

ASSEMBLY THIRD READING  
 AB 2880 (Committee on Judiciary)  
 As Amended May 31, 2016  
 Majority vote

Committee	Votes	Ayes	Noes
Judiciary	9-0	Mark Stone, Wagner, Alejo, Chau, Chiu, Cristina Garcia, Holden, Maienschein, Ting	>
Appropriations	20-0	Gonzalez, Bigelow, Bloom, Bonilla, Bonta, Calderon, Chang, Daly, Eggman, Gallagher, Eduardo Garcia, McCarty, Holden, Jones, Obernolte, Quirk, Santiago, Wagner, Weber, Wood	>

**SUMMARY:** Strengthens the statutory framework on rules, processes, and procedures relating to state intellectual property and provides additional guidance to state agencies to manage and protect the state's intellectual property while still protecting public access under the Public Records Act. Specifically, **this bill:**

- 1) Requires the Department of General Services (DGS), when developing factors on the state's consideration of its intellectual property, to also develop factors about making intellectual property available in the public domain, or granting the use of their intellectual property to others, including but not limited to, the state's best interest, maintaining public access, and preventing improper economic gain through the unauthorized use of state owned intellectual property.
- 2) Requires DGS to develop sample language for an advisory provision stating that a waiver of the state's intellectual property rights is subject to the approval of DGS and that the lack of that approval renders an attempted waiver void.
- 3) Provides that to the extent not inconsistent with the rights of the public to obtain, inspect, copy, publish and otherwise communicate information under the California Public Records Act, the California Constitution as provided, and under the First Amendment to the United States Constitution, a state entity may own, license, and if it deems it appropriate, formally register intellectual property it creates or otherwise acquires.
- 4) Provides that the maintenance and development of processes, procedures, or policies in connection with DGS' duties relating to intellectual property, as provided, shall be exempt from California's Administrative Procedure Act, similar to other DGS contracting rules.
- 5) Requires all state agencies to consider the processes, procedures, or policies developed by DGS relating to intellectual property, as provided.
- 6) Provides that for contracts entered into after January 1, 2017, a state agency shall not enter into a contract under this article that fails to address the issue of intellectual property rights

unless the state agency, prior to execution of the contract, obtains the consent of the Department of General Services.

- 7) Provides that when a state entity creates a work that is otherwise subject to copyright protection, the work shall be deemed to be released into the public domain unless the state entity reasonably determines any of the following:
  - a) The work has commercial value and the release would jeopardize the integrity of the work.
  - b) The release would infringe upon the property interests of a third party.
  - c) The release would detrimentally affect the state's interests in its trademarks, service marks, patents, or trade secrets.
- 8) Provides that if a state entity reasonably determines that a work shall not be released into the public domain as provided, the entity shall catalog those works and submit the information to the department for the purpose of tracking intellectual property generated by state employees or with state funding as provided.
- 9) States that nothing in this bill requires a state entity to own, license, or formally register intellectual property that it creates or otherwise acquires.
- 10) Provides that provisions of the bill shall not apply to the use of expressive works created by nonstate employees or without state funding.
- 11) Requires a state entity to do the following if the entity pursues an action for copyright infringement:
  - a) Prior to sending a takedown notification, a state entity shall reasonably consider in good faith whether the allegedly infringing material constituted fair use.
  - b) No state entity shall elect to receive statutory damages as provided under the federal Copyright Act of 1976 (17 United States Code (U.S.C.) Section 504(c)) except in cases of willful infringement where there is no evidence of fair use.
  - c) Upon a court's finding that the party defending the infringement action engaged in fair use, the state shall waive statutory damages.
- 12) Establishes that any work released into the public domain shall be deemed a public record.
- 13) Prohibits a public agency from denying a public records request for a record that is otherwise public on grounds that the information requested is protected by federal Copyright Act. A request for such a record shall only be denied if one of the following applies:
  - a) The public interest in disclosure is clearly outweighed by the facts of the particular case demonstrate that the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record as provided in the Public Records Act.
  - b) The record in question is exempt under express provisions of the Public Records Act.

- 14) Provides that a public agency that releases a public record that is subject to copyright protection as provided shall issue the requesting party a license to use the record in a manner that is consistent with the rights provide under the Public Records Act and that is considered acts of fair use under the federal Copyright Act. The license may restrict the holder from using the record for a commercial use only if such use would result in economic harm to the public agency or to the public's interest.
- 15) Makes various findings concerning the management of intellectual property and the Legislature intends for the state's intellectual property to be managed in a way that encourages a release into the public domain whenever it is feasible and appropriate and does not interfere with the public's right to access records.
- 16) States that the Legislature recognizes that state agencies and departments have different intellectual property needs, and finds that a statewide and uniform approach to manage the state's intellectual property should provide state agencies and departments reasonable levels of discretion that promote releasing information into the public domain, and protect the state from unauthorized economic gain, but still ensure the public's right of access to public records.

**FISCAL EFFECT:** According to the Assembly Appropriations Committee:

- 1) DGS leads the state's Intellectual Property Work Group, which is developing policies, procedures, and processes to implement existing law regarding intellectual property. The incremental workload associated with implementing this bill will therefore be minor and absorbable.
- 2) DGS's costs to review proposed agency contract provisions waiving intellectual property rights would be reimbursed by the contracting agency. These costs should not be significant for any single agency.

