

**Topic 4(b) Formulation of IP Policies –  
Institutional Issues:  
*Optimal Mechanisms for  
Consultations, Coordination, Drafting,  
Decision Making***

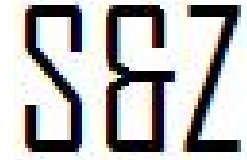
McLean Sibanda  
*Partner: Sibanda & Zantwijk Attorneys, South Africa*

**THE ROLE OF INTELLECTUAL PROPERTY OFFICES (IPOs) IN  
PROMOTING INNOVATION, BUSINESS COMPETITIVENESS AND  
ECONOMIC GROWTH**

organized by  
World Intellectual Property Organization (WIPO) in cooperation with Japan Patent Office (JPO)  
February 2 and 3, 2012, Tokyo, Japan.

- ❑ Background and Context
- ❑ Case Study – South African Position on IP Emanating from Publicly Financed R&D
  - Background
  - Policy Development
  - Legislative Development
  - Regulations
- ❑ Concluding Remarks

# Background and Context

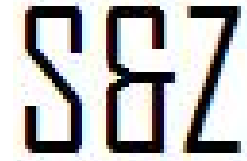


## Drivers for managing IP (2002 R&D Strategy)

- ❑ Differences in **patent rates** represents one of the greatest “divides” of the knowledge age
- ❑ Intellectual Property:
  - *Instrument for wealth creation*
  - *Must generate social & economic benefits to Republic*
  - *innovation, diffusion of scientific and technical knowledge*
  - *Market competitiveness*
- ❑ Legislative framework for IP from publicly financed R&D
  - ❑ *Clear rights & obligations*

# Background and Context

## Situation Prior to Act

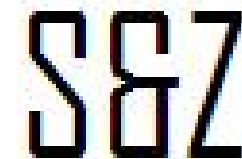


- Disparate policies on IP ownership and commercialisation**
  - *Loss of IP to foreign jurisdictions - little benefit to public*
  - *Poor commercial practices - IP sitting on shelves*
  - *IP as instrument for wealth creation / social development*
  
- No balance of incentives and regulation**
  
- Unbalanced relationship in negotiation of IP arrangements**
  - *Universities, research institutes and business*
  
