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Overview

In this age of information, the effective use of knowledge-based assets is critical to success.

Changes in technology, the law and the way services are delivered are making the management of Intellectual Property (IP) a central issue for the public sector.

The Audit Office's performance audit report, *The Management of Intellectual Property (October 2001)* addressed issues at the whole-of-government level and examined IP management in fourteen agencies.

This Better Practice Guide draws on the audit report and seeks to build upon initiatives undertaken by the Premier's Department and other agencies. Some of these initiatives are included under the heading of 'Additional Information' at the end of the guide. These should be consulted for help in formulating policies and procedures for the management of Intellectual Property.

The guide contains checklists for better practice aims to assist agencies developing policies and procedures to manage IP more efficiently and effectively.

Leadership and Corporate Support

Principle

Management is responsible for ensuring that:

- IP assets are managed in a publicly accountable way
- resources are appropriately allocated
- innovation is encouraged.

What would effective IP leadership and corporate support look like?

There is clear management commitment to ensure that knowledge-based resources are valued and used to improve service delivery and benefit the State.

Policies and plans provide direction for the agency's management of IP. Priorities are determined, targets established, expertise developed, incentives provided, results measured and staff held accountable for meeting goals.

What are some of the major risks?

- A lack of direction or framework within which to manage IP.
- No clear accountability for the management of significant assets.
- Discouragement of innovation and service improvements.

Leadership and Corporate Support

Management has:

- determined how knowledge and IP fit within the agency’s strategy
- determined where, how and by whom IP is to be managed
- ensured that the control and custodianship of IP assets resides in the most appropriate part of the agency
- aligned accountability for IP management with control over IP assets
- formally assessed what arrangements and resources are appropriate for the management of IP. For example, does the agency require specialist legal resources or a technology transfer unit.

Appropriate resources are provided for the management of IP.

Staff have timely access to independent legal and commercial expertise.

Staff are informed of significant developments in IP law and management.

Appropriate training in IP-related issues is provided to staff and managers.

Staff are aware of how IP management ‘fits’ with the agency’s objectives and activities.

The organisational culture values and supports innovation and the management of IP.

Staff, who innovate and manage IP well, are rewarded in a transparent and accountable way.

Innovation is a key consideration for determining promotion and assessing the performance of staff.

Policy

Principle

Policies support the effective management of IP for:

- the benefit of the State
- the fulfilment of agency objectives.

Because the functions **and** IP assets of government agencies are specialised, each agency needs to be aware of its particular environment when developing and implementing policies.

What would effective IP policies look like?

The agency's policy supports and guides the management of IP to ensure that:

- IP assets are managed for the benefit of the State
- the management of IP supports the agency's objectives
- the risks associated with the use of IP are minimised and managed.

What are some of the major risks?

- Lost opportunities to improve service delivery and benefit the State.
- Lack of guidance for staff managing IP.

Policy

Policies and procedures are in place to manage IP.



In developing policies and procedures for managing IP, the agency has:

- considered its core functions and activities
- identified all forms of IP assets likely to be developed, used or managed by the agency
- considered existing systems, policies and procedures
- allocated appropriate resources to lead and manage the development and implementation of the IP policy.



The policies and procedures for the management of IP:

- are documented
- identify who is accountable for implementation
- provide clear and appropriate guidance to staff
- are integrated with other corporate policies and objectives
- are communicated to staff
- provide for periodic review.



Identification and Recording of IP Assets

Principle

The agency is aware of IP issues and knows what IP assets it owns, controls and uses.

What would an effective system for identifying IP look like?

Awareness of IP assets relies upon systems for both initial identification and information retrieval. It is recommended that a risk management approach be adopted to determine what IP assets and related information are significant and need to be recorded.

It is relatively straightforward, for example, to identify and record information about IP assets generated by a planned research & development program. However, much of the IP used by agencies is likely to be an incidental by-product of an agency's efforts to become more efficient and effective. This form of IP is more difficult to identify and may not always have a significant commercial, operational or strategic value to an agency.