**COMMENTS:** In 2000 and 2011, the State Auditor issued recommendations to the Legislature to take steps to help state agencies manage and protect the State's intellectual property. In 2012, the Legislature enacted AB 744 (Perez), Chapter 463, Statutes of 2012, which requires the Department of General Services (DGS) to develop guidance to assist state agencies in managing intellectual property. The guidance is developed by a working group consisting of attorneys from various state agencies who have expertise in intellectual property. Under current law, nothing requires a state agency to review, comply with, or even consider the guidance of the working group.

Some state agencies, including California State Parks, have taken steps to develop policies and procedures to protect the intellectual property rights of the state and the public; however, most state agencies have not done so. Indeed, the lack of a robust intellectual property framework has led to confusion among state agencies, loose and informal practices, and possibly confusion among state and federal courts. Indeed, recent court decisions have stated that public agencies need express legislative authority to hold intellectual property rights which is inconsistent with current practice.

*Summary of the bill:* In summary, this bill does all of the following: 1) clarifies existing law that state agencies may own, license, and register intellectual property to the extent not inconsistent with the rights of the public to obtain, inspect, copy, publish and otherwise communicate

information under the California Public Records Act, the California Constitution as provided, and under the First Amendment to the United States Constitution; 2) provides policy guidance to DGS on factors state agencies should consider when deciding whether to sell or license state-owned intellectual property, including making intellectual property available in the public domain, granting the use of its intellectual property; 3) provides that when a state entity creates a work that is otherwise subject to copyright protection, the work shall be deemed to be released into the public domain unless the state entity reasonably determines specific criteria as provided; 4) provides that if a state entity reasonably determines that a work shall not be released into the public domain as provided, the entity shall catalog the works and submit the information to DGS for the purpose of tracking intellectual property generated by state employees or with state funds; 5) enables DGS to include guidelines in its State Contracting Manual on how state agencies should manage its intellectual property; 6) requires state agencies, when entering into a contract, to consider the guidance, policies, and procedures developed by DGS on intellectual property; and 7) prohibits a state agency from entering into a contract as provided that fails to address the issue of intellectual property rights unless the state agency, prior to execution of the contract, obtains the consent of DGS.

*This bill clarifies existing law to allow public entities to own and hold intellectual property, while maintaining the public's protection under the California Public Records Act. Several recent court cases have held that state agencies cannot own or hold intellectual property rights unless the Legislature provides the agency with that explicit authority ("in the absence of an affirmative grant of authority to obtain and hold copyrights, a California public entity may not do so" (*City of Inglewood v. Teixeira* (C.D.Cal. 2015), relying on *County of Santa Clara v. Superior Court* (2009) 170 Cal.App.4th 1301).*

Although it has always been the intent of the Legislature to ensure that state agencies can own, hold, and acquire intellectual property, this bill clarifies existing law by explicitly providing that a California public entity may own, license, and if deemed appropriate, register intellectual property. In order to maintain the public's right to information, this bill also provides that the state's intellectual property authority only to the extent that it is not inconsistent with the California Public Records Act, the California Constitution, or the First Amendment of the United States Constitution.

To prevent public agencies from using copyright law to circumvent the spirit and purpose of the California Public Records Act, this bill prohibits a public agency from denying a public records request for a record that is otherwise public on grounds that the information requested is protected by federal Copyright Act; public agencies may only use existing exemptions under the Public Records Act.

This bill also recognizes that there might be instances when an unscrupulous party will use the Public Records Act to circumvent rights provided under federal copyright law. This bill provides that a public agency that releases a public record that the state seeks to protect under copyright law *shall* issue the requesting party a license to use the record in a manner that is consistent with the rights provide under the Public Records Act and that is considered acts of fair use under the federal Copyright Act; however, the license may restrict the holder from using the record for a commercial use only if such use would result in economic harm to the public agency or to the public's interest.

To further promote the state's policy of open government and to allow the public to continue to use information produced by California government without the fear violating copyright law, this bill requires a state entity—prior to sending a takedown notification—to reasonably consider in good faith whether the allegedly infringing material constituted fair use. Moreover, no state entity shall elect to receive statutory damages in a copyright infringement case except in cases of willful infringement. And even at the end of any potential litigation a court finds that the party defending the infringement action engaged in fair use, the state shall waive statutory damages.

*This bill provides DGS with additional policy guidance and factors that state agencies should consider when they decide to sell or license state-owned intellectual property.* In order to provide the Intellectual Property Advisory Group with additional policy guidance in crafting the plan, this bill requires state agencies to also consider the following factors: the state's best interest, public access to information, and the preventing improper economic gain through the unauthorized use of state owned intellectual property. Additionally, to ensure that the work done by the Intellectual Property Advisory Group is not done for naught, this bill requires a state agency to consider the guidelines developed by DGS when the state agency enters into a contract.

*This bill makes it easier for DGS to adopt rules relating to intellectual property to be included in the State Contract Manual.* According to the State Auditor, the State Contract Manual (SCM), a document that provides guidance to state agencies on rules and procedures for state contracting, does not provide any guidance on how a state agency should manage its intellectual property. This bill clarifies the statutory authority for DGS to adopt rules and procedures in its SCM to include guidance to state agencies about how to manage intellectual property.

*This bill strengthens California's contracts in order to protect the State's intellectual property.* To ensure that the State is acting properly to protect its rights, and to allow the State to have some flexibility and discretion when it is appropriate, this bill requires a state entity, when entering into a contract, to address the issue of intellectual property unless DGS has provided consent to the contracting state agency.