- Low public spending accountability**

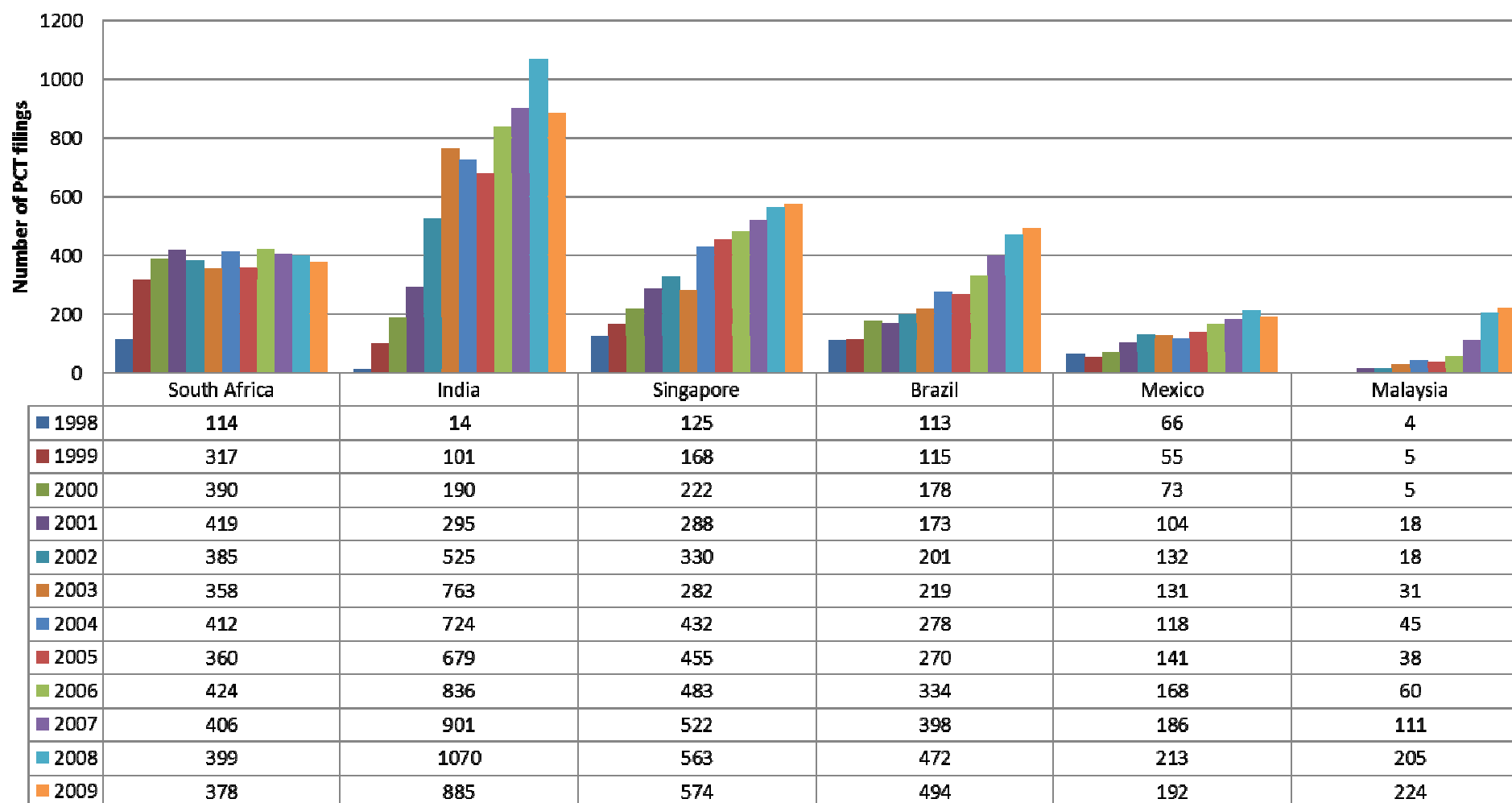
*As of 2008, publicly financed institutions accounted for about 5% of all patent applications published by the EPO, USPTO, and WIPO, which have a South African priority*

