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Expert Group on Public Procurement

Consultation paper<sup>1</sup>

Public procurement and IP-infringing products  
(EU Action Plan on the enforcement of intellectual property: Action 9)

## INTRODUCTION

The Commission adopted on 1 July 2014 an EU Action Plan on the enforcement of intellectual property<sup>2</sup> (the “Action Plan”). This Action Plan focuses on the fight against commercial scale intellectual property (IP) infringing activity. It aims, *inter alia*, to propose enforcement policy tools seeking to deprive commercial scale infringers of the revenue flows that draw them into such activities (e.g. the so-called “follow the money” approach).

This Action Plan contains 10 actions. Action 9 addresses the **relationship between public procurement procedures and the respect of intellectual property**. In particular, the Action Plan states the following:

*"Public procurement contracts within the Union can result in public sector services being infiltrated with IP-infringing products. In a first step, in 2014, the Commission shall foster better exchange between Member State public authorities on these issues, and will organise a consultation to this end in the Member State Expert Group on Public Procurement. Thematic workshops, organised by the Observatory, will also allow public authorities from different Member States to discuss the problems they have encountered and to exchange best practice. In addition, the Commission will undertake a first sectoral pilot exercise by screening public purchases in the medical sector to assess the scale of the problem in that field. On the basis of these activities the Commission shall publish and promote a guide on methodologies to assist public authorities in detecting and preventing counterfeit products from entering into public services.*

*Action 9: The Commission intends to develop, promote and publish a guide on best practice for public authorities to avoid purchasing counterfeit products."*

<sup>1</sup> This consultation paper expresses the views of the Commission staff and, under any circumstances, should it be interpreted as stating an official position of the European Commission.

<sup>2</sup> Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, “Towards a renewed consensus on the enforcement of Intellectual Property Rights: An EU Action Plan”, COM(2014)392, 1.7.2014.  
[http://ec.europa.eu/internal\\_market/ipenforcement/action-plan/index\\_en.htm](http://ec.europa.eu/internal_market/ipenforcement/action-plan/index_en.htm)

The Action Plan calls in particular the Commission to, still in 2014, foster “*better exchange between Member State public authorities on these issues*”.

This consultation paper is the first step in implementing this mandate. It aims at informing the members of the Expert Group on Public Procurement about this action as well as at gathering their initial views on both the underlying problem and the action proposed.

**The consultation paper is submitted for discussion at the meeting of the Expert Group on Public Procurement of 4/5 November 2014<sup>3</sup>. Following that meeting, Members of the Expert Group will be asked to provide written responses to the questions in the consultation paper, by a date to be agreed at the meeting of 4/5 November 2014 (the questions might be revised, if appropriate, depending on the discussion held on 4/5 November 2014).**

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**1. THE KNOWLEDGE/AWARENESS OF THE PROBLEM/ISSUE<sup>4</sup>: THE INFRINGEMENT OF INTELLECTUAL PROPERTY IN THE CONTEXT OF PUBLIC PROCUREMENT PROCEDURES.**

In this paper, the expression “intellectual property” should be understood in a broad sense as referring to intellectual property rights in the formal sense<sup>5</sup> as well as to valuable know-how and confidential business information that is not protected by intellectual property rights but that a business may choose to protect through secrecy (so called “trade secrets”).

Intellectual property may be infringed in the context of public procurement procedures. The Action Plan refers to the risk of the “*public sector services being infiltrated with IP-infringing products*”. However, beyond the infiltration of products infringing intellectual property rights, other scenarios are also conceivable, including the unlawful use or disclosure of trade secrets<sup>6</sup> which are often used by economic actors to protect their competitive advantages. The possible infringement typologies are shown in the following text box:

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<sup>3</sup> A similar paper has been submitted to the Group of Experts on the Enforcement of Intellectual Property Rights, created by Commission decision of 16 September 2014, C(2014)6449.

<sup>4</sup> This paper should not be understood as promoting the procurement by public authorities of products protected by intellectual property rights. It remains neutral as to the need or the advisability of such procurement.

