Intellectual Property Rights from Publicly Financed Research BILL

August 2007
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<th>Abbreviation</th>
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<tr>
<td>BBBEE</td>
<td>Broad Based Black Economic Empowerment</td>
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<tr>
<td>DoE</td>
<td>Department of Education</td>
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<td>DST</td>
<td>Department of Science and Technology</td>
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<td>dti</td>
<td>Department of Trade and Industry</td>
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<td>HE</td>
<td>Higher Education</td>
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<td>HEI</td>
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<td>IP</td>
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<td>IPMO</td>
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<td>IPR from PFR</td>
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<td>NIPMO</td>
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<td>NRF</td>
<td>National Research Foundation</td>
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<td>NSI</td>
<td>National System of Innovation</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PFI</td>
<td>Publicly Financed Institution</td>
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<td>PFR</td>
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<td>RSA</td>
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<td>SAIAB</td>
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INTELLECTUAL PROPERTY RIGHTS
FROM PUBLICLY FINANCED RESEARCH BILL

INTRODUCTION

Higher Education South Africa (HESA) wishes to state from the onset that, while it has concerns about the Intellectual Property Rights from Publicly Financed Research Act (IPR from PFR), it equally understand and supports the rationale for such an Act i.e. an endeavour towards strengthening the National System of Innovation (NSI). This way, broader society may benefit more from the fundamental role played by higher education research and development (HERD) in making the Republic of South Africa (RSA) globally more competitive, as well as in significantly contributing to national priorities and needs.

However, due to the huge impact that the IPR from PFR Act will have on both publicly financed institutions (PFI) and the private sector, its formulation should be approached with utmost caution in order to avoid possibly unintended consequences, which might in turn be detrimental.

It should be noted from the onset that the comments in this document are by no means intended to be exhaustive. However, they convey some important issues that are of great concern to the higher education (HE) sector.

GENERAL COMMENTS

HESA is anxious about the erosion of institutional autonomy. This anxiety is due to the State being given extensive powers by the IPR from PFR Act. Such interference by Government erodes not only the autonomy of higher education institutions (HEIs). It also creates a disabling environment through the coercion inherent in the majority of the regulations stipulated in this Bill. The IPR from PFR Act might have the unintended consequence of greatly inhibiting HEIs in delivering on their main roles of teaching, research and community engagement.

This Bill may assist significantly in the management of Intellectual Property (IP) by making provision for the establishment of Intellectual Property Management Offices (IPMOs) at each HEI (section 5). This assistance is further enhanced by the description of IPMOs’ structure (section 6) and their functions (chapter IV). However, the Bill appears to operate on an assumption that the development, protection and commercialisation of IP should become the main function of HEIs. HESA subscribes to the principles of protecting the intellectual assets and eventual commercialisation resulting from higher education research and development (HERD). However, the implementation of the IPR from PFR should not be at the expense of institutions. Therefore, instead of expecting HEIs to be primarily responsible for the successful implementation of the IPR from PFR Act while Government merely provides facilitation and assistance, it should be Government that take the lead in providing the necessary resources and capacity.
The possible adverse effect on HEIs in the absence of Government providing the necessary resources and capacity are due to a number of factors:

(i) HEIs are already operating under huge financial constrains due to a decrease in State funding, massification of HE etc.

(ii) For those HEIs which do not yet have an equivalent of the IPMOs as proposed in this Bill (sections 5 and 6), the compulsory establishment and maintenance of such offices within a limited period of time (section 5.1) implies huge costs involved.

(iii) The staff component necessary to effectively meet the requirements contained in the IPR from PFR Act would equally have huge financial implications for HEIs.

(iv) Attracting qualified staff (section 6.1) in order to fulfil the functions of the IPMOs (section 6.2(a)-(h) from an already limited pool of skills and expertise in the RSA, implies that HEIs will have to design competitive salary packages in relation to what the private sector offers;

(v) Patenting is a very expensive exercise. Not only do patent lawyers command high fees, but protecting intellectual property internationally is often so expensive that it becomes prohibitive. HEIs would therefore require significant additional funding to create and maintain a large pool of patents;

(vi) Assuming that there will be in a short period of time a stream of income from royalties to make the IPMOs self-sufficient and profitable, is actually a fallacy. The experience of HEIs abroad has shown that the potential of IP to generate significant income is rather limited; and

(vii) The prescriptive regulations in this Bill might have the unintended consequence of limiting funding for research coming from other sources than Government. This will adversely impact on the research activities at HEIs.

HESA is also aware of some of the expected impact that the IPR from PFR Act might have on industry and the private sector. To state a few:

(i) Chapter VI in particular is very prescriptive with regard to commercialisation – especially around the licensing of technology. These regulations are likely to discourage potential licencees coming from the private sector.

(ii) NIPMO would need to have a sufficiently large team of highly skilled employees to effectively serve the 23 HEIs and nine (9) PFIs mentioned in schedule 1 (this number might actually increase if the museums were to be included – see HESA comment 68 (iii). As public offices are already under-resourced in terms of staffing, it is not a feasible expectation. There might therefore be huge delays in NIPMO managing with the huge volume of work. Such delays would have disastrous consequences for certain new technologies due to their brief windows of opportunity.

(iii) The processes described by the Bill would seriously limit industry’s freedom to act in their own best interests in order to maximise their investments. These may actually undermine the private sector and lessen their participation in technology transfer.

(iv) The IPR from PFR Act might result in a significant additional administrative burden on the private sector due to its requirements.

(v) The role of the State in privately financed research conducted at HEIs provides for unacceptable interference, which will further inhibit and probably even prohibit engagement between HEIs and the private sector.

As will be noted under section 9, this Bill signals a step backwards in terms of promoting Access to Knowledge and Open Access initiatives. These issues have received no explicit attention in this Bill whereas it should form an integral part of any IP Act. This Bill fails to indicate how the public should have access to the knowledge produced by PFIs – the public is after all the taxpayers who fund Publicly Financed
Research. The protection envisaged in this Bill would make open access almost impossible contrary to global promotion of access to knowledge initiatives.

From here onwards, the document expresses specific comments on the Bill. The quoted section/s from the Bill appears in italics with HESA’s comment/s following after each cited section.

SPECIFIC COMMENTS

1 Definitions

‘BBBEE’ means Broad Based Black Economic Empowerment

1. HESA COMMENT:

(i) It is unclear whether this refers to a definition within other legislation. If it does, then this definition should be amended to refer to the requirements and prescripts of, for example, the Broad Based Black Economic Empowerment (BBBEE) Act, 2003 (Act No. 53 of 2003) and the Codes of Good Practice for Broad-Based Black Economic Empowerment-BBBEE (dti, 2007). If not, this definition then requires to be further expanded upon.

‘Disclosure or Notification’ means provision of full details of potential intellectual property

2. HESA COMMENT:

(i) The purpose of this disclosure should form part of this definition

‘employees’, includes students undertaking research at the Institutions

3. HESA COMMENT:

(i) The inclusion of students here might become problematic if this is read in conjunction with section 10. See also the HESA comment 5 (iii) herein below.

(ii) Universities employ a range of employees: full-time, part-time and contract employees, as well as visiting scholars. This definition fails to acknowledge this range and thus appears to cover all of them. For the sake of legal certainty, the IPR from PFR Act must give a full definition indicating which employees are covered.

‘Intellectual Property’ means non-patentable and patentable inventions, and one or more of copyright, designs, trade marks, in as far as they are an integral part of such inventions

4. HESA COMMENT:

(i) The term “non-patentable” invention is a contradiction in terms of the definition provided for “invention” in the Patents Act (Act No. 57 of 1978). To avoid this, the term “intellectual property” could be replaced with the term “Invention”, which is then defined as in the Patents Act (Act No. 57 of 1978).
‘Publicly Financed Research’ means research undertaken by Institutions using funds allocated thereto by the Government of the Republic of South Africa or any of its funding agencies.