# Background and Context

## Patenting Landscape – South Africa

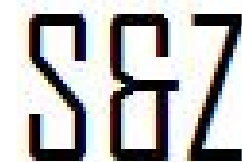


**Number of PCT filings per developing country for the Period 1998-2009  
(excluding China and R. of Korea)**



# Background and Context

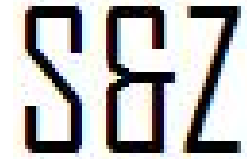
## Institutional Arrangements - 2010



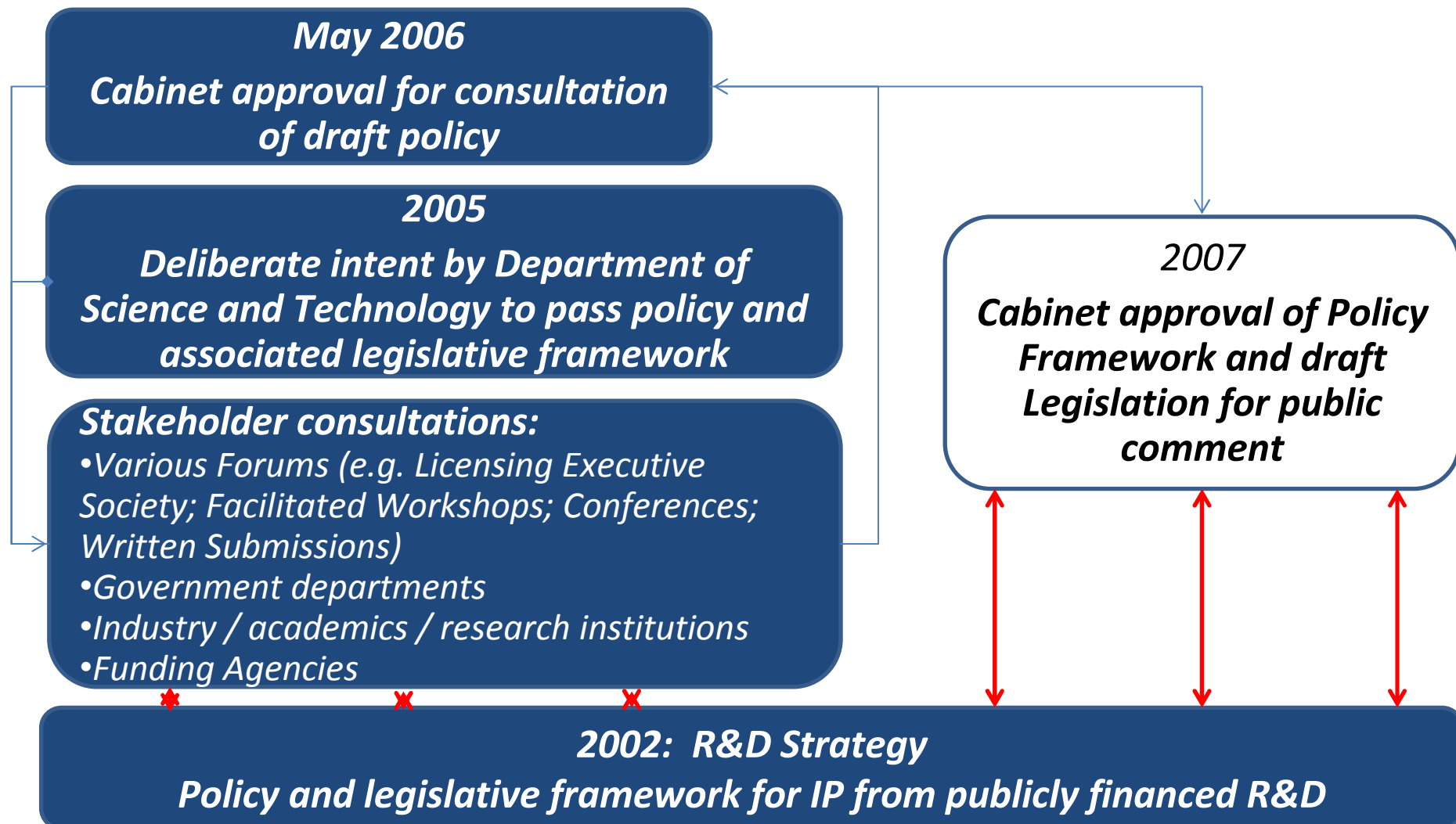
Institution	IP Policy	Tech. Transfer Capacity (Year Established)	Institution	IP Policy	Tech. Transfer Capacity (Year Established)
University of Cape Town	Yes	Limited (2002)	University of Pretoria	Yes	Limited (1996)
University of Stellenbosch	Yes	Yes (1999)	North West University	Yes	Yes (2003)
Nelson Mandela Metropolitan University	Yes	Limited (2007)	University of the Witwatersrand	Yes	Limited (2003)
Rhodes University	Yes	No	University of Limpopo	No	No
Walter Sisulu Metropolitan	Yes	No	Tshwane University of Technologie	Yes	Limited (2005)
Durban University of Technology	No	No	University of KwaZulu-Natal	No	In process of establishment
University of Fort Hare	No	No	UNISA	No	No
Cape Peninsula University of Technology	No	No	University of Western Cape	No	No
Vaal University of Technology	No	No	CSIR	Yes	Yes (2001)
University of Johannesburg	Yes	Limited (2004)	Water Research Commission (WRC)	Yes	Limited (2003)
Central University of Technology	No	No	University of FortHare	No	No
Mangosuthu University of Technology	No	No	University of Zululand	No	No
Vaal University of Technology	No	No	Agricultural Research Council (ARC)	Yes	No
Medical Research Council (MRC)	Yes	Yes (2004)	Mintek	Yes	Limited