<sup>5</sup> For a list of intellectual property rights, see the Statement by the Commission concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, OJ L 94, 13.4.2005, p.37.

<sup>6</sup> The European Commission submitted in November 2013 a proposal for a Directive on the protection of trade secrets against their unlawful acquisition, use or disclosure (COM(2013)813). In May 2014, the Council agreed on a general approach (doc. 9870/14). The European Parliament has not yet taken a position.

### ***Infringement typologies***

Intellectual property rights may be infringed in connection to public procurement procedures in different ways (it must be noted that the contracting authority may not necessarily be the infringing party)<sup>7</sup>:

- (a) the contracting authority purchases IP-infringing products without knowing, or having reason to know, that those products infringe IP rights<sup>8</sup>. This situation may result from the infiltration of IP-infringing products into the supply chains of legitimate traders, but also from the conscious infringement of intellectual property right by the winning bidder;
- (b) the contracting authority purchases IP-infringing products knowing that those products infringe IP rights<sup>9</sup>. One cannot exclude that this situation takes place because of collusion with the winning bidder or of corruption;
- (c) the tender specifications, the contract with the winning bidder and/or the subsequent implementation of such contract could result in the infringement of intellectual property rights: e.g. software development in violation of third party rights on other software used as input.

In the case of the unlawful use or disclosure of trade secrets, the most relevant situation would be the disclosure by the contracting authority of confidential information submitted by a bidder to competing bidders.

### ***Provisional questions on knowledge/awareness of the problem***

- (1) **Cases of infringement.** Do you know of cases in which intellectual property has been infringed in the context of public procurement procedures / are you aware of “*public sector services being infiltrated with IP-infringing products*”? If so,
  - (a) What type of intellectual property (in the broad sense) has been infringed: patents, trademarks, copyright, trade secrets, others?
  - (b) Was the infringement carried out by the public authorities themselves or by the bidders?
  - (c) Was the infringement carried out during the bidding procedure or during the execution of the contract?
  - (d) Which products (goods or services) were concerned?

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<sup>7</sup> An intellectual property right may also be infringed, not in the context of the public procurement procedure, but after, at the moment of use of the product in question. E.g. a public authority acquires a copyright licence for the use of audio-visual material in certain cases, but uses such material in violation of the conditions for the use of such product. Those situations are outside the scope of this exercise.

<sup>8</sup> E.g. violation of design rights when purchasing spare parts; violation of patent/trademark rights when purchasing counterfeit electrical equipment.

<sup>9</sup> This may include the purchase and use of software without licence, assuming that copies of such unlicensed software are purchased through public procurement procedures. In practice, however, it is likely that the use of unlicensed software, if it happens, would rather be based on free copies obtained outside public procurement procedures.

- (2) **Allegations/complaints.** Are you aware of allegations/complaints that intellectual property could have been infringed in the context of public procurement procedures? Please explain.

## 2. THE EXTENT/IMPORTANCE OF THE PROBLEM

### 2.1. Which products and/or sectors are primarily affected?

There are no studies that address the question of the infringement of intellectual property in the context of public procurement procedures in a systematic manner. However, anecdotal evidence, originating from industry sources<sup>10</sup> or investigations in the defence field<sup>11</sup>, essentially in the US<sup>12</sup>, suggests that the following products and/or sectors could be affected as regards **infringements of intellectual property rights**.

- Electric/electronic equipment. US investigations confirmed that counterfeit goods<sup>13</sup> infiltrated the supply chains of the US “Department of Defense”. It appeared from one of those investigations that about two-thirds of the instances involved fasteners or electronic parts<sup>14</sup>. Another inquiry concluded that “[l]ooking at just part of the supply chain over a two year period from 2009 to 2010, the investigation uncovered approximately 1800 cases of suspect counterfeit electronic parts. The total individual suspect parts involved in those cases exceeded one million.”<sup>15</sup>.
- Spare parts: the US investigations also showed that counterfeit spare parts infiltrated the supply chains of the US “Department of Defense” (e.g. Kevlar used in body armour plates)<sup>16</sup>.
- Medicines/pharmaceutical products and medical devices/equipment. Several cases of counterfeit or falsified medicines/pharmaceutical products and/or medical devices/equipment have been reported in Europe<sup>17</sup>. However, for the sake of clarity, it

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<sup>10</sup> International Chamber of Commerce, *Intellectual Property Guidelines for Business*, March 2011. Prepared in partnership with BASCAP (Business Action to Stop Counterfeiting and Piracy). See in particular p. 26 and seq.