5. HESA COMMENT:

(i) This definition is too vague since it fails to cover instances where there exist bilateral funding agreements between a funding body (e.g. the National Research Foundation) and an institution.

(ii) It is unclear to what extent the bursaries funded from various sources, including donors, would still be qualified as bursaries as stipulated under the Income Tax Act (Act No. 58 of 1962).

(iii) HESA recommends that this definition should take into account section 212 of the Bayh-Dole Act (1980), which specifically excludes federal grants that are primarily for the training of students and postdoctoral scientists: "No scholarship, fellowship, training grant, or other funding agreement made by a Federal agency primarily to an awardee for educational purposes will contain any provision giving the Federal agency any rights to inventions made by the awardee”.

(iv) It is unclear whether and under what conditions funds from other PFRs (which may or may not have originated from Government) would be included. If they were included, this Bill fails to indicate which institution would then own the IP.

(v) We are of opinion that the concept of “funding agencies” must have its own definition to enable institutions to determine what is regarded as publicly financed research and what is not.

CHAPTER 1

2 Application of Act

Section 2.1(b)(i)

(1) This Act shall apply to the following categories of intellectual property arising from publicly financed research-

(b) One or more of the following in as far as they form an integral part of a Patentable Invention under the Patents Act, 1978 (Act No. 57 of 1978):

(i) copyright in any work related to Patentable Inventions as defined in the Copyright Act, 1978 (Act No. 98 of 1978).

(ii) aesthetic and functional designs related to Patentable Inventions, as defined in the Designs Act, 1993 (Act No 195 of 1993);

(iii) a mark related to Patentable Inventions, as defined in the Trade Marks Act, 1993 (Act No. 194 of 1993).

6. HESA COMMENT:

(i) The inclusion of copyright into the IPR from PFR Act implies that all notes, emails, academic papers etc, which are related to a particular invention, are covered by the IPR from PFR Act. It is not the usual practice in higher education institutions (HEIs) to claim copyright on these materials. Furthermore it would be practically impossible to manage and monitor all of these.
(ii) It is not clear what exactly is meant by “integral part”. In HESA’s opinion it is important that it be further explained as it determines the extent to which HEIs are obliged to disclose. See section 9.1(d) where this undefined use of “integral part” with regards to publications has potentially huge implications for HEIs.

(iii) With regards to section 2.1(b)(ii), it makes no sense to include aesthetic designs, as the chances of aesthetic designs forming an “integral part” of a patentable invention are virtually zero.

(iv) The inclusion of trademarks in this Bill again makes no sense. According to section 10.2(a) of the Trade Marks Act (Act No. 194 of 1993), a registered trademark may not include “a sign or indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose ... or other characteristics of goods or services”. Furthermore, it may not “consists ... exclusively of the shape, configuration, colour or pattern of goods where such shape, configuration, colour or pattern is necessary to obtain a specific technical result, or results from the nature of the goods themselves” (section 10.5 of the Trade Marks Act No. 194 of 1993). Where a mark is registered in contravention of these exclusions, it may be removed from the register.

(v) In the light of these exclusions, it is unlikely that there will ever be a situation where a trademark would form an “integral part” of a patentable invention. HESA therefore recommends that this extension of subject matter in this Bill be removed.

Section 2.2

(i) Notwithstanding the provisions of subsection (1) above, this Act shall extend to the protection of copyright, aesthetic and functional designs, or marks, which form an integral part of a non-patentable invention. The Act shall also extend to the protection of basic scientific research results that are capable of forming the basis for a patentable invention but are not yet capable of protection under the Patents Act, 1978 (Act No. 57 of 1978) due to them falling within the prohibitions of Section 25(2)(a) – (c) and (e) – (g) excluding (d) of the Patents Act, 1978 (Act No. 57 of 1978).

7. HESA COMMENT:

(i) See HESA comment 4 in the definition section above. Section 2.2 covers basically every conceivable activity at an HEI. That is a result of the fact that “non-patentable invention” is not clearly defined in this Bill.

(ii) Section 2.2 creates a new species of IP, i.e. in basic scientific research. This has not been covered under the Patents Act (Act No. 57 of 1978). This is disadvantageous as it would require a degree of foresight that no person could be expected to have – especially also in the light of the reporting requirements stated in this Bill. HESA requests that this part of section 2.2 be deleted. We furthermore recommend that section 2.1(a) simply refer to any invention or discovery, which is or may be patentable.

(iii) The DST (2006:23) specifically refers to the TRIPS Agreement and states that, “countries that have acceded to the treaty are expected to ensure that measures and procedures to enforce IP do not become barriers to legitimate trade”. However, section 2.2 above may in fact be in violation of various Articles of the TRIPS Agreement (1994) inter alia Article 9(2) (TRIPS, 1994:324) with regards to copyright protection which “…shall extend to expressions and not to
ideas, procedures, methods of operation or mathematical concepts as such” and Article 10(2), which states that,

Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself (TRIPS, 1994:324).

(iv) Section 2.2 might have a detrimental impact on institutions’ publication output.

(v) Section 2.2 might result in trade secrets, confidential theses and dissertations, secrecy agreements etc. being at the order of the day at HEIs. These are in violation of institutional policies and are contrary to the spirit of an academic environment.

Section 2.3

3) The Minister shall give notice in the Government Gazette of any intention to extend the application of this Act to any new categories of intellectual property other than as defined in terms of this Act.

8. HESA COMMENT:

(i) Any addition to the IPR from PFR Act would be a substantive issue, which would require an amendment of this Act, instead of simply a notice in the Government Gazette. HESA therefore requests for section 2.3 to be omitted.

CHAPTER 2

Intellectual property ownership

3 Ownership of intellectual property

Section 3.1

(1) The ownership of all Intellectual Property contemplated in section 2 of this Act, emanating from Publicly Financed Research shall vest with the Institutions which shall have the right to obtain statutory protection for the Intellectual Property in all countries of the world.

9. HESA COMMENT:

(i) From section 3.1, it appears that an institution has the “right” to obtain protection, but that it is not obliged to do so. An institution can therefore still own the IP without obtaining formal protection. However, section 3.3 states that “In the event that the Institution does not wish to take ownership of the IP, it shall give notice of its decision to NIPMO, who shall be entitled to acquire ownership of the Intellectual Property”. The distinction between rights and obligations regarding ownership must be clarified. Equally so, it must to be clarified whether ownership implies that protection must be sought.

(ii) According to the Copyright Act (Act No. 98 of 1978), the ownership of copyright in works vests in the creator in the first place. Due consideration should be given to this aspect as well as to the obligations under the Berne Convention (1971) and under the TRIPS Agreement (see HESA’s reference to TRIPS in relation to section 2.2 above).
(iii) It is unclear whether institutions can vary the vesting principle by agreement. Section 21.1(e) of the Copyright Act (Act No. 98 of 1978) expressly permits variation by agreement between the parties. However, since the Bill is silent on this matter, it is implied that variation is not allowed.

(iv) The formulation of section 3.1 should be in alignment with the phraseology of section 10.1.

**Sections 3.2, 3.3 and 3.4**

(2) 

**Employees shall be deemed to have assigned their Intellectual Property as set out in this Act to the Institution, who shall also be entitled to assign their rights to NIPMO who shall be entitled to deal with the Intellectual Property on behalf of the State in the name of the Government of the Republic of South Africa, as it deems fit and as authorised under this Act.**

(3) In the event that the Institution does not wish to take ownership of the Intellectual Property, it shall give notice of its decision to NIPMO, who shall be entitled to acquire ownership of the Intellectual Property and apply for statutory intellectual property protection on behalf of the State in the name of the Government of the Republic of South Africa as it deems fit.