Source: Survey of institutions

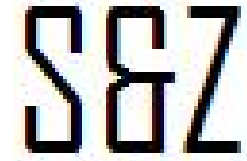
# Policy on IP from Publicly Financed R&D



Development Process / Path



# Policy and Legislation on IP from Publicly Financed R&D

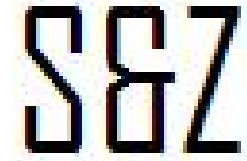


Key Issues ..... 1/2

- ❑ Intellectual property (patents) must be secured on the outputs of publicly financed research
  - Obligation to disclose potential IP
  - Government can secure IP if institution does not
  
- ❑ Obligations and benefits are linked
  - Ownership
  - Obligation to commercialise
  
- ❑ Individuals and institutions have defined rights
  - Ownership
  - Benefit sharing



# Policy and Legislation on IP from Publicly Financed R&D

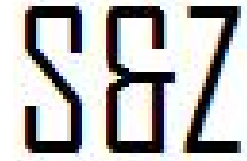


Key Issues ..... 2/2

- Certain patents can be secured to protect public interest and will not be licensed on commercial terms
- Preferences in commercialisation
  - non-exclusive licensing
  - local licensing
  - SMMEs and BEEs as licensors
- Government has walk-in rights on publicly financed IP in the national interest – free licence
- Revenue to institutions will grow but it is not expected to be a major source of finance at the system level

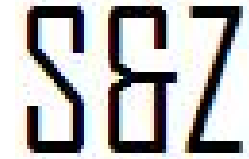
# Policy and Legislation on IP from Publicly Financed R&D