The checklists on the page opposite provide a starting point for considering what assets and information to identify and record.

Because the complexity of IP and the short lifecycle of innovation are likely to erode the integrity of the IP register over time, it is important that the agency regularly reviews and evaluates its procedures for identifying IP assets.

What are some of the major risks?

- Knowledge-based assets are not fully considered when making strategic and operational decisions.
- Resources are allocated using incomplete information.
- Agencies may be unaware of assets for which they are responsible.

Identification and Recording of IP Assets

Materiality, risk and strategic value have been considered in determining:

- what constitutes IP
- who is responsible for identifying IP
- when and how new IP is to be identified and recorded
- which assets and licences are to be recorded in an IP register
- what information is to be recorded in an IP register
- when and how the system of identification is to be evaluated and reviewed.

A structured review has identified:

- IP owned or controlled by the agency
- IP, owned by other parties, that the agency has permission to use.

A register is maintained of significant IP owned, controlled or used by the agency.

The register of IP assets owned, controlled or used by the agency should include:

- description of IP and its location
- ownership details
- if contractors or consultants are involved in developing the IP, details of the IP clauses in their contracts
- the identity of the manager(s) responsible for the IP asset
- whether the IP is protected and the status of that protection
- where IP is licensed out: details of license, licensee and payment details
- where IP is licensed in: details of licence, licensor and payment details
- arrangements for the review of the IP asset.

Managing IP Rights

Principle

The agency effectively manages the ownership, protection and right of use of IP.

What would the effective management of IP rights look like?

IP rights are complex to manage.

The checklists on the next three pages provide guidance on some of the issues that need to be addressed. These are to:

- address IP issues during **planning** and project development
- establish and allocate IP rights
- **protect IP** through law and confidentiality
- **monitor** IP against unauthorised use and **enforce** IP rights.
- **respect the IP rights of others**
- support timely and transparent **collaboration** with other parties.

What are some of the major risks?

- The loss of valuable IP assets and revenues.
- The loss of strategic control over IP assets, which are necessary for important agency work.
- Liability for infringing the IP rights owned by others.

Managing IP Rights: Planning

Policies and procedures for the generation and procurement of assets address issues of IP management.

Decisions to develop and procure assets are informed by:

- consistency with agency functions and objectives
- existing IP so as to prevent duplication
- the agency's strategic need to retain control of IP. For example, does the agency require ownership or is a licence to use the IP sufficient
- the risk of loss or destruction of agency assets
- the projected return on investment including in-house savings, improved quality of service and IP commercialisation
- the stimulation of economic activity and innovation within NSW through the adoption of the IP by other parties.

IP issues are considered before tenders or bids are invited or consultants are engaged.

Procedures exist to manage the disclosure of IP to tenderers and the receipt of IP from tenderers.

Staff obtain suitably qualified expert advice when potential IP issues are identified.

All contracts in which IP might be created (including employment, out-sourcing, consulting and contracting agreements) specifically address the ownership of IP.

Procedures exist to establish ownership of those IP assets that require documents to be registered or lodged in order for a right to be created (eg patents, plant breeder's rights and designs).

Staff and consultants are aware of the agency's right to IP created in the course of employment and engagement.

Staff, consultants and contractors are required to notify the agency of work being undertaken that may lead to the creation of IP.

Managing IP Rights: Protecting, Monitoring and Enforcing

Staff and consultants do not inappropriately disclose emerging IP to third parties.

The agency's IP is protected even where agency contractors engage sub-contractors.

Monitoring of potential infringement of IP rights takes place. For example:

- a register is maintained of the IP assets owned or controlled by the agency
- adequate resources are allocated to monitor the (ab)use of IP. Such monitoring may be done in-house or out-sourced to collecting agencies.

Adequate arrangements exist to protect and defend IP against unauthorised use or destruction. An accountable officer (a specified and appropriately senior officer reporting to the Chief Executive):

- is informed when an employee, consultant, contractor or licensee becomes aware of a possible infringement of IP
- seeks legal advice immediately any suspected infringement of a public authority's IP is discovered
- takes such action as is reasonably necessary to protect the agency's interests.