(4) Should NIPMO after having been given notice of the decision of the Institution not to take up ownership of the Intellectual Property, also decide not to acquire ownership of the Intellectual Property or not to apply for statutory intellectual property protection on behalf of the State in the name of the Government of the Republic of South Africa, NIPMO shall give notice of its decision to the Institution, who shall then be entitled to assign its rights under this Act, to the inventor(s), who can then deal with the Intellectual Property as they deem fit.

10 HESA COMMENT:

(i) The meaning of “take ownership” in section 3.3 should be made explicit since ownership in certain IP vests automatically in the author thereof, e.g. copyrights.

(ii) As it stands currently, the combined effect of sections 3.2, 3.3 and 3.4 would be that, if an institution decides not to file a patent for an invention, the institution, academia and students will lose all control of their work, copyright, designs, trademarks and the like, until the National Intellectual Property Management Office (NIPMO) has made a decision. This will result in researchers and institutions having their autonomy taken away from them. Even the so-called non-patentable inventions will be frozen while NIPMO does its assessment.

(iii) In the light of the previous remark, the question arises as to what extent this is not an infringement on the right of academic freedom as set out in section 16.1(b) and (d) of the Constitution (Government of the Republic of South Africa, 1996:9).

(iv) It is worrying that an HEI could lose IP, including its resultant benefits, if it fails to take any action on IP, irrespective of the reasons for such failure.

(v) Apart from the above-mentioned issue of control, the practicality of implementing sections 3.2 – 3.4 needs to be considered. It seems highly unlikely that resources will be available at either the institutional or the NIPMO level to manage and make decisions about IP when the latter is so widely defined.

(vi) See also HESA comment 3 (ii) regarding different forms of employment.
(vii) With regards to the inclusion of “students undertaking research” under the definition of “employees”: this Bill does not clarify at which point public funding becomes decisive – whether it is sufficient that the institution be publicly funded, or whether the student at the institution should be publicly funded. The former interpretation includes students in short learning programmes for which a university receives no public funding while the latter excludes these students.

(viii) Sections 3.1 and 3.2 have potentially serious implications for the conditions of service of academic staff. While an HEI may endeavours to secure ownership of IP in its conditions of service, there is no absolute HEI – especially with regards to conditions of service entered into long ago. It would be an infringement of institutional autonomy if Government can simply overrule existing conditions of service. We would therefore suggest that the provisions in sections 3.1 and 3.2 are applicable, but that they be subjected to any employee’s existing conditions of service.

4 Rights of institutions, NIPMO and the State

Sections 4.1, 4.2 and 4.3

(1) The Institutions shall in terms of this Act, be entitled to apply for statutory intellectual property protection for any Intellectual Property under this Act.

(2) Unless indicated to the contrary, NIPMO shall be deemed to have acquired the right to apply for statutory intellectual property protection under this Act, in the event that the Institution decides not to do so, and should NIPMO deem it necessary in the national interest.

(3) Notwithstanding the provisions of the Patents Act, it shall not be necessary to effect an assignment in order to pass the ownership for the application for a patent to the State as represented by NIPMO.

11. HESA COMMENT:

(i) Section 4.1 seems to be a contradiction to the Patents Act (Act No. 57 of 1978), which states that ownership of an invention entitles a person to apply for a patent in terms of the Patents Act (Act No. 57 of 1978).

(ii) The conditions set out in sections 4.1-4 are in conflict with the initiative of the dti to amend the Patents Act (Act No. 57 of 1978) so that communities who have contributed traditional knowledge to a product could become co-owners.

(iii) The formulation of section 4.2 creates uncertainty and possible unfairness to the institutions. It is recommended that section 4.2 be reformulated so that if an institution notifies NIPMO that it has decided not to apply for statutory protection, or fails to apply for protection within a set period, then NIPMO can acquire the rights by giving notice to the institution of its intention to do so and require the institution to make the necessary assignment.

(iv) The Bayh-Dole Act (1980) states clearly under which conditions a government may obtain title (section 401.14(d):

The contractor will convey to the Federal agency, upon written request, title to any subject invention—

○ If the contractor fails to disclose or elect title to the subject invention within the times specified in (c), above, or elects not to retain title; provided that the agency may only request title within 60 days after
learning of the failure of the contractor to disclose or elect within the specified times.

- In those countries in which the contractor fails to file patent applications within the times specified in (c) above; provided, however, that if the contractor has filed a patent application in a country after the times specified in (c) above, but prior to its receipt of the written request of the Federal agency, the contractor shall continue to retain title in that country.
- In any country in which the contractor decides not to continue the prosecution of any application for, to pay the maintenance fees on, or defend in re-examination or opposition proceeding on, a patent on a subject invention.

(v) Regarding section 4.3, an assignment would in any case be a requirement in any foreign country. It therefore seems more appropriate to require a proper assignment of invention to be filed.

(vi) The purpose of effecting an assignment is for clarity of ownership. It is recommended that the clause be replaced with one requiring that the assignment be effected in favour of the state in those instances where it becomes necessary.

(vii) Besides section 4.3 having to clearly indicate how and when the ownership passes, it also needs to specify how and where such transfer of ownership would be recorded.

Section 4.4

(4) Once the State has obtained ownership of an application for a patent or a patent granted thereafter no proceedings shall lie for the revocation of a patent so obtained on grounds of lack of title by the State.

12. HESA COMMENT:

(i) Section 4.4 gives NIPMO/State undue powers. Section 34 of the Constitution actually renders section 4.4 unconstitutional when stating that,

Everyone has the right to have any dispute that can be resolved by the application of law decided in a fair public hearing before a court or, where appropriate another independent and impartial tribunal or forum.


(ii) Section 4.4 is also in conflict with Article 32 of TRIPS (1994:334), which states that, “An opportunity for judicial review of any decision or revoke or forfeit a patent shall be available”.

CHAPTER III
Capacity building

5 Establishment of institutional intellectual property management offices (IPMO)

Section 5.1

1) Unless determined otherwise by the Minister in consultation with the Minister of Education, or any other Cabinet Minister to which the Institutions have a reporting line, the Institutions, must within six months of the coming into effect of this Act, establish a function to be called an IPMO.
13. HESA COMMENT:

(i) HESA supports the establishment of IPMOs. However, the IPR from PFR Act needs to recognise that a number of institutions already have such offices, albeit they are not called as such. It is unclear what the status of these would once the IPR from PFR Act comes into effect.

(ii) Statutory requirements are being imposed without corresponding funding to carry out the function. In order to enable institutions in complying with these requirements, the implementation of the IPR from PFR Act should be accompanied by funding. Besides such funding assisting institutions to comply, it would also provide an incentive.

(iii) In addition to the above, it is not clear what the incentives for compliance might entail. Section 8.6(c) does hint at it, but it remains vague. The OECD report states clearly the effect when incentives are lacking:

Much of the focus of the reforms to legal frameworks has been on the issue of transferring ownership of IP to the performing institution. However, in several countries where pros have owned the IP, patenting activity by institutions has nevertheless been weak. Part of the reason is that PROs have not had sufficient incentives, beyond legal requirement or institutional policies, to disclose, protect and actively commercialise IP (OECD, 2003:11).

(iv) There is yet another factor which makes the implementation of section 5.1 difficult, i.e. institutional remuneration structures and budget constrains make it impossible to recruit qualified technology transfer personnel. The assumption underlying section 5.1 seems to be that there will within a short space of time be an income stream from royalties to make these offices self-sufficient and profitable. However, the experience of HEIs abroad has shown that the potential of IP to generate significant income is limited (Heher, 2005).