<sup>11</sup> US Senate, Committee on Armed Services, *Report on the Inquiry into Counterfeit Electronic Parts in the Department of Defense Supply Chain*, May 2012, Report 112-167.

US Government Accountability Office, Report to Congressional Requesters, Defense Supplier Base, *DOD Should Leverage On Going Initiatives in Developing Its Program to Mitigate Risk of Counterfeit Parts*, March 2010, GAO-10-389.

US Government Accountability Office, Report to the Committee on Armed Services, US Senate, DOD Supply Chain: Suspect Counterfeit Electronic Parts Can Be Found on Internet Purchasing Platforms, February 2012, GAO-12-375.

<sup>12</sup> Publicly available information in defence field originates from the US, but according to defence sources within the EU, EU Member States defence departments would also be looking at this issue generally, either individually or within NATO. The aerospace sector would be of particular concern.

<sup>13</sup> It must be underlined that in the defence field, the expression “counterfeit” goods could include goods that infringe intellectual property rights (e.g. a patent) but also sub-standard goods that fail to meet the quality criteria required by the contracting authority.

<sup>14</sup> GAO-10-389, p. 7. See also International Chamber of Commerce, *Intellectual Property Guidelines for Business*, March 2011, p. 27;

<sup>15</sup> US Senate, Committee on Armed Services, *Report on the Inquiry into Counterfeit Electronic Parts in the Department of Defense Supply Chain*, May 2012, Report 112-167, p. i.

<sup>16</sup> GAO-10-389, p. 7 and 25-26. International Chamber of Commerce, *Intellectual Property Guidelines for Business*, March 2011, p. 28.

<sup>17</sup> See for instance: De Bruijn, de Vries and Hermsen, *Counterfeit medical devices: a Risk indication*, RIVM National institute for Public Health and the Environment, letter report, August 2009; International Chamber of Commerce, *Intellectual Property Guidelines for Business*, March 2011, p.

must be noted that public authorities<sup>18</sup> may not necessarily have purchased such medicines/pharmaceutical products. These cases may concern direct sales to patients outside public procurement procedures. In other cases, sub-standard products may be at stake, but no infringement of intellectual property right would be involved.

- **Software**<sup>19</sup>: there have been cases in which public authorities have been supplied with illegal copies of software<sup>20</sup>. There also exist allegations that public authorities may be using software without licence in other cases<sup>21</sup>. Finally there have also been on occasion allegations that public authorities may have infringed pre-existing copyright when developing software without the permission of the holder of pre-existing rights<sup>22</sup>.

In the case of the **unlawful acquisition, use or disclosure of trade secrets**, anecdotal evidence also suggests that the construction/public works sector could be affected<sup>23</sup>, including in particular important turn-key projects involving sophisticated engineering services (e.g. energy efficiency, environmental-related services). See for instance the case presented by an EU company at the Conference organised by the European Commission (DG Internal Market and Services) on 29 June 2012 on trade secrets<sup>24</sup>: This case concerned a tender procedure for the construction of a power plant in a Member State. According to that company, a competing bidder used misappropriated trade secrets (in relation to sophisticated desulphurisation technology) in the bid. The competing bidder eventually obtained the contract in the tender procedure.

## 2.2. Scale/importance of the problem

As explained before, there are no studies that address the question of the infringement of intellectual property in the context of public procurement procedures in a systematic manner. Therefore, it is not possible to provide a reliable assessment of the scale of the problem at this stage.

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28; see also the cases reported in a study carried out for the European Commission, Study on Corruption in the Healthcare Sector, HOME/2011/ISEC/PR/047-A2, October 2013, p. 176.