## Guiding Principles

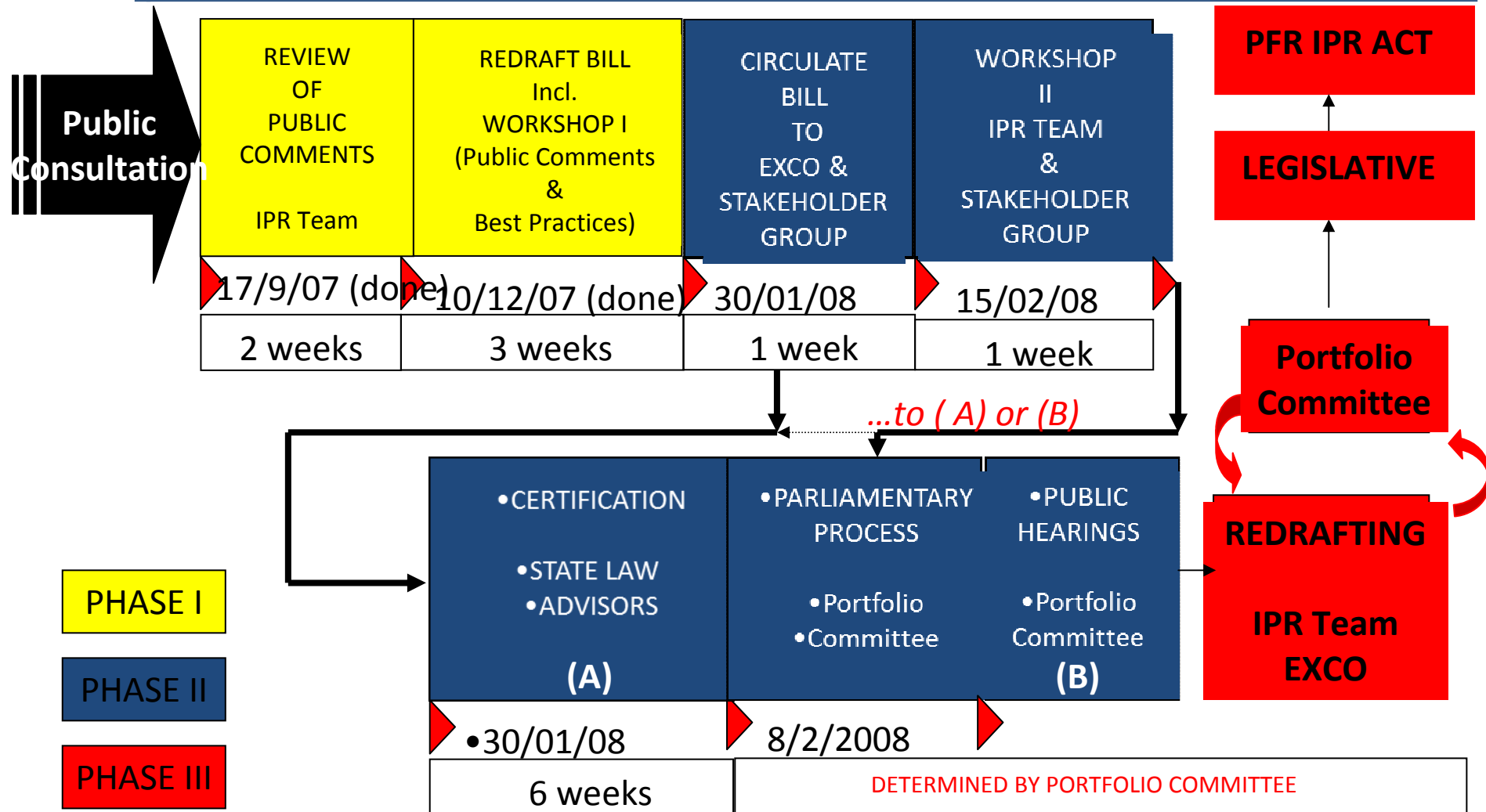


- Consistent approach in protection of IP
- Benchmark against good global practice and contextualise for local efficacy
- Identify key rights, functions & obligations
- Good balance between incentives and control
- Certainty in terms of publicly financed IP
- Must not hinder private-public collaborations

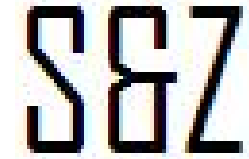
# Legislation on IP from Publicly Financed R&D



## Development Process / Path



# Legislation on IP from Publicly Financed R&D



Development Process / Path

## WORKSHOP 1 (2 Day Break away Sessions)

### OUTCOME

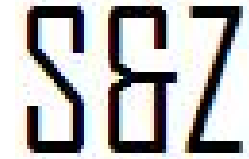
#### OBJECTIVES

- Discuss the public comments received during the public consultation process
- Discuss and agree in international best practices which are in alignment with Publicly Financed IPR Policy Framework
- Agree on revisions and amendments to the IPR Bill
- Revise the IPR Bill
- Discuss and agree on issues to be incorporated into regulations
- Set Agenda for Stakeholder Group engagement

Revised IPR Bill for submission to

- EXCO
- State Law Advisors;
- further consultation with Stakeholder Group

# Legislation on IP from Publicly Financed R&D



## Development Process / Path

### DAY 1 (AGENDA)

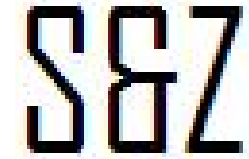
- ❑ **Discuss Public Comments (am)**
  - Agree on grouping into:
    - Group A: Constructive and language suggestion
    - Group B: Concerns worth noting
    - Group C: General Comments / for noting / in support
  - Identify common themes from public comments
- ❑ **Identify sections of the Bill to be redrafted / amended**
- ❑ **Discuss international best practices and case studies:**
  - Bayh-Dole (USA); Canada, Chile and/or India

