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THE PRESIDENCY

No. 1402

22 December 2008

It is hereby notified that the President has assented to the following Act, which is hereby published for general information:—

No. 51 of 2008: Intellectual Property Rights from Publicly Financed Research and Development Act, 2008.



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Act No. 51, 2008 INTELLECTUAL PROPERTY RIGHTS FROM PUBLICLY
FINANCED RESEARCH AND DEVELOPMENT ACT, 2008

*(English text signed by the President.)
(Assented to 17 December 2008.)*

ACT

To provide for more effective utilisation of intellectual property emanating from publicly financed research and development; to establish the National Intellectual Property Management Office and the Intellectual Property Fund; to provide for the establishment of offices of technology transfer at institutions; and to provide for matters connected therewith.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

Definitions

1. In this Act, unless the context indicates otherwise—
- “**BBBEE**” means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - “**commercialisation**” means the process by which any intellectual property emanating from publicly financed research and development is or may be adapted or used for any purpose that may provide any benefit to society or commercial use on reasonable terms, and “**commercialise**” shall have a corresponding meaning;
 - “**Department**” means the Department of Science and Technology;
 - “**disclosure**” means the provision of full details of potential intellectual property contemplated in section 5 of this Act;
 - “**funding agency**” means the State or an organ of state or a state agency that funds research and development;
 - “**institution**” means—
 - (a) any higher education institution contemplated in the definition of “**higher education institution**” contained in section 1 of the Higher Education Act, 1997 (Act No. 101 of 1997);
 - (b) any statutory institution listed in Schedule 1; and
 - (c) any institution identified as such by the Minister under section 3(2);
 - “**intellectual property**” means any creation of the mind that is capable of being protected by law from use by any other person, whether in terms of South African law or foreign intellectual property law, and includes any rights in such creation, but excludes copyrighted works such as a thesis, dissertation, article, handbook or any other publication which, in the ordinary course of business, is associated with conventional academic work;

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- “intellectual property creator”** means the person involved in the conception of intellectual property in terms of this Act and identifiable as such for the purposes of obtaining statutory protection and enforcement of intellectual property rights, where applicable;
- “intellectual property transaction”** means any agreement in respect of intellectual property emanating from publicly financed research and development, and includes licensing, assignment and any arrangement in which the intellectual property rights governed by this Act are transferred to a third party; 5
- “Minister”** means the Minister responsible for the Department;
- “Nett revenues”** means the revenue less the expenses incurred for intellectual property protection and commercialisation of the intellectual property, as may be prescribed; 10
- “NIPMO”** means the National Intellectual Property Management Office established by section 8;
- “offshore”** means outside the borders of the Republic; 15
- “prescribed”** means prescribed by regulation;
- “publicly financed research and development”** means research and development undertaken using any funds allocated by a funding agency but excludes funds allocated for scholarships and bursaries;
- “recipient”** means any person, juristic or non-juristic, that undertakes research and development using funding from a funding agency and includes an institution; 20
- “regulation”** means any regulation made in terms of section 17 of this Act;
- “revenue”** means all income and benefits, including non-monetary benefits, emanating from intellectual property transactions, and includes all actual, non-refundable royalties, other grant of rights and other payments made to the institution or any other entity owned wholly or in part by an institution as a consideration in respect of an intellectual property transaction, but excludes a donation and **“gross revenues”** shall have a corresponding meaning; 25
- “small enterprise”** means a small enterprise as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996); 30
- “this Act”** includes the regulations made in terms of this Act.

Objects of Act

2. (1) 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, whether it be for a social, economic, military or any other benefit. 35
- (2) This Act furthermore seeks to ensure that—
- (a) a recipient of funding from a funding agency assesses, records and reports on the benefit for society of publicly financed research and development;
 - (b) a recipient protects intellectual property emanating from publicly financed research and development from appropriation and ensures that it is available to the people of the Republic; 40
 - (c) a recipient identifies commercialisation opportunities for intellectual property emanating from publicly financed research and development;
 - (d) human ingenuity and creativity are acknowledged and rewarded; 45
 - (e) the people of the Republic, particularly small enterprises and BBBEE entities, have preferential access to opportunities arising from the production of knowledge from publicly financed research and development and the attendant intellectual property;
 - (f) following the evaluation of a disclosure, researchers may publish their research findings for the public good; and 50

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- (g) where necessary, the State may use the results of publicly financed research and development and the attendant intellectual property in the interest of the people of the Republic.