<sup>18</sup> This also includes all entities which are subject to public procurement rules. This means that in the health sectors not only public hospitals but also private hospitals which are considered as a body governed by public law within the meaning of Article 1 (9) of Directive 2004/18/EC have to observe the public procurement rules.

<sup>19</sup> Off-the-shelf software is considered to be a product, while bespoke software is a service. To be noted that in the case of software, infringing conduct may also involve the infringement of a trade secret (e.g. the algorithms not protected by copyright).

This document should not be understood as promoting the procurement by public authorities of proprietary solutions as opposed to Free and Open Source Software. This paper is neutral in this regard.

<sup>20</sup> See International Chamber of Commerce, *Intellectual Property Guidelines for Business*, March 2011, p. 28.

<sup>21</sup> E.g. installation of additional copies of software beyond the terms of the licence or higher number of employees than agreed have access to the software (so-called overuse).

<sup>22</sup> See for instance the allegations against the Commission in the Systran case (Judgment of the Court, case C-103/11P, 18 April 2013).

<sup>23</sup> The construction industry has been vocal on this issue. For instance, during the discussion of the draft European Economic and Social Committee (EESC) opinion on the Commission's proposal for a Directive on the Protection of Trade Secrets (COM(2013)813) at the March 2014 EESC Plenary meeting, a member of the EESC (industry group), who came from the construction industry, intervened to raise the need to improve protection of intellectual property (including trade secrets) during public procurement procedures. He regretted the fact that neither the draft Directive nor the draft EESC Opinion was addressing the issue.

<sup>24</sup> [http://ec.europa.eu/internal\\_market/iprenforcement/trade\\_secrets/index\\_en.htm#maincontentSec5](http://ec.europa.eu/internal_market/iprenforcement/trade_secrets/index_en.htm#maincontentSec5).

However, from the anecdotal evidence available, the importance of the problem should not be underestimated. Indeed, it may be inferred that the following consequences (either damages or risks) could result from the problem at stake<sup>25</sup>:

- Mid- to long-term inefficiencies/lower returns to the initial investment: e.g. wasted public resources (expenditure on the wrong products, time lost by the contracting authority that will need to purchase IP-complying products etc.), legal challenges by the IP right-holders or the holders of trade secrets;
- Short term efficiency-related consequences: e.g. failed equipment and systems that do not work or result in a less-than-optimal performance;
- Security-related consequences: e.g. software industry reports that counterfeit software has a higher incidence of viruses and malware; defence system may be disrupted;
- Health/safety-related consequences: e.g. safety risks for the person using systems or products infiltrated with IP-infringing components; health risks resulting from counterfeit medicines that may lack the required doses of active ingredients etc.

### **2.3. How different is the problem for public purchasers as opposed to private ones?**

One needs to take into consideration that the question of the infiltration of IP-infringing products may not be different for public purchasers as opposed to private ones. For instance, when purchasing medicines/pharmaceutical products and/or medical devices/equipment, are the risks different for a public hospital compared to a private one?

#### **Provisional questions on: extent/importance of the problem**

- (3) **Importance.** Do you consider the infringement of intellectual property in the context of public procurement procedures (or the infiltration of public sector services with IP-infringing products) to be an important problem? Can you refer to evidence supporting your statement (e.g. number of complaints made to public authorities and/or of judicial cases in relation to that type of infringements in your Member State)?
- (4) **Consequences of infringements.** Which are in your view the most important consequences of the infringement of intellectual property in the context of public procurement procedures?
- (5) **Products/sectors affected/vulnerable.**
  - (a) Which are the products/sectors that have been more affected by the infringement of intellectual property in the context of public procurement procedures (or the infiltration of public sector services with IP-infringing products)?
  - (b) What are the products/sectors that, in your view, are more vulnerable?
  - (c) Is the medical sector more vulnerable than other sectors?

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<sup>25</sup> See generally International Chamber of Commerce, *Intellectual Property Guidelines for Business*, March 2011, p. 27 and seq.

- (6) **Public vs. private purchasers.** Do you consider that this problem affects public authorities more than private purchasers? Please explain.