Sufficient resources are allocated to effectively defend against infringements of IP rights.

The IP policy contains mechanisms for dispute resolution.

Managing IP Rights: Respecting Others

Staff are aware of their obligation to respect the IP owned by others.

Adequate arrangements are in place to avoid infringing the IP rights of third parties. For example:

- a register of IP that the agency is licensed to use is maintained and compliance with the terms of the licence agreements is regularly monitored
- a trade name search is conducted when selecting a new name for a service or product to be provided by the agency
- a patent search is conducted when implementing what is considered to be a new process or new product
- a copyright clearance is obtained from the owner of IP when the IP is to be developed or transferred to a third party.

Managing IP Rights: Collaborative Arrangements

There are policies and procedures to manage issues arising from the receipt of non-NSW-Government funding to develop IP.

Matters that need to be resolved include ownership, licences to use and develop and profit sharing.

There are policies and procedures to manage issues arising from the agency's funding of other individuals and entities to develop IP. For example:

- the funded organisation is required to demonstrate adequate IP management arrangements
- opportunities to exploit IP for the benefit of NSW are considered when allocating funding.

IP Uptake

Principle

The agency manages the adoption of its IP by appropriate external users so as to achieve the best outcomes for NSW.

IP uptake refers to the diffusion, commercialisation and transfer of the agency's technology and information.

The effective management of the uptake of IP is important because:

- the more IP is used, the more valuable it becomes. In contrast physical assets tend to be consumed with use and deteriorate over time
- IP loses value as it becomes outdated. If an agency is unable or unwilling to further develop an IP asset, it may be appropriate to transfer the IP to the private sector
- the users and adopters of the IP may suffer loss if the quality and integrity of the IP is not maintained.

What would effective IP uptake look like?

Because of the different agency functions and mandates and the variety of IP assets held, agencies need to develop their own policies and practices for the use and exploitation of IP.

The checklists on the next three pages are intended as a starting point for agencies:

- **planning** how IP will be used
- exploiting and **commercialising** IP to provide the greatest benefit to the people of NSW
- ensuring that the agency's **publications** are accurate and appropriately accessible and priced. Publication is an important way that an agency can make its IP available to the people and industry of NSW.

What are some of the major risks?

- The full benefit of the public investment in IP may not be realised.
- The quality of IP distributed by agencies, and relied upon by the people of NSW may not be assured.
- A lack of clear guidance may result in risk averse behaviour and stifle innovation.
- Assets may be disposed of without a transparent process to assess value and ensure probity.

IP Uptake: Planning

There has been a formal assessment of how the uptake of IP will be managed to support agency activities and strategies.

Policies and procedures encourage and manage the uptake of IP by appropriate end-users.

There is clear accountability for the management of the uptake of IP.

The decision-making process, for developing and exploiting IP, is streamlined and capable of fast response times.

Systems are in place to assess, at an early stage in the life of an IP asset, how best to manage the uptake of IP.

Systems for managing the uptake of IP consider; the agency's core functions, corporate strategy, and operational efficiency:

- protection, enhancement and integrity of existing IP assets
- improved delivery of services to the people of NSW
- systems and resources required to manage and implement the uptake of IP
- capacity of the agency to manage the uptake of the IP asset
- competition policy
- the legal mandate of the agency to engage in particular activities
- all risks and costs associated with the uptake of the IP
- the commercial potential of the asset.

The reasons for actions taken in respect of the uptake of IP are clearly documented.

Staff seek advice from qualified and experienced experts in IP law, management, uptake and commercialisation.

The disposal, sale and licensing of IP is conducted in an open, accountable and competitive manner.

IP Uptake: Commercialisation

The commercial potential and all associated risks and costs are assessed before commercialising an IP asset.