(v) Regarding staffing of the IPMOs, this Bill ignores the fact that there is a limited pool of expertise in research commercialisation and in IP legal aspects in the RSA. It is almost impossible for HEIs to compete with the private sector in attracting people from this limited pool as they cannot offer attractive remuneration packages.

Section 5.2

(2) The IPMO shall be responsible for the management of and commercialisation of Intellectual Property emanating from Publicly Financed Research and undertaking obligations of the Institutions under this Act.

14. HESA COMMENT:

(i) It must be indicated whether the IPMOs can be utilized for the management of IP generated from other sources than publicly funded sources. It is also important to state whether the office can operate under another name than IPMO.
6 Function of the intellectual property management offices

Section 6.1

(1) The function of IPMO shall be carried out by personnel who have interdisciplinary knowledge, qualification and expertise in at least two of the following disciplines: (a) law; (b) natural science; (c) engineering; (d) economics; or (e) business.

15. HESA COMMENT:

(i) In HESA’s opinion, section 6.1(a)-(e) is too prescriptive. This section could be more workable if a term such as “preferably” is added.

(ii) It would be more feasible to require from IPMO personnel to “… have interdisciplinary knowledge, qualification and expertise …” rather in one (1) of the disciplines than in two (2) disciplines.

(iii) While this Bill is prescriptive in terms of the skills mix and expertise required for IPMO personnel, it omits to include the skills mix and competencies required of NIPMO personnel.

Section 6.2(b)

(2) IPMO shall perform the following functions-

(b) analyse the Disclosures or Notifications for various aspects of intellectual property, including but not limited to existence and form of Intellectual Property; the stage of development thereof and appropriate form of protection thereof;

16. HESA COMMENT:

(i) HESA recommends that section 6.2(b) be dispensed with, since this provision is inherent in the functioning of an IPMO.

Section 6.2(d)-(f)

(2) IPMO shall perform the following functions:

(d) develop policies for intellectual property identification, protection, development and commercialisation, within the Institution;

(e) develop policies for employee Disclosure or Notifications of discoveries and inventions that have intellectual property implications;

(f) develop licensing and royalty policies for the Institutions;

17. HESA COMMENT:

(i) With reference to section 6.2(d)-(f), HESA recommends that these should also be subject to the approval of the governing bodies of institutions.

(ii) Section 6.2 does not mention commercialisation per se, but seems to rather emphasise the development of policies for the sake of commercialisation. The question therefore arises as to whether the IPMO is meant to do commercialisation.

(iii) The term “commercialisation” is nowhere defined in this Bill.
7 Establishment of a national intellectual property management office

Section 7.3

(3) NIPMO shall, through an entity referred to in (1) above, have the right to apply for intellectual property protection and deal with such Intellectual Property as it deems fit, on behalf of the State in the name of the Government of the Republic of South Africa.

18. HESA COMMENT:

(i) The phrase “... as it deems fit ...” requires further expansion, e.g. “… subject to the terms of the Act...”.

(ii) See HESA comment 15 (iii) about skills requirements for NIPMO personnel under section 6.1.

(iii) The Bill is silent on the structure and guiding principle regarding operations of the NIPMO. The Bill should be prescriptive on how NIPMO will adjudicate in cases that come to its attention.

8 Functions of national intellectual property management office

Section 8.4

(4) NIPMO shall make its decision in terms of subsection (2) known to the Institution within one calendar month of it receiving the referral.

19. HESA COMMENT:

(i) This Bill does not clarify what would happen in a case where NIPMO does not notify an institution of their decision within the stated period of time.

Section 8.5

(5) Should NIPMO decide that the identified Intellectual Property must be protected in the national interest it shall proceed to obtain such protection itself on behalf of the State in the name of the Government of the Republic of South Africa and any right which the Institution and inventor employee may have had in the application will be deemed to have lapsed automatically, save for the right to benefit sharing.

20. HESA COMMENT:

(i) There is no time period stated within which NIPMO must act either to patent or to make use of the IP. HESA recommends that the institution and inventor employee should have the right re-claim in case NIPMO does not patent and/or make use of the IP within a clearly stated period of time. This issue actually touches on the moral rights of the researcher or inventor employee.

(ii) In addition to the above, section 401.14(e) of the Bayh-Dole Act (1980) is worth considering:
(1) The contractor will retain a nonexclusive royalty-free license throughout the world in each subject invention to which the Government obtains title, except if the contractor fails to disclose the invention within the times specified in (c), above. The contractor's license extends to its domestic subsidiary and affiliates, if any, within the corporate structure of which the contractor is a party and includes the right to grant sublicenses of the same scope to the extent the contractor was legally obligated to do so at the time the contract was awarded. The license is transferable only with the approval of the Federal agency except when transferred to the successor of that party of the contractor's business to which the invention pertains.

(3) The contractor's domestic license may be revoked or modified by the funding Federal agency to the extent necessary to achieve expeditious practical application of the subject invention pursuant to an application for an exclusive license submitted in accordance with applicable provisions at 37 CFR part 404 and agency licensing regulations (if any). This license will not be revoked in that field of use or the geographical areas in which the contractor has achieved practical application and continues to make the benefits of the invention reasonably accessible to the public. The license in any foreign country may be revoked or modified at the discretion of the funding Federal agency to the extent the contractor, its licensees, or the domestic subsidiaries or affiliates have failed to achieve practical application in that foreign country.

(4) Before revocation or modification of the license, the funding Federal agency will furnish the contractor a written notice of its intention to revoke or modify the license, and the contractor will be allowed thirty days (or such other time as may be authorized by the funding Federal agency for good cause shown by the contractor) after the notice to show cause why the license should not be revoked or modified. The contractor has the right to appeal, in accordance with applicable regulations in 37 CFR part 404 and agency regulations (if any) concerning the licensing of Government-owned inventions, any decision concerning the revocation or modification of the license.

(iii) It is unclear what the rights would be of co-inventors who are not South African residents. Furthermore, what would happen in the case of an international co-funder where there is a collaborative research project?

**Section 8.6(b)**

(6) In addition to the above functions, NIPMO shall provide:

(b) monitoring, evaluation and performance assessment of institutions in respect of obligations under this Act;

21. HESA COMMENT:

(i) Section 8.6(b) appears to be unnecessary and, at worst, impacts on the institutional autonomy of HEIs. HESA recommends that this section be deleted since the IPR from PFR Act should establish an enabling environment instead of a coercive environment.

**Section 8.6(c)**

(c) incentives to Institutions to reward them for proactively securing Intellectual Property and commercialising it; and also incentives to inventors, to ensure full participation in the innovation cycle;

22. HESA COMMENT:

(i) Section 8.6(c) is too vague in qualifying what the incentives to institutions would entail. Besides recommending that the IPR from PFR Act to be more
explicit in this regard, HESA would recommend that this Act should also provide guiding principles or frameworks for awarding such incentives.

Section 8.6(e)

(e) measures of standardisation and uniformity in the approach to dealing with Intellectual Property, whilst at the same time providing enough flexibility for Institutions to provide custom-made solutions for particular circumstances

23. HESA COMMENT:

(i) HESA is concerned that, although reference is made to “flexibility”, the IPR from PFR will not be accompanied by the necessary resources in order for institutions to successfully comply with it. It is equally worrying if all contained in section 8.6 were to be imposed upon institutions without them being fully consulted.

(ii) Experience has proven that licensing of IP cannot be subjected to standardization and uniformity. Hence HESA requests that the relevant phrase be substituted by the phrase “assisting in”.