### 3. PREVENTIVE & REACTIVE MEASURES

#### 3.1. EU legislation on public procurement

Directives 2014/23/EU<sup>26</sup>, 2014/24/EU<sup>27</sup> and 2014/25/EU<sup>28</sup> establish the EU rules that apply in the field of public procurement. As of 18 April 2016, those Directives will replace<sup>29</sup> pre-existing legislative texts which, in some cases, found their roots in earlier texts dating back to the 1970s. The primary aim of these EU rules is to open up public procurement to competition in the context of the internal market<sup>30</sup> and thus contributes to getting best value, which has become even more relevant in times of budgetary restrictions.

These **EU rules on public procurement are mindful of the need to respect intellectual property in the context of the public procurement procedures.** Several provisions establish requirements and safeguards in that respect. They also facilitate a responsible procurement by contracting authorities, in which infiltration of IP-infringing products or violation of intellectual property is avoided. For instance<sup>31</sup>:

- (a) Contracting authorities are required by the EU rules to take into account, when preparing the procurement documents, that intellectual property must be respected: e.g. EU rules foresee that the technical specifications<sup>32</sup> “*may also specify whether the transfer of intellectual property rights will be required*”<sup>33</sup>.

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<sup>26</sup> Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts, OJ L 94, 28.3.2014, p. 1–64.

<sup>27</sup> Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, OJ L 94, 28.3.2014, p. 65–242.

<sup>28</sup> Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC, OJ L 94, 28.3.2014, p. 243–374.

<sup>29</sup> Directives 2004/17/EC and 2004/18/EC will be repealed with effect from 18 April 2016. Directive 2014/23/EU on the award of concession contracts is, however, new.

<sup>30</sup> Cf. Recital 1 of Directive 2014/24/EU: “*The award of public contracts by or on behalf of Member States’ authorities has to comply with the principles of the Treaty on the Functioning of the European Union (TFEU), and in particular the free movement of goods, freedom of establishment and the freedom to provide services, as well as the principles deriving therefrom, such as equal treatment, non-discrimination, mutual recognition, proportionality and transparency. However, for public contracts above a certain value, provisions should be drawn up coordinating national procurement procedures so as to ensure that those principles are given practical effect and public procurement is opened up to competition.*”

<sup>31</sup> References will be made to Directive 2014/24/EU only.

<sup>32</sup> Contracting authorities are required to lay down, in the technical specifications set out in the procurement documents, the “*characteristics required of a works, service or supply*” (Article 42(1), first sub-paragraph, of Directive 2014/24/EU). Therefore, they have to clearly establish what to purchase (cf. recitals 74, 76, 77 and 97 of Directive 2014/24/EU), including by setting quality standards (cf. recital 90 of Directive 2014/24/EU) when it comes to award criteria, according to which the different tenders will be compared.

<sup>33</sup> Article 42(1), third subparagraph, of Directive 2014/24/EU. See also Article 31(6), third subparagraph, in relation to innovation partnerships: “*In the procurement documents, the contracting authority shall define the arrangements applicable to intellectual property rights. [...]*”

It should be noted that, intellectual property rights, such as patents or trademarks, are not to be mentioned in the technical specifications, unless justified by subject-matter of the contract and on an exceptional basis. In such a case, the reference to those patents or trademarks must be accompanied by

- (b) EU rules also take into account the fact that intellectual property rights grant exclusive rights to their holders. Thus, the rule on the use of the negotiated procedure without prior publication specifies that such procedure can be used for public works contracts, public supply contracts and public service contracts where the works, supplies or services can be supplied only by a particular economic operator because of the “*protection of exclusive rights, including intellectual property rights*”<sup>34</sup>.
- (c) EU rules allow contracting authorities to check the technical ability of an economic operator. Evidence of the economic operator’s technical abilities may be furnished by different means. “*Where the products or services to be supplied are complex or, exceptionally, are required for a special purpose, a check can be carried out by the contracting authorities or on their behalf by a competent official body of the country in which the supplier or service provider is established, subject to that body’s agreement, on the production capacities of the supplier or the technical capacity of the service provider and, if necessary, on the means of study and research which are available to it and the quality control measures it will operate;*”<sup>35</sup>.