Application of Act

3. (1) This Act applies to intellectual property emanating from publicly financed research and development. 5

(2) (a) Subject to paragraph (b), the Minister may, in addition to the institutions to which this Act applies, by notice in the *Gazette*, identify any other institution to which this Act applies if he or she is satisfied that the institution may develop intellectual property from publicly financed research and development. 10

(b) Any identification contemplated in paragraph (a) must be done with the concurrence of the Minister responsible for the institution concerned.

Choice in respect of intellectual property

4. (1) Subject to section 15(2), intellectual property emanating from publicly financed research and development shall be owned by the recipient. 15

(2) A recipient that prefers not to retain ownership in its intellectual property or not to obtain statutory protection for the intellectual property must—

(a) make the choice in accordance with the regulations and any guidelines published by NIPMO by notice in the *Gazette*; and

(b) within the period set out in section 5(1)(e), notify NIPMO of the decision and the reasons therefor. 20

(3) NIPMO may, within the prescribed period, after considering the reasons provided by the recipient in terms of subsection (2)(b) and any prejudice that may be suffered by the State if no statutory protection for the intellectual property is obtained, acquire ownership in the intellectual property and, where applicable, obtain statutory protection for the intellectual property. 25

(4) (a) Should NIPMO decide not to acquire ownership in the intellectual property in terms of subsection (3), NIPMO must, in writing, notify the recipient of its decision.

(b) Subject to the reasons given in terms of subsection (2)(b), and on notification contemplated in paragraph (a), the recipient must give the intellectual property creator the option to acquire ownership in the intellectual property and to obtain statutory protection for the intellectual property, provided that in the case where a private entity or organisation had provided some funding, such private entity or organisation shall subject to section 10 first be offered such option before the intellectual property creator. 30

Management obligations and disclosure duties 35

5. (1) A recipient must—

(a) put in place mechanisms for the identification, protection, development, management of intellectual property, intellectual property transactions and, where applicable, the commercialisation of intellectual property and appropriate capacity-building relating thereto; 40

(b) provide effective and practical measures and procedures for the disclosure of intellectual property and ensure that intellectual property emanating from any publicly financed research and development is appropriately protected before results of such research and development are published or publicly disclosed by other means; 45

(c) ensure that personnel involved with the research and development make a disclosure to it within 90 days or such longer period as may be prescribed, of identification by such personnel of possible intellectual property and before the intellectual property is made public;

(d) assess the intellectual property to determine whether it merits statutory protection and, where appropriate, apply for and use best efforts to obtain statutory protection in its name; 50

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- (e) refer disclosures for which it elects not to retain ownership or not to obtain statutory protection to NIPMO within 30 days or such longer period as may be prescribed, of it making such an election;
- (f) in the case of an institution, manage revenues due to it from intellectual property transactions and the commercialisation thereof, including managing the benefit-sharing arrangements with intellectual property creators at the institution; 5
- (g) negotiate and enter into intellectual property transactions with third parties on intellectual property belonging to the recipient;
- (h) report to NIPMO twice a year and as provided for in this Act, on all matters pertaining to the intellectual property contemplated in this Act, including all intellectual property from which it elects to obtain statutory protection and the state of commercialisation thereof, in a manner stipulated by NIPMO; 10
- (i) provide NIPMO with full reasons in respect of any intellectual property that is not commercialised; and 15
- (j) in respect of an institution, put in place mechanisms to annually assess, record and report to NIPMO on the benefits for society of publicly financed research conducted in that institution.

Establishment of office of technology transfer at institutions

6. (1) Unless determined otherwise by the Minister in consultation with the Minister responsible for higher education, or any other Cabinet minister to which an institution reports, any institution must, within 12 months of the coming into effect of this Act— 20
- (a) establish and maintain an office of technology transfer; or
 - (b) designate persons or an existing structure within the institution to undertake the responsibilities of the office of technology transfer. 25
- (2) An office of technology transfer is responsible for undertaking the obligations of the institution in terms of this Act.
- (3) Two or more institutions may with the concurrence of NIPMO establish a regional office of technology transfer.
- (4) (a) NIPMO may, on terms and conditions determined by it, provide assistance to institutions for the establishment of offices of technology transfer. 30
- (b) The assistance contemplated in paragraph (a) may include—
- (i) financial assistance;
 - (ii) co-ordinating the establishment of a regional office of technology transfer, where applicable; and 35
 - (iii) development of appropriately skilled personnel for the offices of technology transfer.