Section 8.6(f)

(f) assistance to Institutions in the exploitation of the Intellectual Property;

24. HESA COMMENT:

(i) “Exploitation” needs defining. Does the phrase “commercial exploitation” - as also used in this Bill in section 9.1(h) - and “exploitation” have the same meaning? The term “exploitation” could potentially refer to sponsored, collaborative research, publications etc. Similarly, “commercialisation” needs to be defined. The description of commercialisation given by Queensland Government may provide guidance:

- The dissemination of public sector IP to fulfil a government objective;
- The promotion of knowledge transfer (this can be provided free of charge or for a fee); and/or
- The transfer of IP from the agency to the marketplace for a commercial return.

The commercialisation of IP can occur in a variety of ways, including:

- Free distribution/service delivery;
- Cost of provision;
- Exchange of IP;
- Provision of expert advice;
- Sale or assignment;
- Licensing;
- Collaborative ventures/strategic alliances;
- Direct government commercialisation; and
- Spin-off companies. (Queensland Government, 2007:3).
CHAPTER IV
Duties of publicly financed institutions to make mandatory disclosures of possible patentable inventions

9 Disclosure requirements for publicly financed institutions

25. HESA COMMENT:

(i) The heading of section 9 (in addition to the heading of chapter IV) should not refer to “Publicly Financed Institutions” but to “Publicly Financed Research” as these are two distinct concepts. If the provisions are applicable to PFIs (which an HEI would inevitably be), this will imply that the institution must disclose all IP, even that arising from project specific research as contemplated in section 21.3. It is the understanding of HESA that the object of the Bill is to target IP generated from PFR and not all IP generated from the activities of a PFI.

(ii) The functions of the IPMOs listed in section 9.1(a)-(j) and those appearing in section 6.2(a)-(h) seem to overlap. It is recommended that these two sections be merged to avoid repetitiveness.

Section 9.1(a)

(1) The IPMO at each institution shall:

(a) provide mechanisms to ensure that all possible Intellectual Property arising from research carried out at the Institution or under the control of the Institution are reported to it within 30 (thirty) days of identification by the researchers.

26. HESA COMMENT:

(i) The reporting period set out in section 9.1(a) is both unrealistic and impossible to implement. HESA recommends that it be deleted.

Section 9.1(c)

(1) The IPMO at each Institution shall:

(c) refer possible Intellectual Property for which it elects not to obtain statutory intellectual property protection to NIPMO within 14 (fourteen) days of it making such an election.

27. HESA COMMENT:

(i) A time frame must be provided within which the Institution must make the election prior to referring it to NIPMO.

Section 9.1(d)

(1) The IPMO at each Institution shall:
(d) screen all publications from the Institution for potential intellectual property that through publication may lose protection in terms of the Patents Act.

28. HESA COMMENT:

(i) See HESA comment 6 (ii) regarding the vagueness of “integral part” in relation to disclosure obligations. Section 9.1(d) demonstrates the impact of this vagueness with regards to publications

(ii) Section 9.1(d) could be interpreted as requiring the screening of all course notes, web pages, web logs, theses, publicity material etc. At least all journal articles, notes, conference papers (usually published at least on conference websites), books, monographs etc. will have to be screened. This is an enormous task, which might result in publications being delayed for very long periods of time. This, in turn, would have serious implications for HEIs as the information contained in publications might be irrelevant by the time they are published.

(iii) A large number of personnel would need to be employed in order to screen all the publications. This will have huge cost implications for HEIs, which already operate under financial strain.

(iv) Besides the screening of all publications being a huge task with enormous cost implications, it would equally impact negatively upon open access initiatives such as open publishing, institutional repositories, open archives etc. at a time when open access increasingly becomes the preferred way of publishing.

(v) This section is too prescriptive and perpetuates the control of the State over HEIs, which should actually have autonomy in this matter. The institutions should have far more freedom to deal with this issue depending on the department, the academic and the nature of the research.

(vi) In light of all the above comments on section 9.1(d) it is recommended that this particular section be deleted.

Section 9.1(j)

(1) The IPMO at each Institution shall:

(j) report to NIPMO on an annual basis all matters pertaining to intellectual property at the Institution, in a manner prescribed by NIPMO.

29. HESA COMMENT:

(i) HEIs already have to report extensively to the Department of Education (DoE). Requiring from IPMOs to report to NIPMO on an annual basis creates even more bureaucracy and is at best contrary to creating an enabling environment at HEIs. HESA therefore recommends that this particular requirement be omitted from the IPR from PFR Act.

10 Contracts of researchers in publicly financed institutions

30. HESA COMMENT:

(i) With reference to the heading of section 10, please see HESA comment 25 (i).
Section 10.1

(1) The rights in all discoveries and inventions and in all improvements in respect of products, processes, apparatus and machines made by employees of the Institutions in the course of their employment as employees or researchers at the Institutions shall vest in the Institutions, which shall ensure that such discoveries, inventions and improvements are protected with a view to exploiting them in the national interest.

31. HESA COMMENT:

(i) Section 10.1 deals with ownership of IP, which has already been dealt with in section 3. Section 10.1 is repetitive and HESA recommends it be omitted.

Section 10.2

(2) Each employee or researcher at the Institutions must report to the Institution, in a prescribed manner, any discoveries, inventions or improvements, within thirty days of discovery, invention or improvement.

32. HESA COMMENT:

(i) Section 10.2 is overly prescriptive and counters the very nature and ethos of higher education research and development (HERD). Contrary to the above, researchers should be encouraged and not coerced. Each researcher should be allowed to make his or her own decision on when a piece of research is ready for disclosure to the IPMO.

(ii) The term “improvement” needs to be clearly defined.

(iii) At what point does research become a discovery, invention or improvement? When the researcher conceives the idea or the idea is first verified empirically, or is it when the idea is rigorously verified empirically? This lack of clarity combined with the penalty in section 13.3 below could create a situation where researchers are obliged to almost continuously report to the IPMO.

Section 10.3

(3) Failure to report any discovery, invention or improvement within the prescribed period of time shall be deemed a breach of the terms of employment or service and shall be dealt with in terms of applicable Institutional policies.

33. HESA COMMENT:

(i) This is once again prescriptive and coerces researchers into compliance.

(ii) This compliance mechanism would in all probability cost more to implement than the institution will be able to earn from IP revenue.

(iii) This compliance mechanism might actually constitute an infringement of section 23.5 of the Constitution (Government of the Republic of South Africa, 1996:8) if the contractual relationship between employer and employees is altered outside of normal labour law and if it has not been subjected to collective bargaining.
Section 10.4

(4) The Institutions shall be entitled to apply for a patent in respect of any discovery, invention or improvement contemplated in subsection (1), and shall for the purposes of the Patents Act, 1978 (Act No. 57 of 1978), be regarded as the assignee of the discoverer or inventor in question.

34. HESA COMMENT:

(i) The Patents Act (Act No. 57 of 1978) specifically excludes the patenting of a discovery. It furthermore states that an “improvement” can only be patented if it qualifies as an invention. Therefore, the use of the word “discovery” here is legally incorrect - unless it is the intention of this legislature to also amend the terms of the Patents Act (Act No. 57 of 1978). Furthermore, the use of the word “improvement” is not only superfluous, but also confusing. As was stated in response to section 10.2 the term “improvement” needs to be clearly defined.

(ii) Section 10.4 is repetitive of provisions contained in section 3 above. Its omission should be considered.

CHAPTER V
Benefit sharing arrangements

11 The rights of inventor(s) to benefit sharing

Section 11.1

(1) Royalties ensuing from licensing and other forms of commercial exploitation of Intellectual Property that falls under this Act, even if registered in the name of the State shall be subject to benefit sharing arrangement in terms of this Chapter.

