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Department:
Science and Technology
REPUBLIC OF SOUTH AFRICA

NIPMO
NATIONAL INTELLECTUAL PROPERTY
MANAGEMENT OFFICE
An initiative of the Department of Science and Technology

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NIPMO INTERPRETATION NOTE 6:

STATE RIGHTS TO INTELLECTUAL PROPERTY DEVELOPED FROM PUBLICLY FINANCED RESEARCH AND DEVELOPMENT

The National Intellectual Property Management Office (NIPMO) is mandated to promote the objects¹ of the Intellectual Property Rights from Publicly Financed Research and Development Act, 2008 (Act 51 of 2008) (IPR Act). One of the functions of NIPMO, according to Section 9(4)(c)(iv)², is that NIPMO must provide assistance to institutions with any other matter provided for in the IPR Act.

This NIPMO interpretation Note (NIN 6) provides clarity on three (3) specific instances where NIPMO can acquire access to or ownership of intellectual property (IP) generated from publicly financed research and development³ (R&D) on behalf of the State.

Should you have any questions or comments, please do not hesitate to contact us.

Warm regards

Dr Kerry Faul

Head: NIPMO

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¹ Section 2(1) of the IPR Act: The object of this Act is to make provisions that intellectual property emanating from publicly financed research and development is identified, protected, utilised and commercialised for the benefit of the people of the Republic, whether it be for social, economic, military or any other benefit.

² Section 9(4)(c)(iv) of the IPR Act: NIPMO must, furthermore provide assistance to institutions with any other matter provided for in this Act.

³ Section 1 of the IPR Act: "Publicly financed research and development" means research and development undertaken using any funds allocated by a funding agency but excludes funds allocated for scholarships and bursaries.

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1. BACKGROUND

The IPR Act provides for certain State rights to IP generated developed, after 2 August 2010, from publicly financed R&D. These rights are exercised by NIPMO (on behalf of the State) to **acquire access to any IP**, OR **ownership of any IP** under three (3) very specific circumstances as set out in the table below:

NIPMO ACCESS TO OR OWNERSHIP OF IP	SECTION & REGULATION	DESCRIPTION
NIPMO takes ownership of IP following a referral by a recipient	Section 4(3), & Regulation 2(6)	NIPMO may elect to acquire ownership of IP referred to it, and where necessary, obtain any statutory protection. <i>(Please refer to Practice Note 4 of 2016 entitled: "Referral of intellectual property to NIPMO on an IP1 form")</i>
Access to IP by the State under specific circumstances	Section 11(1)(e) & Regulation 14(7)	The State may request an irrevocable, royalty-free licence for health, security and emergency needs of the Republic from a recipient
NIPMO demands assignment of IP after non-disclosure by recipient	Section 14(5) & Regulation 14(2)	NIPMO is entitled to demand the assignment of IP emanating from publicly financed R&D if such IP was not disclosed to NIPMO in accordance with the requirements of the IPR Act. <i>(Please refer to Practice Note 5 of 2016 entitled: "Intellectual property status and commercialisation reports reported to NIPMO on an IP7 form")</i>

2. DISCUSSION

REFERRAL TO NIPMO BY A RECIPIENT

The IPR Act makes provision for recipient that: **(a) prefers not to retain ownership of their IP;** or **(b) not to obtain statutory protection for the IP,** to obtain **prior approval** from the NIPMO **before** abandoning or releasing such IP into the public domain.

During the approval process, NIPMO must consider the following factors:

- (a) **Any prejudice that may be suffered by the State** if no statutory protection for the IP is obtained;
- (b) the **norms, culture and practices of the technology sectors** in which such IP applies;
- (c) the **development required** to make commercialisation of the IP viable;
- (d) the **ability and appropriateness** of such IP to be protected in any territory; and
- (e) the **interest of any private entity or organisation**⁴ that has provided funding towards the R&D giving rise to the IP.

Should NIPMO decide to acquire ownership of the referred IP, the obligation is on the recipient, as prescribed in the IPR Act, to transfer the IP to NIPMO within **30 days**. Once ownership has transferred to NIPMO, NIPMO must ensure that

- (a) the **rights of IP creators**⁵ **to benefit sharing** is maintained;
- (b) the recipient and any private entity or organisation that contributed to funding the R&D which gave rise to the IP retain an **irrevocable, non-transferable and royalty free licence** to use the IP for research, development and educational purposes;
- (c) any publicly financed organisation in the Republic may be granted an irrevocable non-transferrable and royalty free licence to use the IP for **research, development and educational purposes**; and
- (d) it utilises the IP within the spirit of the IPR Act and may without limitation **grant other organisations access to the IP** while not unduly depriving the Republic of benefits from the commercialisation of IP provided such organisations are prepared to grant equivalent access to their IP that may be beneficial to the Republic.

⁴ Section 15(5) of the IPR Act: For the purposes of this section, private entity or organisation includes a private sector company, a public entity, an international research organisation, an educational institution or an international funding or donor organisation.

⁵ Section 1 of the IPR Act: "intellectual property creator" means the person involved in the conception of intellectual property in terms of this Act and identifiable as such for the purposes of obtaining statutory protection and enforcement of intellectual property rights where applicable;

ACQUISITION OF IP BY THE STATE

In terms of Section 11(1)(e) of the IPR Act, each IP transaction must provide the State with an irrevocable and royalty-free licence authorising the State to use or to have the IP used throughout the world for the **health, security and emergency needs of the Republic**.

