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## Summary and Analysis of the Intellectual Property Rights from Publicly financed Research and Development Bill [B 46 – 2008]

### 1. Background

The Intellectual Property Rights from Publicly Financed Research and Development Bill was initiated to address a need for the creation of a proper framework and enabling legislation for the effective management of intellectual property arising from publicly financed research. Cabinet approved a Policy Framework for the Intellectual Property Rights from Publicly Financed Research in May 2007, following public comments on the Policy in 2006.

The Department of Science and Technology has observed that there are presently significant leakages of intellectual property publicly financed into overseas jurisdictions<sup>1</sup>. Government is not able to exercise any 'walk-in' rights in the absence of legislation. The creation of an enabling environment is further hamstrung by the multiplicity of different approaches adopted by different public institutions.

Against this backdrop, the thrust of the proposed legislation is to provide for more effective utilisation of intellectual property derived from publicly financed research and development. The Bill also aims to establish the National Intellectual Property Management Office and the Intellectual Property Fund. In addition, the Bill provides for the establishment of offices of technology transfer at institutions.

### 2. Objectives of the Bill

The Bill seeks to:

- Make provision that intellectual property developed from publicly financed research and development is utilised and commercialised for the benefits of society, whether it be for a social, economic, military or any other benefit.
- Ensure that human ingenuity and creativity are acknowledged and rewarded.
- Ensure that the people of the Republic, particularly small enterprises and Broad Based Black Economic Empowerment (BBBEE) entities, have preferential access to opportunities arising from the production of knowledge from publicly financed research and development and the attendant intellectual property.
- Ensure that researchers may publish their research findings for the public good.
- The State may use the results of publicly financed research and development and the attendant intellectual property in the interest of the people of the Republic.

### 3. Key issues in the Bill

The proposed legislation focuses on and is limited to intellectual property (that is, patents, copyrights, industrial designs, indigenous knowledge etc.) derived from publicly funded research and development. Amongst others, it provides for the creation of an obligation, by intellectual property creators<sup>2</sup> using public finances, to declare potential intellectual property<sup>3</sup>. To this end, the

<sup>1</sup> Department of Science and Technology, 2007

<sup>2</sup> People involved in the conception of intellectual property are identifiable as such for the purposes of enforcement of intellectual property rights.



State, through the National Intellectual Property Management Office (NIPMO), may demand the assignment of rights to any intellectual property to someone else if a recipient fails to make a disclosure to NIPMO as provided for in this Act.

#### **4. Ownership of intellectual property**

Clause 4 of the Bill provides for a choice in respect of ownership of intellectual property, which includes that the intellectual property shall first and foremost, be owned by the recipient<sup>3</sup>. If the recipient (an entity that receives funding for research) prefers not to retain the ownership in its intellectual property or not to obtain statutory protection for the intellectual property, the ownership passes to the National Intellectual Property Management Office (NIPMO). Similarly, should the NIPMO decide not to acquire ownership in the intellectual property, they are required to notify, in writing, the recipient of their decision, who must give the intellectual property creator the option to acquire the ownership and to obtain statutory protection for the intellectual property.

#### **5. Management obligations and disclosure duties**

Clause 5 sets out management obligations and disclosure duties, which include a requirement that a recipient must put in place mechanisms for the management of intellectual properties transactions and the commercialisation of intellectual property. The recipient is also expected to provide practical measures and procedures for the disclosure of intellectual property, including ensuring that personnel involved with the research and development make a disclosure to it within 90 days of identification of possible intellectual property.

#### **6. Rights of intellectual property creators in institutions to benefit-sharing**

Clause 10 provides for the sharing of benefits derived from the successful commercialisation of intellectual property with the creators of such property. Amongst others, intellectual property creators at an institution and their heirs are granted a specific right to a portion of the revenues (at least 20 per cent or such higher amount as the Minister may prescribe) that accrue to the institution from their intellectual property, provided they are South African citizens or ordinarily resident in the Republic until such rights expire. The recipient may distribute the balance of the revenues generated by intellectual property as it deems fit, but must apportion part of it for funding, amongst others:

- More research and development.
- The operations of the office of technology transfer; and
- Statutory protection of intellectual property.

#### **7. Conditions for intellectual property transactions**

The Bill authorises the recipient to determine the nature and conditions of intellectual property transactions relating to any intellectual property held by it but provides for the establishment of a requirement for preference for:

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<sup>3</sup> "Intellectual property" refers to any creation of the mind that is capable of being protected by law from use by any other person, and includes any rights in such creation, but excludes copyright in a thesis, dissertation, article, handbook or any other publication which, in ordinary course of business, is associated with conventional academic work.

<sup>4</sup> Any entity (including a trust or an institution) that receives funding from a funding agency to undertake research and development.



- Small enterprises and Broad-Based Black Economic Empowerment (BBBEE) entities in respect of transactions involving intellectual property derived from publicly financed research.
- Non-exclusive licensing.
- Parties that seek to use intellectual property in ways that provide optimal benefits to the economy and quality of life of all South Africans.

The Bill also requires the recipient to take into account the following, when determining the conditions of intellectual property transactions:

- Exclusive licence holders must undertake, where feasible, to manufacture, process and otherwise commercialise within South Africa.
- Each intellectual property transaction must provide the State with a royalty-free licence authorising the State to use or have the intellectual property used across the world for the health, security and emergency needs of the Republic.