Functions of office of technology transfer

7. (1) The functions of an office of technology transfer must be performed by appropriately qualified personnel whom, when considered collectively, has interdisciplinary knowledge, qualifications and expertise in the identification, protection, management and commercialisation of intellectual property and in intellectual property transactions. 40
- (2) An office of technology transfer must, in respect of publicly financed research and development— 45
- (a) develop and implement, on behalf of the institution or region, policies for disclosure, identification, protection, development, commercialisation and benefit-sharing arrangements;
 - (b) receive disclosures of potential intellectual property emanating from publicly financed research and development; 50
 - (c) analyse the disclosures for any commercial potential, the likely success of such commercialisation, the existence and form of the intellectual property rights, the stage of development thereof and the appropriate form for protecting those rights;
 - (d) attend to all aspects of statutory protection of the intellectual property; 55
 - (e) refer disclosures to NIPMO on behalf of an institution;

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- (f) attend to all aspects of intellectual property transactions and the commercialisation of the intellectual property;
- (g) conduct evaluations on the scope of statutory protection of the intellectual property in all geographic territories subject to commercialisation potential of the intellectual property; and
- (h) liaise with NIPMO as provided for in this Act.

Establishment of National Intellectual Property Management Office

8. (1) There is hereby established an office within the Department, called the National Intellectual Property Management Office (NIPMO).

(2) The Minister may, by notice in the *Gazette*, assign the operation of NIPMO to any public entity whose objects are consistent with NIPMO's functions.

Functions of NIPMO

9. (1) NIPMO must promote the objects of this Act, which includes the statutory protection, management and commercialisation of the intellectual property referred to it by a recipient in terms of section 4.

(2) NIPMO must ensure that it has the capacity to consider any intellectual property referred to it by a recipient in terms of section 4, and to deal with it in accordance with this Act.

(3) NIPMO must liaise with the recipients or any other party it deems fit to determine the viability of—

- (a) obtaining statutory protection for the intellectual property referred to it, if it is in the national interest;
- (b) concluding any intellectual property transactions; or
- (c) commercialisation of such intellectual property.

(4) NIPMO must, furthermore—

- (a) manage information in respect of intellectual property contemplated in this Act, including data concerning the recipients;
- (b) provide incentives to recipients and their intellectual property creators, to reward them for proactively securing protection for intellectual property and commercialising it and, generally, for promoting innovation;
- (c) provide assistance to institutions with—
 - (i) the establishment of offices of technology transfer and related capacity-building;
 - (ii) intellectual property transactions;
 - (iii) commercialisation of intellectual property; and
 - (iv) any other matter provided for in this Act;

(d) provide appropriate standards and best practices in consultation with a recipient, without limiting the power of the recipient to act in its own interests in terms of this Act;

(e) develop guidelines for intellectual property transactions involving non-South African entities and persons, and manage the implementation of such guidelines; and

(f) monitor, evaluate and review the obligations of recipients in terms of this Act.

(5) In addition to its other functions, NIPMO may do anything necessary to meet the objects of this Act and to carry out any other function consistent with those objects that may be prescribed.

(6) Any administrative decision of NIPMO that adversely affects a recipient must be dealt with in terms of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000).

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Rights of intellectual property creators in institutions to benefit-sharing