Moreover, with regard to the products to be supplied, evidence of the economic operators’ technical abilities may be furnished by:

- “(i) *samples, descriptions or photographs, the authenticity of which must be certified if the contracting authority so requests;*
- (ii) *certificates drawn up by official quality control institutes or agencies of recognised competence attesting the conformity of products clearly identified by references to technical specifications or standards.*”<sup>36</sup>

When verifying the technical ability of an economic operator, the contracting authority may verify whether the products at stake (or their parts) comply with:

- intellectual property rights; for instance, when the authenticity of samples could not be fully verified (e.g. electronic equipment or individual component such as chips), the tender concerned could be excluded from the public procurement procedure due to the non-fulfilment of a selection criterion;
- minimum technical requirements/levels of performance; if samples do not meet the required levels of performance, the tender shall be excluded from the public procurement procedure regardless any potential intellectual property issues.
- (d) EU rules allows the contracting authorities to exclude bidders which have violated intellectual property rights. In particular, Member States could consider this a grave professional misconduct of the bidder, which renders his/her integrity questionable<sup>37</sup>.

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the words ‘or equivalent’ (cf. Article 42(4) of Directive 2014/24/EU). However, this would be different if patents are part of recognised technical standards issued by standardisation bodies (standard essential patents), see Article 42(3)(b) of Directive 2014/24/EU in that regard.

<sup>34</sup> Article 32(2)(b), first sub-paragraph, point (iii). Additional safeguards apply to make sure that competition is not distorted. Thus, the recourse to the negotiated procedure in that case is only accepted, however, “*when no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement*” (cf. Article 32(2)(b), second sub-paragraph).

<sup>35</sup> Annex XII (Means of proof of selection criteria) of Directive 2014/24/EU, Part II Technical Ability, point (e).

<sup>36</sup> Annex XII (Means of proof of selection criteria) of Directive 2014/24/EU, Part II Technical Ability, point (k).

As regards the issue of the **protection of trade secrets in the context of the public procurement procedures**, the EU rules foresee that a contracting authority must not disclose information it has received from the bidders, when the bidders have designated such information as confidential, including trade secrets. There is a general principle set out in Article 21(1) of Directive 2014/24/EU<sup>38</sup>. This principle is further specified in other provisions relating to specific types of procedures, as regards the protection of information during the conduct of negotiations/dialogues<sup>39</sup> or the performance of innovation partnerships<sup>40</sup>. The rules on the provision of information to bidders<sup>41</sup> and to the public<sup>42</sup> on the outcome of the procedure and the award of the contract also allow the contracting authority not to disclose certain information which would harm the commercial interests of bidders, which can also be interpreted as providing for the protection of trade secrets.

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<sup>37</sup> Cf. Article 57 of Directive 2014/24/EU: “*Exclusion grounds. [...] 4. Contracting authorities may exclude or may be required by Member States to exclude from participation in a procurement procedure any economic operator in any of the following situations: [...] (c) where the contracting authority can demonstrate by appropriate means that the economic operator is guilty of grave professional misconduct, which renders its integrity questionable; [...]*”

See also recital 101 of Directive 2014/24/EU: “*Contracting authorities should further be given the possibility to exclude economic operators which have proven unreliable, for instance because of violations of environmental or social obligations, including rules on accessibility for disabled persons or other forms of grave professional misconduct, such as violations of competition rules or of intellectual property rights. [...]” [emphasis added].*

<sup>38</sup> Cf. Article 21 of Directive 2014/24/EC: “*1. Unless otherwise provided in this Directive or in the national law to which the contracting authority is subject, in particular legislation concerning access to information, and without prejudice to the obligations relating to the advertising of awarded contracts and to the information to candidates and tenderers set out in Articles 50 and 55, the contracting authority shall not disclose information forwarded to it by economic operators which they have designated as confidential, including, but not limited to, technical or trade secrets and the confidential aspects of tenders.*”

*2. Contracting authorities may impose on economic operators requirements aimed at protecting the confidential nature of information which the contracting authorities make available throughout the procurement procedure.*”

<sup>39</sup> “*In accordance with Article 21, contracting authorities shall not reveal to the other participants confidential information communicated by a candidate or a tenderer participating in the negotiations without its agreement. Such agreement shall not take the form of a general waiver but shall be given with reference to the intended communication of specific information.*” (cf. Article 29(5), second subparagraph, on the competitive procedure with negotiation and Article 31(4), second subparagraph, on innovation partnerships). Article 30(3), third subparagraph, on competitive dialogue, contains an almost identical text, but not only refers to “confidential information” but also to “solutions proposed”.