35. HESA COMMENT:

(i) Within the context of HESA comment 25 (i) the phrase “falls under this Act” strengthens the hold of the State on “publicly financed institutions” instead of capturing “publicly financed research”. If a clear distinction is drawn between publicly financed institutions vs. publicly financed research, section 11.1 might be less problematic.

Section 11.2

(2) The inventor(s) shall be entitled to a minimum percentage, determined by the Minister in Regulations, of nett revenues or nett royalties accruing to such Intellectual Property, after deduction of the following expenses:
(a) expenses and costs of statutory protection of the Intellectual Property and
(b) the ongoing expenses of commercially exploiting the Intellectual Property.

36. HESA COMMENT:

(i) The question arises as to where and when will the minimum percentage be published? HESA assumes that this minimum percentage could be changed from time to time, which will create uncertainty regarding the claims on any particular IP. This might result in a reduction of the value of a particular IP.
(ii) HESA recommends that deductible expenses not be limited to only those cited in section 11.2(a)-(b).

(iii) The term “inventor” needs to be defined.

Section 11.3

(3) The inventor(s) shall be entitled to benefit sharing under this Chapter for as long as revenues or royalties are derived from such statutory intellectual property and the right of the inventor(s) to benefit sharing shall pass to his/her estate in the event of death of the inventor(s).

37. HESA COMMENT:

(i) A phrase like “...unless otherwise agreed...” should be inserted in section 11.3 so as to allow for an inventor to have the contractual freedom to sell his/her interests, etc. Otherwise this section is unacceptably prescriptive.

(ii) Although benefit sharing remains intact for the inventor, it is unclear what would happen to an HEI’s share under the circumstances described in section 11.3. HESA suggests this to be resolved by provision of resources for IP protection, or for the provision of benefit sharing for the HEI if the IP protection is obtained via NIPMO.

CHAPTER VI

Exploitation of intellectual property

12 License conditions in publicly financed intellectual property

38. HESA COMMENT:

(i) This whole clause applies to all IP covered in the IPR from PFR Act, even those falling under 21.1(a), i.e. fully paid for by a non-RSA government sponsor. This amounts to effective control over licensing of all IP from the institutions, which is surely not intended or acceptable. These conditions stipulated in section 12 will result in the loss of many international collaborations as well as the loss of sponsorship from international granting agencies whose conditions might preclude some or all of these conditions. This will happen especially in cases where there is partial or full co-sponsorship from these collaborators and agencies. It needs to be noted that many of the institutions have more research funding from non-RSA government sources than from the RSA government. Therefore, the nett result of these conditions and others in this Bill may result in the significant loss of research funding to the institutions.

Section 12.1

(1) The Institution in consultation with NIPMO shall determine the licence conditions in all Intellectual Property under this Act, irrespective of who holds title to it, and these must include the following...

39. HESA COMMENT:

(i) HESA is concerned about the fact that institutions shall determine the “licence conditions in consultation with NIPMO”. It ignores the complexities involved in the commercialisation of IP and the procurement of licenses. In those
cases where world-class technology is involved, licensing often requires lengthy and intricate negotiations, which might occur on different continents. There are no “licence conditions” when negotiating these licenses.

Section 12.1(b)

(b) Any exclusive licence must have a limited duration of 5 (five) years after which the Institution in consultation with NIPMO will again determine afresh the need for exclusivity;

40. HESA COMMENT:

(i) HESA is of the opinion that section 12.1(b) will definitely scare off potential licensees. Giving executive rights to a third party (i.e. NIPMO), which is not part of the license agreement, is by no means recommended. Executive rights should rather be dealt with through performance clauses in the agreement between the institution and the licensee.

(ii) The time period mentioned in section 12.1(b) should perhaps be increased to seven (7) or even ten years (10) depending on (i) the technology being exploited, (ii) the associated investments that the license holder will incur in the process, and (iii) the reasonable time it will take to show profit.

Section 12.1(c)

(c) Exclusive licence holders must undertake, where feasible, to manufacture, process and otherwise utilise the invention within the geographic area of South Africa;

41. HESA COMMENT:

(i) This should not preclude the parallel manufacturing, processing, utilization etc. of such an invention outside the RSA, since this could adversely affect the potential revenue stream. HESA suggests that clauses requiring preferential rates for sales in the RSA could be considered.

Section 12.1(d)

(d) In the event of a holder of an exclusive licence being unable to continue to manufacture, process, or otherwise utilise the invention within the geographic area of South Africa during the duration of his or her licence, full reasons thereof must be furnished to NIPMO within 30 (thirty) days of having been so requested in writing, failing which the exclusive licence shall be deemed to have been revoked.

42. HESA COMMENT:

(i) In addition to HESA’s response to section 12.1(b) the stipulation in section 12.1(d) should rather be built into the license agreement and NIPMO’s involvement should be excluded.

Section 12.1(e)

(e) If NIPMO is not satisfied that it is untenable for the holder of an exclusive licence to continue to process or otherwise utilise the invention within the geographic area of South Africa during the duration of its licence, NIPMO shall issue a directive that the licence holder continue to exploit, and
otherwise utilise the invention only within geographic area of South Africa, failing which the licence holder will lose exclusivity of its licence.

43. **HESA COMMENT:**

(i) Taking into account the HESA comment 41 (i) above, the word “only” should be dropped. It is furthermore recommended that appropriate clauses be built into a licence agreement to ensure that the licenccer performs. NIPMO may be consulted in the process, but should not be party to dealings with the licenccer.

(ii) As was mentioned above, making it compulsory for manufacturing to have to happen within the RSA may not be the best way to exploit the IP.

(iii) Section 12.1(e) removes ultimate authority from the institutions to negotiate the best deal possible as NIPMO has after all the final say in this.

**Section 12.1(f) and (g)**

(f) An exclusive licence must be granted only if:

(i) it will not be economically viable to exploit the patent via non exclusive licensing, and

(ii) there is no overriding State interest that militates against granting of an exclusive licence.

(g) The onus of proving the conditions in paragraph (f) above shall be on the person seeking an exclusive licence.

44. **HESA COMMENT:**

(i) With reference to section 12.1(f), what if it is potentially economically viable, but unlikely to be as economically rewarding as when done via exclusive licensing?

(ii) It is unclear how the requirements contained in section 12.1(f)(i) and 12.1(f)(ii) could realistically be achieved – especially section 12.1(f)(ii). HESA perceives the onus to be rather on the State to proof the opposite than being on the person seeking an exclusive licence.

(iii) HESA recommends that the granting of an exclusive licence should rather be dealt with according to the principles of a tendering process, i.e. by publishing it in newspapers etc. An exclusive license may then be granted in those instances where there are no other contenders and depending on the performance clauses stipulated in the agreement (see HESA comment 43 (i).

(iv) The executive summary of OECD report states the following regarding exclusive licensing and HEIs:

One of the concerns of the scientific community and policy makers is that the exclusive licensing of patents to single firms will limit the diffusion of knowledge generated with public funds. Yet firms, especially small firms and academic start-ups/spin-offs for which IP constitutes a main asset, generally demands exclusive licences in order to offset the risks involved in developing academic inventions further (OECD, 2003:17).
Section 12.1(h)

(h) All types of licences must contain a condition to the effect that should the licence holder fail to or not fully exploit the licence to the benefit of citizens of the Republic of South Africa, NIPMO will have a right to suspend the licence after due enquiry of the reasons for non exploitation.

45. HESA COMMENT:

(i) Instead of the prescriptive requirements such as NIPMO’s involvement, contractual provisions may sufficiently address the dangers associated with exclusivity, e.g. the imposition of minimum royalties, which, if not met may result in the license becoming non-exclusive.