### OUTCOMES

**Agreement on clauses for revision**

**General input into Day 2 of revision of Draft Bill**

# Legislation on IP from Publicly Financed R&D



## Development Process / Path

### DAY 2 (AGENDA)

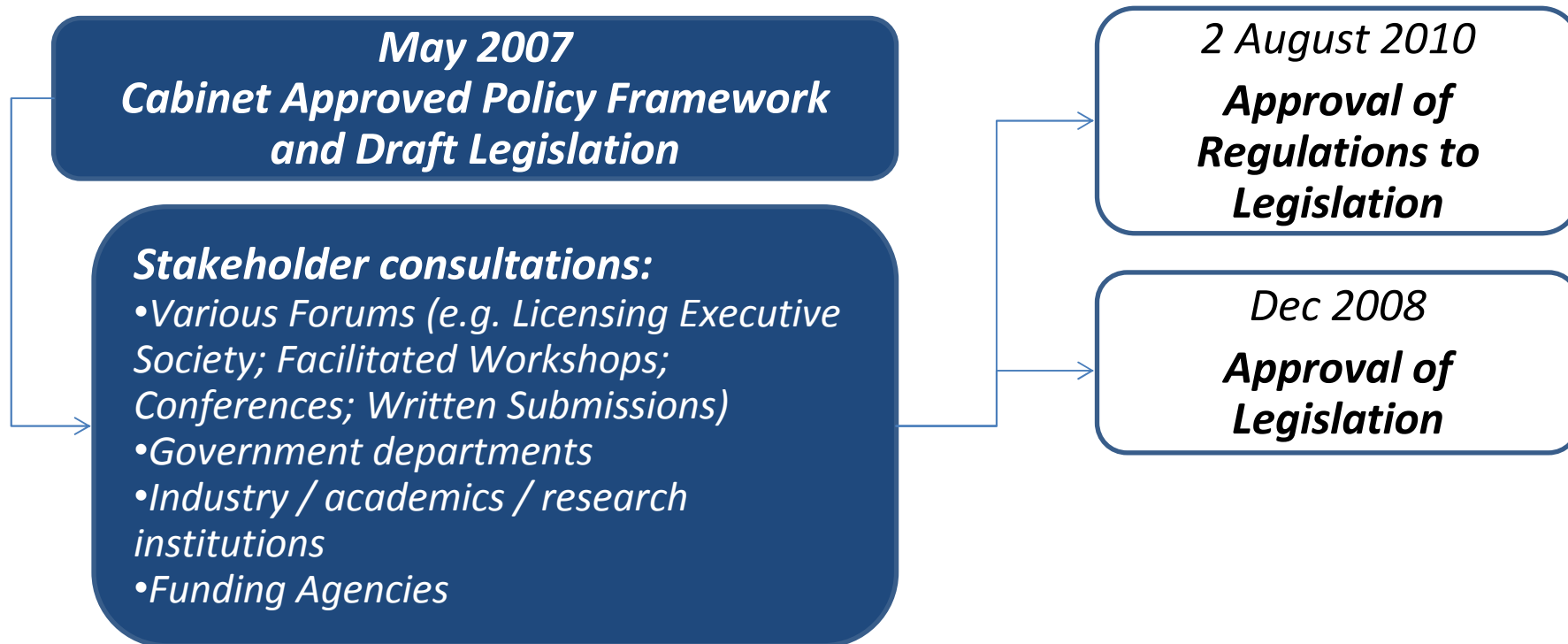
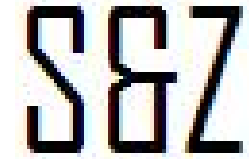
- Revision and redrafting of identified provisions of the draft IPR Bill
- Consider the 'revised' Bill in light of:
  - public comments;
  - International best practices;
  - Publicly Financed IPR Policy Framework
- Discuss possible provisions for regulations

### OUTCOMES

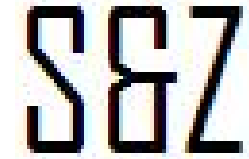
**Revised Draft Bill  
to be circulated  
internally for  
final proof  
reading and  
checking prior to  
sending to  
Stakeholder  
Group & State  
Law Advisors**

# Legislation and Regulations on IP from Publicly Financed R&D

Development Process / Path



# Legislation on IP from Publicly Financed R&D



Importance of References and Frameworks

## REFERENCES

Framework for:

- Consultation – areas on which you need input and also demonstration of what want to achieve
- Decision making – test the inputs and suggestions against references
- Drafting – ensures consistency and precedents

## OUR REFERENCES

South Africa's R&D Strategy

IPR Policy Framework

IPR Bill as published for public comment + Cabinet Feedback

Public Comments / Consultations

### International Best Practices

- Bayh-Dole (USA)
- India process - Ministerial Directive
- Canada
- Chile
- Other



# IPR-PFRD Act

## Object

S&Z

*“The **object** of this Act\* is to make provision 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.....”***

# IPR-PFRD Act

## Summary of Key Provisions

S&Z

### Disclosure and Ownership of Intellectual Property

- \* Recipient has title to IP
- \* Obligation to protect
- \* NIPMO may in national interest where recipient elects not to proceed

### Institutional Arrangements

- \* National Intellectual Property Management Office (NIPMO)
- \* Office of Technology Transfer

### Benefit Sharing Arrangements

- \* > 20% of initial gross revenues
- \* > 30% of nett revenues

### Co-financed R&D

- \* Option to exclusive licence
- \* Joint Ownership possible

### Government Rights

- \* non-exclusive licence for national need
- \* Non-commercialisation
- \* Assignment in case of non-disclosure

### Local IP Transactions

- \* Licences no approval required
- \* Assignment: NIPMO Approval

### Off-shore IP Transactions

- \* Exclusive Licences & Assignments require approval
- \* Capacity in and benefits to Republic

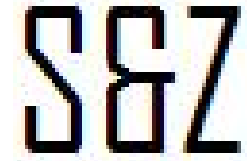
Full Cost R&D



REGULATIONS, 2010

# IPR-PFRD Act

## Consultation Process During Implementation

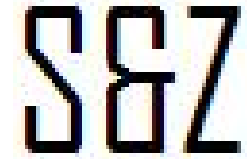


- ❑ Develop regulations to incorporate implementation frameworks
- ❑ Incorporate provisions that allow for consultation (NB: decisions making *“in consultation”* vs *“after consultation”*)
- ❑ Ensure that make provision for review of implementation and preferably provision for independent review
  - NIPMO
  - Dispute Panel
  - Advisory Board

# IPR-PFRD Act

Consultation Process During Implementation

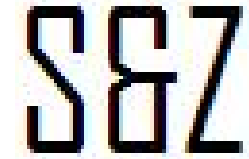
E.g. Government Rights – Failure to Disclose (s14(5))