<sup>40</sup> In the case of innovation partnerships, the protection of confidential innovation also extends to the performance of the partnership: “[...] *In the case of an innovation partnership with several partners, the contracting authority shall not, in accordance with Article 21, reveal to the other partners solutions proposed or other confidential information communicated by a partner in the framework of the partnership without that partner’s agreement. Such agreement shall not take the form of a general waiver but shall be given with reference to the intended communication of specific information*” (cf. Article 31(6), third subparagraph, on innovation partnerships).

<sup>41</sup> Article 55, Informing candidates and tenderers: “[...] *3. Contracting authorities may decide to withhold certain information referred to in paragraphs 1 and 2, regarding the contract award, the conclusion of framework agreements or admittance to a dynamic purchasing system, where the release of such information would impede law enforcement or would otherwise be contrary to the public interest, would prejudice the legitimate commercial interests of a particular economic operator, whether public or private, or might prejudice fair competition between economic operators*” [emphasis added].

<sup>42</sup> Article 50, Contract award notices: “[...] *4. Certain information on the contract award or the conclusion of the framework agreement may be withheld from publication where its release would impede law enforcement or otherwise be contrary to the public interest, would harm the legitimate commercial interests of a particular economic operator, public or private, or might prejudice fair competition between economic operators.*” [emphasis added].

Similar rules apply to the notices on design contests (cf. Article 79(2), second subparagraph).

In relation to the exclusion grounds, Article 57 of Directive 2014/24/EU allows a contracting authority to exclude any bidder who has attempted to obtain confidential information that may confer upon him/her undue advantages in the procurement procedure (such confidential information may obviously include other bidders' trade secrets)<sup>43</sup>.

### 3.2. Guidance

At EU level there is no specific guidance on the treatment of intellectual property rights (and/or trade secrets) in public procurement procedures and/or on the avoidance of the infiltration of IP-infringing products into such procedures<sup>44</sup>.

#### **Provisional questions on preventive measures: legislation, guidance/policies**

- (7) **Role of legislation.** Does legislation in your country explicitly prohibit the supply of IP-infringing products to public authorities or explicitly prevent public authorities from acquiring IP-infringing products in the context of public procurement procedures? Or, on the contrary, is the protection of intellectual property left to the enforcement of general intellectual property law?
- (8) **Guidance.**
  - (a) Are specific guidance/policies for contracting authorities available in your Member State concerning the treatment of intellectual property rights during public procurement procedures?
  - (b) If so, do such guidance/policies include information on how to avoid the infiltration of public sector services with IP-infringing products?
- (9) **Training.** Is there specific training available to contracting authorities' staff?
- (10) **Best practices/specific measures.**
  - (a) Are you aware of any best practice/specific measure taken by contracting authorities in your Member State in the public procurement procedures to ensure that bidders' supply chains are not infiltrated with IP-infringing products?
  - (b) If so, are any of the following measures followed: requiring bidders to certify that their respective bids comply with applicable intellectual

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<sup>43</sup> Article 57(4), first subparagraph, (i): “where the economic operator has undertaken to unduly influence the decision-making process of the contracting authority, to obtain confidential information that may confer upon it undue advantages in the procurement procedure or to negligently provide misleading information that may have a material influence on decisions concerning exclusion, selection or award.”

