specify IP ownership and rights at the beginning of the contractual process
  - Rights do not always vest in the customer
- There is more to life than ownership of patents!
  - There are other aspects of IP
  - and softer benefits in general
- Access to Background IP is of key importance