- 10. (1)** Intellectual property creators at an institution and their heirs are granted a specific right to a portion of the revenues that accrue to the institution from their intellectual property in terms of this Act until such right expires.
- (2)** Intellectual property creators at an institution and their heirs are entitled to the following benefit-sharing: **5**
- (a)** at least 20 per cent of the revenues accruing to the institution from such intellectual property for the first one million rand of revenues, or such higher amount as the Minister may prescribe; and
- (b)** thereafter, at least 30 per cent of the nett revenues accruing to the institution from such intellectual property. **10**
- (3)** The benefits contemplated in subsection (2) must be shared in equal proportions between the qualifying intellectual property creators or their heirs unless otherwise agreed between those creators and the recipient or determined in accordance with institutional policies. **15**
- (4)** The benefits to intellectual property creators and their heirs contemplated in subsection (2)(a) must be a first call on the applicable revenue ahead of any institutional distribution.
- (5)** The recipient may distribute the balance of the revenues generated by intellectual property as it deems fit, but must apportion part of it for funding, among other things— **20**
- (a)** more research and development;
- (b)** the operations of the office of technology transfer; and
- (c)** statutory protection of intellectual property.
- (6) (a)** This section prevails over a provision of a law mentioned in the second column of Schedule 1 existing at the commencement of this Act to the extent that it is inconsistent with such a provision. **25**
- (b)** Despite paragraph (a), any arrangement relating to benefit-sharing that existed at the commencement of this Act by virtue of a provision contemplated in that paragraph continues in terms of that provision as if this section had not been enacted.

Conditions for intellectual property transactions **30**

- 11. (1)** The recipient determines the nature and conditions of intellectual property transactions relating to any intellectual property held by it, but must take into account the following:
- (a)** Preference must be given to non-exclusive licensing;
- (b)** preference must be given to BBBEE entities and small enterprises; **35**
- (c)** preference must be given to parties that seek to use the intellectual property in ways that provide optimal benefits to the economy and quality of life of the people of the Republic;
- (d)** exclusive licence holders must undertake, where feasible, to manufacture, process and otherwise commercialise within the Republic; **40**
- (e)** each intellectual property transaction must provide the State with an irrevocable and royalty-free licence authorising the State to use or have the intellectual property used throughout the world for the health, security and emergency needs of the Republic;
- (f)** if a holder of an exclusive licence is unable to continue with the commercialisation of the intellectual property within the Republic during the duration of the licence and the recipient wishes to retain the exclusive licence, the recipient must furnish NIPMO with full reasons for retaining exclusivity; **45**
- (g)** a recipient must supply the reasons contemplated in paragraph (f) within 30 days of it becoming aware that the holder of the licence is unable to continue commercialising the intellectual property, or such extended time as may be agreed upon with NIPMO; and **50**

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- (h) NIPMO may request that the exclusive licence contemplated in paragraph (f) be converted to a non-exclusive licence if a recipient fails to furnish the reasons within the period contemplated in paragraph (g), or if NIPMO is not satisfied with such reasons.

(2) Each intellectual property transaction must contain a condition to the effect that, should a party fail to commercialise the intellectual property to the benefit of the people of the Republic, the State is entitled to exercise the rights contemplated in section 14. 5

(3) (a) Each intellectual property transaction involving assignment of intellectual property by an institution to a small enterprise in return for shareholding as a consideration must contain a condition providing that in the event of the liquidation of that small enterprise, the intellectual property shall revert to the institution. 10

(b) The Minister may prescribe the terms and conditions for other intellectual property transactions involving assignment of intellectual property by a recipient.

Restrictions on offshore intellectual property transactions

12. (1) Offshore intellectual property transactions are subject to the following conditions: 15

- (a) A recipient must advise NIPMO of its intention to conclude an intellectual property transaction offshore;
- (b) subject to paragraph (c), offshore intellectual property transactions may occur only in accordance with prescribed regulations and any guidelines contemplated in section 9(4)(e); and 20
- (c) any intellectual property transaction which does not comply with the regulations and guidelines requires prior approval of NIPMO.

(2) A recipient wishing to undertake an intellectual property transaction offshore in the form of an assignment or exclusive licence must satisfy NIPMO that— 25

- (a) there is insufficient capacity in the Republic to develop or commercialise the intellectual property locally; and
- (b) the Republic will benefit from such offshore transaction.

Intellectual Property Fund

13. (1) There is hereby established an Intellectual Property Fund to be managed by NIPMO. 30

(2) The purpose of the Intellectual Property Fund is to—

- (a) provide financial support to institutions for the statutory protection and maintenance of intellectual property rights, subject to subsection (3);
- (b) finance any costs incurred by NIPMO for obtaining statutory protection of the intellectual property; and 35
- (c) finance any costs incurred by NIPMO when acting in terms of section 14.

(3) An institution may recover the costs incurred in obtaining statutory protection for the intellectual property contemplated in this Act from the Intellectual Property Fund—

- (a) to the extent determined by NIPMO; and 40
- (b) on such terms as may be determined by NIPMO.