#### **8. Establishment of National Intellectual Property Management Office**

Clause 8 provides for the creation of an office function in respect of intellectual property rights, under the Department of Science and Technology, called the National Intellectual Property Management Office (NIPMO). NIPMO's main functions include the following:

- To record declarations of intellectual property by recipients of public funds for research and developments.
- To track the registration of intellectual properties emanating from public financed research and intellectual property transactions in respect of intellectual property derived from publicly financed research.
- To assist institutions in establishing institutional arrangements.
- To operate an intellectual property fund for supporting the protection of intellectual property.
- To assess intellectual property transactions which are concluded outside South Africa.
- To conduct reviews of non-commercialised intellectual property in consultation with the recipients with a view to checking potential for commercialisation.

#### **9. Intellectual Property Fund**

Clause 13 establishes an Intellectual Property Fund to be managed by NIPMO. It is envisaged that the Intellectual Property Fund will provide financial support to institutions for the statutory protection and maintenance of intellectual property rights. The Fund will also finance any costs incurred by NIPMO for obtaining statutory protection of the intellectual property.

#### **10. Financial Implications for State**

According to the Department of Science of Technology, the Patent Support Fund established by the Department, under the Innovation Fund, will provide initial funding of the Intellectual Property Fund. It will be utilised to service costs associated with the protection of intellectual property. It is envisaged that the enactment of the Bill will result in increased patenting activities and thus there will be a need to adequately capitalise this fund.

An initial amount of R90 million over a three-year period is estimated for the activities associated with the protection of intellectual property. Such activities include:



- Assisting institutions in developing appropriate capacities to effectively manage and commercialise intellectual property.
- Establishing capacity for the National Intellectual Property Management Office (NIPMO).
- Assisting institutions to establish Offices of Technology transfer, on a case by case basis, based on intensity of research activity and national interest.

## 11. Some challenges

A more active intellectual property stance at public research institutions raises a number of policy issues about the costs of these activities and their impact on the institutions missions. Does a more strategic intellectual property policy:

- Raise significant funds from licensing?
- Limit access to publicly funded research results?
- Affect the cost and efficiency of research, for example, while every article is checked for patent potential in a research context that is already faced with tight deadlines?
- Reorient research towards more lucrative fields?
- Lead to conflict of interests?

Many governments are trying to strike a balance between the research and commercial missions of publicly funded research institutions. In some OECD countries, observers point to a backlash against the commercialisation of public-sector research, fuelled by a perception that public research institutions have become overly influenced by market objectives and that the public interest requires safeguards against potential excesses. These challenges need to be considered carefully for effective implementation of the intellectual property legislation.

## 12. Conclusion

In a globally competitive world, it is vital that South Africa establishes the requisite institutions and legislations to ensure that the economic and social benefits that arise are captured within the country. Many nations have established legislative and regulatory frameworks to ensure better practice and returns from Intellectual Property. Developing countries and emerging economies have taken action from the late 1990's to date. More recently, Brazil, South Korea and Japan, for instance, have modified their policies and approach. These developments are intended to provide a basis for higher levels of patenting to result from publicly financed research with the potential for commercialisation or regulated use. The Intellectual Property Rights from Publicly Financed Research and Development Bill appears to be well-placed to meet this obligation and to build on South Africa's illustrious innovative record.

In the considered view of South Africa's State Law Advisers, the proposed legislation will be dealt with in accordance with the procedure established by section 75 of the Constitution, since it does not contain provisions to which the procedure set out in section 74 or 76 of the Constitution applies.



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### List of References

Intellectual Property Rights from Publicly Financed Research and Development (proposed section 75) [B46 – 2008]. Ministry of Science and Technology, Republic of South Africa. Available from: <http://www.dst.gov.za> (Accessed 2 July 2008).

Intellectual Property Rights (IPR) from Publicly Financed Research Framework. (2007). Department of Science and Technology, Pretoria. Available from: <http://www.dst.gov.za> (Accessed 4 July 2008).

**SANERI COMMENTS ON THE  
INTELLECTUAL PROPERTY RIGHTS FROM PUBLICALLY FINANCED  
RESEARCH BILL**

The principle concern that SANERI has with the IP Bill is the exclusion of SANERI from the Public Research Institutes that are given the right to register IP in their own name. The Schedule 1 names nine public research institutes who have the right to register IP. SANERI should also be included as it has the same functions as the nine listed institutes.

Moreover, the forthcoming National Energy Bill establishes a South African National Energy Development Institute [that will incorporate SANERI] and provides for the SANEDI to register patents and intellectual property in its name:

The National Energy Bill states:- 30.(3) *The Energy Research and Development Division may- (a) register patents and intellectual property in its name resulting from its activities;*

For the inclusion of SANERI [and its successor – SANEDI] as an institute that may own its own IP, the following amendments to the IP Bill are suggested:

- §1 Definitions – add *and other state owned entities* to the definition of Institutions so as to include SANERI – that is  
     ‘**Institutions**’ means higher education institutions and statutory science councils *and other state owned entities* listed in Schedule 1 to this Act
- Schedule 1 – add *South African National Energy Research Institute* so as to include SANERI – that is

**Schedule 1**

**A PUBLIC RESEARCH INSTITUTES**

Agricultural Research Council  
 Council for Geoscience  
 Council for Industrial and Scientific Research  
 Council for Mineral Technology  
 Human Sciences Research Council  
 Medical Research Council  
 National Research Foundation  
 South African Bureau of Standards  
 Water Research Commission  
*South African National Energy Research Institute*