<sup>44</sup> For existing guidance in relation to EU public procurement rules see:

[http://ec.europa.eu/internal\\_market/publicprocurement/rules/current/index\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/rules/current/index_en.htm)

[http://ec.europa.eu/internal\\_market/publicprocurement/other\\_aspects/index\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/other_aspects/index_en.htm)

There is also a guide for the procurement of standards-based information and communication technology, which may be protected by intellectual property rights. See Commission Staff Working Document, *Guide for procurement of standards-based ICT – Elements of Good Practice*, SWD(2013)224, 25.6.2013; accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Against lock-in: building open ICT systems by making better use of standards in public procurement*, COM(2013)455, 25.6.2013.

property laws; requiring bidders required to provide enough information on the traceability of products; requiring bidders required to indemnify the contracting authority in case intellectual property is infringed? Please explain.

(11) **Investigations, audits, quality control checks.**

(a) Is there in your country a specific department within the administration that has been entrusted with responsibility for investigating and/or enforcing the respect of intellectual property rights in the context of public procurement procedures?

(b) Are audits or quality control checks regularly carried out? Please explain.

(12) **Cooperation with the private sector.** Do contracting authorities in your Member State carry out cooperation or collaboration with private sector stakeholders/organisations with the specific goal to avoid the infringement of intellectual property rights in public procurement procedures? If so, could you please explain what type of cooperation/collaboration is involved?

**Provisional questions on reactive measures in case of observed infringement:**

(13) **Reactive measures.** What measures do contracting authorities take when they find that of intellectual property has been infringed in the context of public procurement procedures / public services have been infiltrated with IP-infringing products? Please explain.

## 4. WORK PROGRAMME

### 4.1. The deliverable

The Action Plan mandates the Commission to (develop), publish and promote a guide on best practice for public authorities. It could contain “*methodologies to assist public authorities in detecting and preventing counterfeit products from entering into public services*” so as “*to avoid purchasing counterfeit products*”. The content of the guide would depend on the outcome of the previous steps.

The Action Plan does not set an end date for action 9. However, since the new EU rules on public procurement will be fully applicable as from 18 April 2016 onwards, it would be advisable to try to have any possible guide adopted around that date or shortly afterwards (e.g. end June 2016).

### 4.2. The preparatory steps

As explained in the Introduction, the Action Plan foresees the involvement of Member States in this action through a **consultation** procedure. This consultation paper launches this consultation procedure. Additional discussion within this Group of Experts could be foreseen at a later stage.

The Action Plan explicitly foresees other steps in order to prepare the guide:

- **thematic workshops**, to be organised by the European Observatory on infringements of intellectual property rights (the Observatory), to allow public authorities from

different Member States to discuss the problems they have encountered and to exchange best practice;

- a **sectoral pilot exercise**, to be undertaken by the Commission, **screening public purchases in the medical sector** to assess the scale of the problem in that field. This pilot exercise will necessarily build (and depend) on previous work: i.e. meetings with the Groups of Experts, public call for evidence (below). The pilot exercise as such could take place in the second half of 2015 and the first quarter of 2016. It would include specific evidence gathering activity (modalities to be decided), the analysis of the data and the preparation of a report.

These preparatory steps, which focus on the role of public authorities as the main target of this initiative, could possibly be accompanied by other measures, in particular the collection of relevant **evidence and expertise from private stakeholders**: e.g. industry (such as bidders in public procurement procedures, victims of infringements of intellectual property), professional intermediaries (e.g. lawyers, auditors) or other professionals or intermediaries with particular expertise (e.g. shippers), the economic research community (academics etc.). This could be done through an open call for evidence targeting private stakeholders. It could possibly be carried out in early 2015, following the initial discussions with Member States public authorities.

**Provisional questions on the work programme of Action 9 of the Action Plan:**

- (14) **Pilot exercise (medical sector).** Do you have any specific views/suggestions at this stage regarding the pilot exercise “*screening public purchases in the medical sector to assess the scale of the problem in that field*”?
- (15) **Usefulness of a possible guide.** Do you think that preparing an EU guide “on best practice for public authorities to avoid purchasing counterfeit products” would be useful?
- (16) **Possible content of the guide.** If an EU guide were to be prepared, do you have any suggestion at this stage in relation to the possible content of the guide?

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