Acquisition of intellectual property rights by State

14. (1) The rights acquired by the State in terms of this section are additional to the rights granted to the State in terms of any other legislation in the Republic.

(2) NIPMO must conduct reviews of non-commercialised intellectual property in consultation with the recipients. 45

(3) If a review contemplated in subsection (2) shows that the intellectual property in question can be commercialised, NIPMO must engage in further consultations

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with the recipient in an endeavour to ensure that the intellectual property is commercialised.

(4) NIPMO may require a recipient to grant a licence in any field of use to any person on reasonable terms if, after the consultations contemplated in subsection (3)—

(a) the intellectual property is still not being commercialised; or 5

(b) no agreement can be reached with the recipient.

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

Co-operation between private entities or organisations and institutions 10

15. (1) A private entity or organisation may become an exclusive licensee of intellectual property emanating from publicly financed research and development undertaken at an institution if such private entity or organisation has the capacity to manage and commercialise the intellectual property in a manner that benefits the Republic. 15

(2) Any private entity or organisation may become a co-owner of the intellectual property emanating from publicly financed research and development undertaken at an institution if—

(a) there has been a contribution of resources, which may include relevant background intellectual property by the private entity or organisation; 20

(b) there is joint intellectual property creatorship;

(c) appropriate arrangements are made for benefit-sharing for intellectual property creators at the institution; and

(d) the institution and the private entity or organisation conclude an agreement for the commercialisation of the intellectual property. 25

(3) Should the private entity or organisation mentioned in subsection (1) or (2) not commercialise the intellectual property, the provisions of section 14 of this Act shall apply with the changes required by the context.

(4) (a) Any research and development undertaken at an institution and funded by a private entity or organisation on a full cost basis shall not be deemed to be publicly financed research and development and the provisions of this Act shall not apply thereto. 30

(b) For the purposes of paragraph (a) “full cost” means the full cost of undertaking research and development as determined in accordance with international financial reporting standards, and includes all applicable direct and indirect cost as may be prescribed. 35

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

Confidentiality

16. Employees of NIPMO and the offices of technology transfer may not disclose any information in regard to any matter which may come to their knowledge in terms of this Act, or any work arising from the implementation of this Act, or by virtue of the office held by them to any person, except— 40

(a) in so far as the provisions of the Constitution of the Republic of South Africa, 1996, the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000), and this Act require or provide for the publication of or access by the public or any interested person to information relating to such matter; 45

(b) in so far as it may be necessary for the effective governance and management of NIPMO or the offices of technology transfer, or for the purpose of due and proper performance of any function in terms of this Act; or 50

(c) upon an order of a competent court.

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Regulations

17. The Minister may make regulations regarding—
- (a) any matter that may or must be prescribed in terms of this Act; and
 - (b) any ancillary or incidental administrative or procedural matter that it is necessary to prescribe for the proper implementation or administration of this Act. 5

Short title and commencement

18. This Act is called the Intellectual Property Rights from Publicly Financed Research and Development Act, 2008, and takes effect on a date determined by the President by proclamation in the *Gazette*. 10

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SCHEDULE 1

(Section 1: Paragraph (b) of definition of "institution")

Institution	Founding law	
Human Sciences Research Council	Human Sciences Research Act, 1968 (Act No. 23 of 1968)	5
Water Research Commission	Water Research Act, 1971 (Act No. 34 of 1971)	
Council for Scientific and Industrial Research	Scientific Research Council Act, 1988 (Act No. 46 of 1988)	10
Council for Mineral Technology	Mineral Technology Act, 1989 (Act No. 30 of 1989)	
Agricultural Research Council	Agricultural Research Act, 1990 (Act No. 86 of 1990)	15
South African Medical Research Council	South African Medical Research Council Act, 1991 (Act No. 58 of 1991)	
South African Bureau of Standards	Standards Act, 1993 (Act No. 29 of 1993)	20
Council for Geoscience	Geoscience Act, 1993 (Act No. 100 of 1993)	
National Research Foundation	National Research Foundation Act, 1998 (Act No. 23 of 1998)	25
South African Nuclear Energy Corporation, Limited	Nuclear Energy Act, 1999 (Act No. 46 of 1999)	