Consideration should be given as to whether the proposed commercialisation arrangement:

- gives priority to ancillary activities at the expense of the agency's core activities
- supports the agency's key objectives
- operates on a proper commercial basis, with separate financial reporting
- establishes clear responsibilities, accountabilities and agreed outcomes both within the agency and with the other parties to the arrangement
- is consistent with the agency's obligations to maintain and protect state records
- preserves the agency's right to use the IP for non-commercial operations and for internal research and development projects
- sets conditions to ensure that IP is developed and exploited for the benefit of NSW, and if such conditions are not met, then the agency may exercise the right to reclaim the IP
- addresses issues of transparency and any potential conflict of interest
- takes reasonable steps to manage the risks associated with the project. These may include warranties and legal agreements that limit or indemnify against liability.

Systems ensure that IP transactions are managed appropriately to further the agency's objectives. Examples of IP transactions include the maintenance of patent registrations and licence fees.

IP is managed consistently with the *Competition Principles* agreed to by the Government.

In particular, the agency ensures that competition is not adversely affected by:

- the abuse of any commercial advantage arising out of the agency's public ownership of IP
- the transfer of IP to the private sector in a way that restricts competition or allows the formation of a monopoly.

IP Uptake: Publication

There are policies and procedures to manage the publication of the agency's intellectual property.

Publication of information is a key mechanism by which agencies encourage the uptake of IP by the citizens and industry of NSW.

The policies and procedures governing publications address:

- the agency's core functions and corporate strategy
- the access and pricing of government information
- the agency's obligations to maintain and protect state records
- the requirements to respect confidentiality and privacy
- freedom of information obligations
- electronic publication.

Publications are controlled and reviewed to ensure that accuracy is maintained.

Transparent risk management systems provide for timely and accurate information. For example consideration should be given to ensuring that:

- each publication is assessed for its level of risk and managed accordingly
- all agency publications display a copyright statement
- publication does not breach confidentiality or ownership of IP by others
- publications assessed as having a higher risk are subject to more stringent requirements for approval and have a predefined review or withdrawal date.

Reporting

Principle

The agency reports its performance in managing IP so as to enable effective review by management.

What would a relevant and effective system for reporting on IP management look like?

Significant information on IP is included as part of regular reporting to management.

A reporting regime provides relevant and timely information on matters affecting the management of IP.

What are some of the major risks?

- A lack of regular reporting contributes to a lack of control of and accountability for IP assets and policy.
- Limited information restricts the agency's ability to evaluate its performance and institute on-going improvements.

Reporting

Information on the management of IP is provided to stakeholders in a timely manner.



Systems exist to identify the costs, outputs and revenues associated with particular IP assets and projects.



The Board/CEO receives periodic reports on:

- changes in the inventory of IP held and managed by the agency
- expenditure on developing or acquiring IP
- the financial and operational return realised on the investment in IP
- the success or otherwise of attempts to commercialise agency IP
- changes in the level of risk associated with IP assets and programs
- performance of programs to fund the development of IP by third parties
- rewards and incentives provided to staff and contractors to encourage innovation.



Accountable manager(s) are speedily advised of significant events relating to:

- proposed disposal or sale of IP
- developments in IP law that may affect agency operations and exposure to risk
- potential conflicts of interest concerning ownership, management and exploitation of IP
- unauthorised exploitation or potential infringement of public sector IP
- alleged infringement of a third party's IP rights by the agency
- any infringement proceedings started by an exclusive licensee of the agency's IP.



The agency's management of its IP is evaluated.



Additional Information

Department of Communications, Information Technology and the Arts (Commonwealth). 2000.
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Office of Information Technology (NSW). *Guidelines including:*
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Business Case Development and Risk Management Guidelines.
Information Management Audit Guideline.
Information Management Classification Guideline.
Information Management Inventory Guideline.

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Code of Conduct and Ethics for Public Sector Executives 1998.
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Western Australian Department of Commerce and Trade. 2000. *Government Intellectual Property Policy 2000.* Perth.

Useful Links

www.premiers.nsw.gov.au
www.commerce.wa.gov.au
www.ipaustralia.gov.au

NSW Premier's Department.
Western Australian Department of Commerce and Trade.
IP Australia.

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