(ii) The form of the “benefit” to the citizens of the RSA needs to be further defined. As it stands, it seems to refer only to access to a product or technology and is thus narrow. It should be extended to also include processes (as in section 10.1), as well as foreign revenue remitted to the country as a result of commercialisation of a product or technology.

(iii) The phrase “fully exploit” should be clearly defined.

Section 12.1(i)

(i) Each licence must contain a condition that wherever feasible the licencee must have a BBBEE partner as set out in the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

46. HESA COMMENT:

(i) The licencee may in fact have a BBBEE status in its own right and would probably then not need a partner. It is recommended that a particular level of BBBEE status should perhaps be defined.

(ii) HESA suggests that the guidelines set out in DST (2006) also be considered with regards to section 12.1(i) – especially sections 8.2 to 8.6 of DST (2006:34 and 37).

13 Preference for broad based black economic empowerment entities and small, medium and micro enterprises

Section 13

In granting any licence to Intellectual Property under this Act, preference shall be given to BBBEE Entities and SMMEs.

47. HESA COMMENT:

(i) HESA is in support of this section.
CHAPTER VII
Government interest and restriction of rights to publicly financed intellectual property

14 Recordal of government interest in publicly financed intellectual property

Section 14

There shall be endorsed on each patent granted in the name of an Institution by the Registrar of Patents a statement to the effect that the said patent is subject to the provisions of this Act.

48. HESA COMMENT:

(i) It is suggested that the words “When a patent for an invention is derived from Publicly Financed Research...” be included at the beginning of this section. As it stands, this section is applicable to all patents originating from PFIs irrespective of whether the funding has a public or private source. Unless, of course, the intention is indeed to cover all patents originating from within PFIs.

(ii) If section 14 is indeed intended to amend the Patents Act (Act No. 57 of 1978) then this provision should be introduced into the above-mentioned Patents Act and not into the IPR from PFR Act.

15 Restrictions on commercial exploitation of intellectual property derived from publicly financed research

Section 15.1(a)

(1) Commercial exploitation of Intellectual Property derived from Publicly Financed Research shall be subject to the following conditions:
(a) it must be in accordance with the existing economic policies of the government;

49. HESA COMMENT:

(i) This condition is very general and subject to change.

(ii) HESA recommends that the condition expressed in section 15.1(a) should not be retrospective.

Section 15.1(b)

(c) each Institution shall be obliged to make a disclosure to NIPMO of its intention to licence off-shore or to dispose of the Intellectual Property off-shore;

50. HESA COMMENT:

(i) As was mentioned in response to section 12 above, it is not recommended for NIPMO to be favoured by the imposition of rights. It is unacceptably prescriptive.
(ii) The word “off-shore” needs to be defined – see HESA comment 51 (i) herein below.

**Section 15.1(c)**

(d) *Intellectual Property may move off-shore only when South Africa does not have capacity to develop or exploit the Intellectual Property, and subject to the South African Reserve Bank Exchange Control regulations and approvals;*

51. **HESA COMMENT:**

(i) Depending on the definition of “off-shore”, licensing could potentially have a dramatically negative effect on international research collaboration and consortia. Sharing and exchange of IP forms the basis of many international consortia and collaborative research arrangements. The provision in section 15.1(c) actually restricts it moving off-shore even if it has been fully exploited in the RSA. This could adversely affect the revenue stream.

**Section 15.1(d)**

(e) *before disposing of intellectual property, each Institution shall give notice of its intention to do so to NIPMO, together with an account of benefits that will accrue to the State in respect of such disposal.*

**Section 15.2**

(2) *The parties wishing to move the Intellectual Property offshore shall bear the onus of showing that there is no capacity to develop or exploit the Intellectual Property in South Africa and will also have to make provision for benefits to accrue to South Africa as a result of such contemplated transaction.*

52. **HESA COMMENT:**

(i) It is not clear whether section 15.2, which states “… accrue to South Africa…” should be interpreted as referring to something different than section 15.1(d) which talks about “… accrue to the State…”. It needs to be clarified.

(ii) As was remarked above in response to section 12.1(g), HESA proposes that this be handled on the principles of a tendering process, i.e. through publishing in newspapers etc.

**CHAPTER VIII**

**Financing of costs involved in intellectual property protection**

16 **Patenting of intellectual property by NIPMO**

(1) *There is hereby established a Patent Fund to be managed by NIPMO for the provision of financial support to the Institutions for statutory intellectual property protection, on terms determined from time to time by NIPMO.*

(2) *The costs incurred by NIPMO for obtaining statutory intellectual property protection under this Act shall be paid out of the Patent Fund.*

(3) *The Patent Support Fund managed by the Innovation Fund shall on the coming into effect of this Act, become part of the Patent Fund.*
Where the State exercises its walk-in rights as set out in Chapter IX of this Act, the cost thereof shall be borne by NIPMO. The costs incurred by NIPMO for exercising the rights referred to in this subsection shall be paid out of the Patent Fund.

53. HESA COMMENT:

(i) HESA fully supports the establishment of a Patent Fund as described in section 16.1-4.

17 Protection of intellectual property by institutions

Section 17.1

(1) The costs of protection of the Intellectual Property emanating from the Institutions shall be borne by the Institution that is taking title to the invention, save for the fact that the Institution shall be entitled to recover such costs from the Patent Fund as determined from time to time by NIPMO.

54. HESA COMMENT:

(i) Section 17.1 poses two problems related to funding for HEIs, i.e.
   − an institution has to find up-front funding before it can claim back from the Patent Fund; and
   − there is a chance that the claim might be unsuccessful which again places a financial burden on HEIs.

The regulation in section 17.1 once again confirms that HEIs are expected to bear the costs involved in implementing the IPR from PFR Act.

Section 17.4

(4) Where the patent has been co-financed with a private entity and the research agreement is silent on the costs of patenting, the costs of patenting shall be borne by the Institution and the private entity in the same ratio that they share in revenues or royalties.

55. HESA COMMENT:

(i) It is suggested that section 17.4 should rather read: Where the research has been co-financed with a private entity and the research agreement is silent on the costs of patenting, the costs of patenting shall be borne by the Institution and the private entity in the same ratio that they share in revenues or royalties.

CHAPTER IX

Government march-in rights

18 Acquisition of rights to inventions and patents by the state

56. HESA COMMENT:

(i) Although it appears to have been so intended, section 18 fails to state clearly that it deals only with IP derived from publicly financed research.
(ii) Section 18 in its entirety appears to introduce additional rights to inventions and patents to those contained in the Patents Act (Act No. 57 of 1978). If the State requires further rights, then they should be introduced into the above-mentioned Patents Act. HESA therefore recommends that section 18 be omitted in the IPR from PFR Act.

19 Representation by the assignee of the patent or holder of exclusive licence patent assignments and licences contrary to the provisions of this Act

Section 19.2

(2) A Minister of State shall invoke the provisions of subsection (1) only in circumstances where acquisition of the invention, patent, or an exclusive licence is necessary for the Republic's health, security and other needs in the opinion of the Minister of State necessary to invoke the provisions of subsection (1).

57. HESA COMMENT:

(i) Provision should be made for the compensation of the affected party if section 19.1 is invoked, as a licensee is likely to have paid full value for the licence. In addition, full reasons and an appropriate procedure to meet the requirements of just administrative action need to me included.

(ii) It is suggested that “... and other needs...” be deleted.

(iii) Once again, as was remarked on section 18 as a whole, section 19 seems to introduce rights to inventions and patents in addition to those stated in the Patents Act (Act No. 57 of 1978). It would therefore be more appropriate to modify the Patents Act (Act No. 57 of 1978) instead of effecting amendments through the IPR from PFR Act.