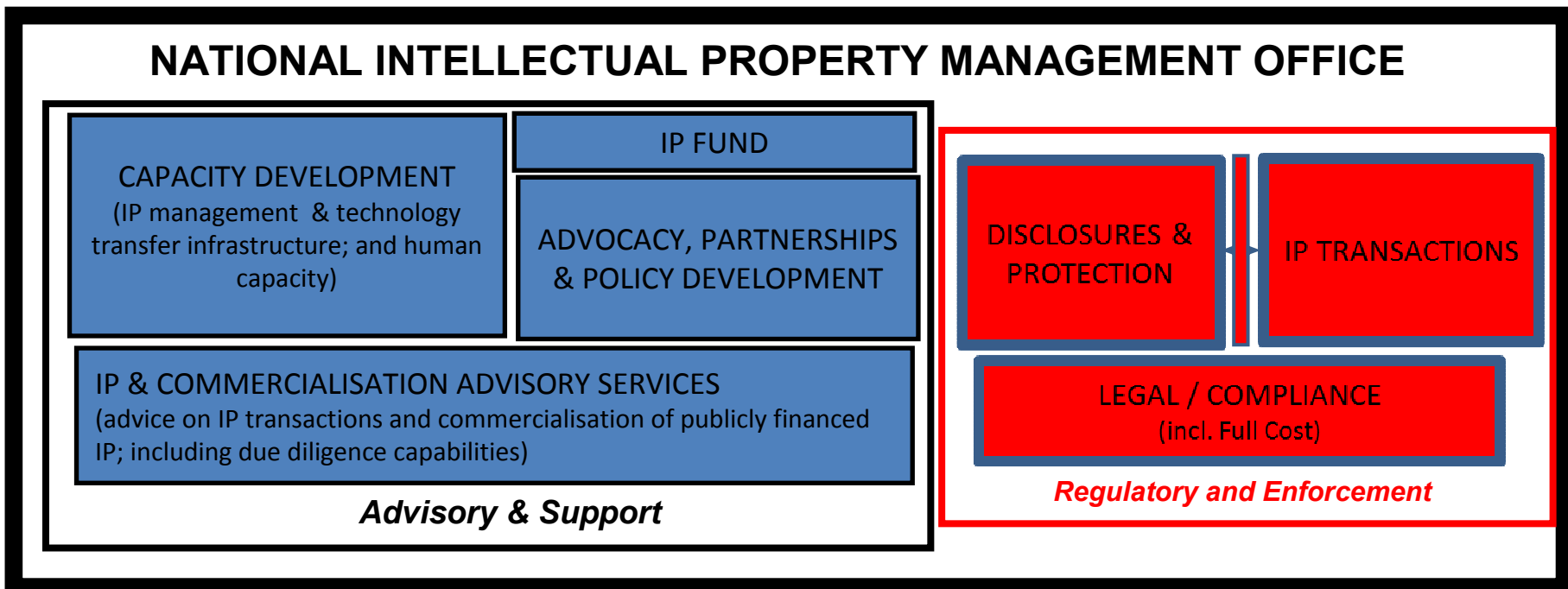
- Prior to demanding assignment - NIPMO to first issue a written notice and request a written response with reasons and supporting evidence why s14(5) should not be exercised
- No response within 30 days - NIPMO may demand assignment
- NIPMO to consider any response and request such additional information as may still be required to make a determination
- Any determination subject to review by the Dispute Panel
- If Dispute Panel rules in favour of recipient / co-owner(s), new notice based on different facts must be issued if want to proceed

# IPR-PFRD Act

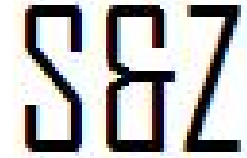
## NIPMO



- ❑ **S8(1): Administrative Agency under the DST**
  - Minister appoints NIPMO Head
  - Advisory Board (5 to 9)
  - Independent Dispute Panel
- ❑ **S8(2):** Minister may assign operational management to another entity with similar objectives

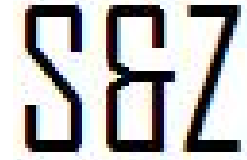


# Recommendations



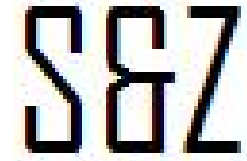
- Do not outsource the policy or legislative approach** – there are terms of reference for the policy / legislation
- Must have subject matter expert** on your team – if not on your payroll – get them on your payroll / secondment
- Internal champions important** – to counter any negative sentiments
- Drafting best done in chunks** – working groups and representative stakeholder focus groups
- Consultative process essential**
  - Be patient, understand the concerns – use external advice
  - Be open to suggestions whilst at same time not altering agreed approach

# Recommendations




- ❑ Consultation process requires a **very clear framework**
- ❑ Drafting is easier when there is an agreed policy approach and legislative framework
- ❑ **International benchmarks** are important and provide appropriate precedents and validation – must contextualise to local conditions
- ❑ **Drafting process can be an arduous process**
  - Leadership at appropriate level
  - Technically competent team that focuses on end goals whilst taking into account socio-economic and political impacts of desired goals and hence appropriate provisions
  - Time lines are a guide and may have to be flexible to ensure buy-in

# Concluding Remarks



- Policy / Legislative Framework must be nuanced to local context
- Consultation process is important
- Successful implementation requires an enabling environment comprising:
  - Government support / Funding (research and innovation)
  - Institutional policies and infrastructure (e.g. TTOs)
  - Industry – institution relationships
  - Relevant R&D programs





SNZ

**THANK YOU**

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