The State, in terms of Regulation 14(7), may exercise the rights granted to it subject to the following requirements:

- (a) a proclamation by the President, **pursuant to determination by Parliament**,
- (b) before any proclamation the State must determine the **ability of a recipient**, co-owners or any other third party licensed to commercialise the IP without imposing an undue financial burden on the State;
- (c) the affected recipient and co-owner(s) **must be notified of the proclamation** and provided with an explanation of the needs for such rights to be exercised;
- (d) the State must exercise such rights itself or through its organs or institutions or other third party designated by the State;
- (e) the exercise of such rights by the State **must be reasonable until such health, security and emergency needs have been alleviated**; and
- (f) the State must seek to balance the rights of the recipient or co-owner(s) and the use by the State of the IP.

NIPMO MAY DEMAND ASSIGNMENT AFTER NON-DISCLOSURE BY THE RECIPIENT

The IPR Act makes provision, in terms of Section 14(5)⁶ and Regulations 14(1)⁷ and 14(2)⁸, for NIPMO to demand an assignment and acquire ownership, on behalf of the State, of any IP which a recipient **failed to disclose to NIPMO** as provided for in Section 5(1)(h)⁹.

Section 14(2) of the IPR Act further provides that NIPMO must conduct reviews of non-commercialised IP **in consultation with the recipients** and that if it comes to the attention of NIPMO that any IP falling under the IPR Act was not disclosed, NIPMO may, in accordance with the following procedures demand the assignment of the IP. The procedure is set out in Regulation 14 and summarised as follows:

- (a) NIPMO must first issue a written notice to the affected recipient and any co-owner(s) **and request a written response why an assignment to NIPMO should not take place.**
- (b) If the recipient and any co-owner(s) of the IP do not provide a written response within 30 days, **NIPMO may demand that the IP be assigned to NIPMO.**
- (c) Upon receipt of a response NIPMO must consider the response and make a determination. Any determination will, upon application by the recipient or any co-owner(s) of the IP, be subject to review by the Dispute Panel, in accordance with the Dispute Panel's Rules of Procedure.
- (d) Should the Dispute Panel rule in favour of the recipient or any co-owner(s) of the IP, the proceedings will be deemed to have been terminated and **thereafter NIPMO may not exercise the rights upon which the proceedings were based**, unless it issues a new notice based on different facts.

⁶ Section 14(5) of the IPR Act: NIPMO may, on behalf of the State, demand the assignment of rights to any intellectual property if a recipient fails to make a disclosure to NIPMO as provided for in this Act.

⁷ Regulation 14(1) of the IPR Act: It is a specific objective of the Act to ensure that intellectual property governed by the Act is disclosed, appropriately protected and commercialised for the benefit of the Republic.

Accordingly -

(a) in terms of Section 5(1)(h) of the Act, a recipient must unless directed otherwise, provide NIPMO with status and commercialisation reports in prescribed Form IP7 twice a year, detailing the intellectual property governed by the Act fully or co-owned by the Recipient or with co-owner(s) as well as the state of commercialisation thereof, in accordance with regulation 3(1); and

(b) NIPMO may on a periodic basis, but no more than once a year, unless reasonably required, conduct reviews, in terms of section 14(2) of the Act.

⁸ Regulation 14(2) of the IPR Act: (2) If it comes to the attention of NIPMO that any intellectual property falling under the Act was not disclosed as required in terms of sections 5(1)(c), 5(1)(e), 5(1)(h) of the Act, NIPMO may, in accordance with the following procedures enforce the provisions of section 14(5) of the Act, subject to due notification of any co-owners of the intellectual property -

(a) Prior to demanding assignment of intellectual property in terms of section 14(5) of the Act, NIPMO must first issue a written notice to the affected recipient and any co-owner(s) of the intellectual property together with supporting particulars in respect of such intellectual property, and request the recipient and any co-owner(s) of the intellectual property to provide a written response with reasons and supporting evidence why the provisions of section 14(5) of the Act should not be exercised.

(b) If the recipient and any co-owner(s) of the intellectual property do not provide the written response referred to in paragraph (a) within 30 days of the date of the notice issued by NIPMO, NIPMO may demand that the recipient and any co-owner(s) of the intellectual property assign the relevant intellectual property to NIPMO.

(c) Upon receipt of a response contemplated in paragraph (a) NIPMO must consider the response, request such additional information or particulars as may still be required from the recipient or any co-owner(s) of the intellectual property, and make a determination.

(d) Any determination in terms of paragraph (c) will, upon application by the recipient or any co-owner(s) of the intellectual property be subject to review by the Dispute Panel, in accordance with the Dispute Panel's rules of procedure.

(e) Should the Dispute Panel rule in favour of the recipient or any co-owner(s) of the intellectual property, the proceedings will be deemed to have been terminated and thereafter NIPMO may not exercise the rights upon which the proceedings were based, unless it issues a new notice based on different facts.

⁹ Section 5(1)(h) of the IPR Act: A recipient must report to NIPMO twice a year and as provided for in this Act, on all matters pertaining to the intellectual property contemplated in this Act, including all intellectual property from which it elects to obtain statutory protection and the state of commercialisation thereof, in a manner stipulated by NIPMO;