20 Patent Assignments and Licences Contrary to the Provisions of this Act

Section 20.2

(2) In the event of an owner or assignee of a patent or holder of a licence not adhering to the stipulated licence conditions the Minister may by publication of a notice in the Government Gazette give notice of his or her intention to revoke the assignment or licence within a period of 90 (ninety) days from publication in the Government Gazette.

58. HESA COMMENT:

(i) The owner or holder should be informed directly, prior to publication in the Government Gazette. An opportunity should be afforded to them to remediate the breach or conditions that are not being met, within a defined period.

Section 20.3

(3) An owner or assignee of a patent or holder of a licence who is negatively affected by the notice may make written representation to the Minister within 30 days of publication of the notice in subsection (2).
59. HESA COMMENT:

(i) What process will be followed after having lodged an appeal – e.g. suspension of the licence or continuation of the status quo until the appeal has been overruled? It is furthermore unclear who will review the appeal? In addition, no timelines are given for the process of appealing.

60. HESA COMMENT:

(i) Section 20 is in its entirety unacceptable as we object to NIPMO being given the authority to stipulate licence conditions for commercialisation of IP generated by research conducted in HEIs. Neither is it appropriate for the Minister to effect regulations that will contain such conditions. Non-adherence to license or assignment conditions is a matter to be dealt with in a contract and not by Government prescription. HESA would therefore suggest that section 20 as a whole rather be omitted.

CHAPTER X
Determinations on intellectual property ownership with respect to co-financing of research and long term research partnerships

21 Funding from private entities and enterprises

61. HESA COMMENT:

(i) It is recommended that “private entities” either be defined or be replaced by a more appropriate term, e.g. “foreign governmental agencies” etc. Funding from such agencies is surely intended to fall within the ambit of this section.

Sections 21.1 - Section 21.4

(1) The Institutions may accept funding from private entities and enterprises for purposes of research and development which may have the result of generating new intellectual property which funding may be:

(a) project-specific or funded on a full cost model as defined in sub-section (3) and also in Regulations to be published by the Minister in terms of this Act; or

(b) non-specific, of a general nature or partially of a general nature;

(2) Research carried out with funding in terms of sub-section (1)(b) shall be deemed to be Publicly Financed Research.

(3) Funding will be regarded as project-specific or on a full cost model if an Institution has been approached by a private entity or enterprise to engage in specific research with specified results, the full costs of such research being paid for by the private entity or enterprise.

(4) Funding will be regarded as non-specific, or a general nature, or partially of a general nature if an Institution has been allocated funds by a private entity or enterprise to conduct research either without expectation of a defined outcome or without the full cost of the research having been covered by such funds.

62. HESA COMMENT:
(ii) It is not necessarily possible to place a privately funded research project in either one of the categories stipulated in section 21.1(a)-(b).

(iii) It is unclear whether the definitions in the regulations referred to in section 21.1(a) are likely to be the same as in section 21.3. The funding discussed under section 21.1(a) and 21.3 is not public funding. Defining what is not public funding makes sense. However, section 21.3 attempts to regulate how IP from non-public funding is handled, which is not the stated intent of the IPR from PFR Act.

(iv) The meaning of “non-specific, of a general nature or partially of a general nature” in section 21.1(b) is not clear. Therefore, (i) if “non-specific, of a general nature or partially of a general nature” be considered as a donation and (ii) if non-profit donors, other public entities, etc. (e.g. United Nations organs, public bodies from countries outside the RSA etc.) are regarded as private entities, then the consequence will be that they are discouraged from giving funding to South African institutions. That would be due to the mandatory provisions set out above, which might be contrary to their objectives etc. The result could be unintended decline in privately sponsored research at HEIs.

(v) There is need to clearly define what is covered under “private entity” in section 21.3.

(vi) The term “defined outcome” in section 21.4 needs to be defined. See also HESA comment 63 (iii) regarding outcomes.

Section 21.5

(5) Where funding by a private entity or enterprise is as described in subsection (1)(a) and (3) above, the funding entity or enterprise may become the owner of the intellectual property emanating from its funded research provided that the funding agreement makes provision for benefit sharing of royalties derived from exploiting the developed intellectual property on a minimum ratio determined by the Minister in Regulations after deduction of attendant expenses and recordal simultaneously with the application for protection and granting of protection of the contract confirming the right of the contracted researcher.

63. HESA COMMENT:

(i) It is unclear whom exactly the parties are that will participate in the benefit sharing (e.g. inventor, institution etc.).

(ii) The term “attendant expenses” needs clarification.

(iii) There should be differentiation between processes and products. If the outcome (product) is solely or largely the IP, then it is easy to comply with section 21.5 However, if it forms part of or is a small component of a manufacturing process(es), then a single or multiple lump sum payments will be more appropriate. If such IP, which forms part of a process, be sub-licensed to third parties, the royalty option should come into effect.

(iv) It is a concern that the State would be able to determine even the minimum benefit share of royalties from exploiting IP emanating from industry-funded research.
Section 21.6

(6) Where funding by a private entity or enterprise is as described in sub-section (1)(b) and (4), the funding entity or enterprise may become a co-owner or holder of the Intellectual Property emanating from the funded research provided that:

(a) such private entity or enterprise is best placed to manage and commercialise the intellectual property in the national interest, or

(b) there has been a significant contribution of resources, including background intellectual property by the private entity or enterprise.

64. HESA COMMENT:

(i) It is highly unlikely that private sponsors will be amenable to the regulations contained in section 21.6. The conditions for privately funded research are based on the contract been concluded between the private sponsor and the HEI. Hence it is HESA’s conviction that the State should not interfere by prescribing mandatory conditions. Such interference has the potential of scaring off private sponsors on whom HEIs largely rely for sustaining their research and innovation.

CHAPTER XI
Miscellaneous

22 Confidentiality

65. HESA COMMENT:

(i) An additional subsection 22.1(c) should be inserted which could read as follows:

(c) insofar as it may be necessary for the effective governance and management of the institution or prescribed in terms of an institution’s policy.

23 Regulations

66. HESA COMMENT:

(i) As this section allows for regulation to be changed, there is concern that State control of HEIs might actually become stronger. It is therefore recommended that the Minister should issue regulations only after full consultation with the institutions involved. This requirement needs to be included in this section.

24 Short title

67. HESA COMMENT:

HESA agrees with the proposed short title of the Act, i.e. Intellectual Property Rights from Publicly Financed Research.
Schedule 1

68. HESA COMMENTS:

(i) Instead of the heading for schedule 1 being “Publicly Financed Institutions”, HESA suggest that it be changed to “Publicly Financed Research Institutions”.

(ii) It is recommended that the HEIs in schedule 1.B be listed in alphabetical order.

(iii) It is not clear why the list of institutions in schedule 1 omits other publicly financed institutions like museums, etc.

(iv) It may be helpful in terms of providing a comprehensive picture to also list the national facilities (e.g. South African Institute for Aquatic Biodiversity – SAIAB). They should be listed separately with an explanatory note indicating that the National Research Foundation (NRF) is managing them.

CONCLUSION

It appears that a large number of regulations in this Bill could be achieved through amendments to the Patents Act (Act No. 57 of 1978). Due consideration should therefore be given to amending the above-mentioned Patents Act rather than modifying aspects of the Patents Act via the IPR from PFR Act.

Given the huge impact of the IPR from PFR on HEIs, the limited time for response to the Bill and the subsequent difficulty in addressing all the issues satisfactorily in this document, HESA requests that DST further engage with relevant HE expertise on the subject matter contained in this Bill before the IPR from PFR Act is finalized for implementation. Such interaction will definitely enhance the successful implementation of the IPR from PFR Act - especially since these experts are acutely aware of the possible consequences for HEIs due to their familiarity with the HE sector.
RESOURCES


