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GUIDELINE 4.2 OF 2019

INTELLECTUAL PROPERTY OWNERSHIP

OVERVIEW

The Intellectual Property Rights from Publicly Financed Research and Development Act (IPR Act) No. 51 of 2008 came into effect on 2 August 2010.

The aim of this Guideline is to provide clarity on the ownership and co-ownership provisions of intellectual property (IP) emanating from publicly financed research and development (R&D) in terms of the IPR Act and to further illustrate these provisions by way of explanatory scenarios. Furthermore, this Guideline will briefly discuss IP ownership of R&D financed on a full cost basis by a private entity or organisation.

This Guideline will discuss three possible IP ownership options namely (a) the default position, (b) co-ownership, and (c) the full cost arrangement. It is within this context that recipients of public funds are to structure their multiparty collaborative R&D agreements, negotiate IP ownership and manage their IP portfolio.

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HEAD: NIPMO

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1. GLOSSARY OF TERMS

Commencement of the IPR Act	The date the IPR Act came into force with the Proclamation of its commencement on 2 August 2010
Guideline 1.2	Guideline 1.3 of 2019: Interpretation of the Scope of the Intellectual Property Rights from Publicly Financed Research and Development Act (No. 51 of 2008): Setting The Scene

List of acronyms used

HEI	Higher Education Institution
IP	Intellectual Property (see IPR Act and Guideline 1.3 of 2019 for the definition)
IPR	Intellectual Property Rights (see Guideline 1 for the definition)
IPR Act	Intellectual Property Rights from Publicly Financed Research and Development Act No 51 of 2008
NIPMO	National Intellectual Property Management Office
R&D	Research and Development (see Guideline 1.3 of 2019 for the definition)
SETI	Science, Engineering and Technology Institution

2. INTELLECTUAL PROPERTY OWNERSHIP OPTIONS

Ownership, and user rights of IP, which emanate from publicly financed R&D¹ are governed by the IPR Act. The use of public funding in the creation of IP from R&D is a critical determination for whether or not the IPR Act applies. If public funding was used in the creation of the IP, then the IPR Act provides for three possible IP ownership options namely (a) the “default” position of ownership by a Recipient, (b) the co-ownership provision, and (c) the full cost arrangement in which IP ownership may be negotiated.

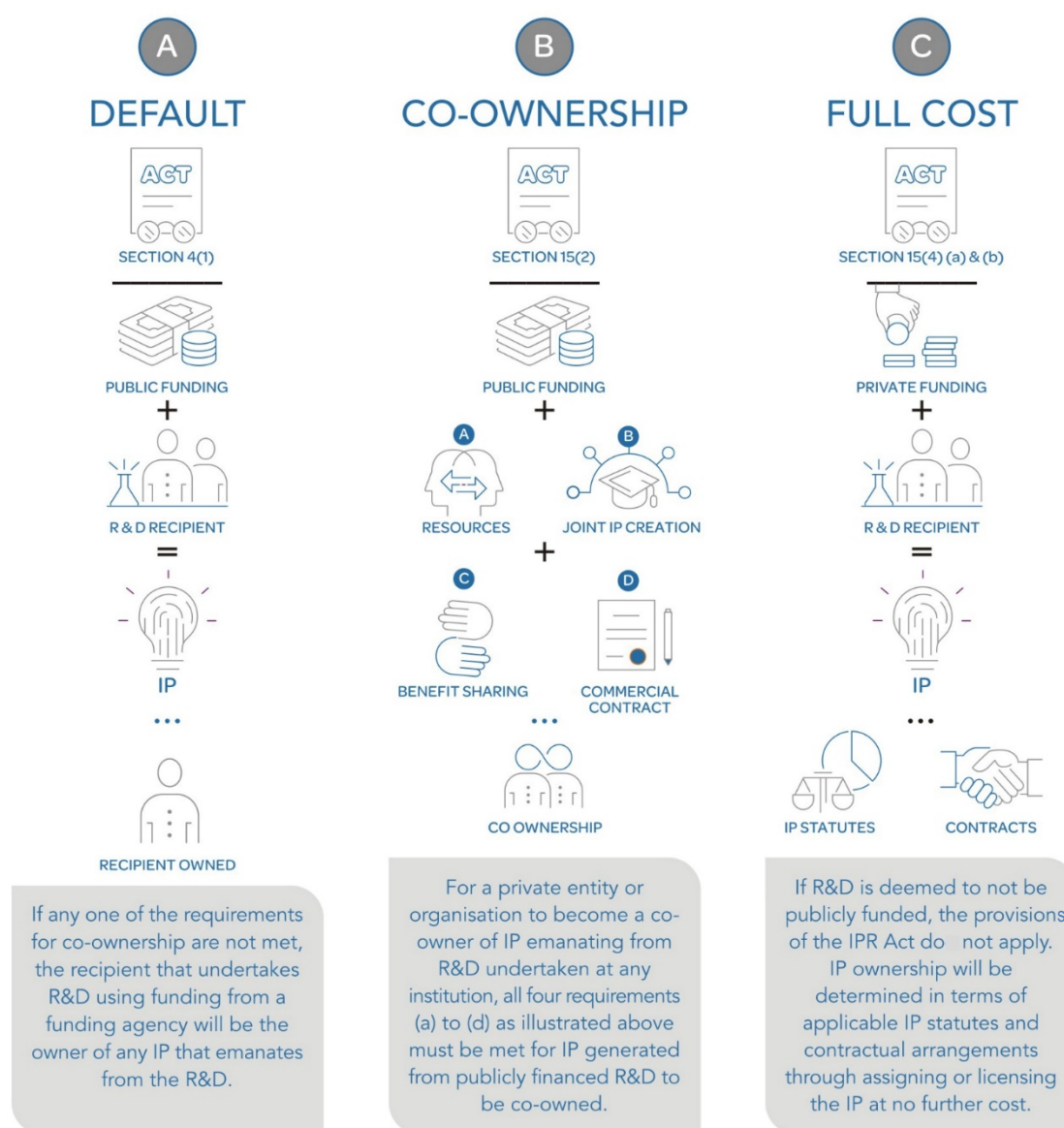
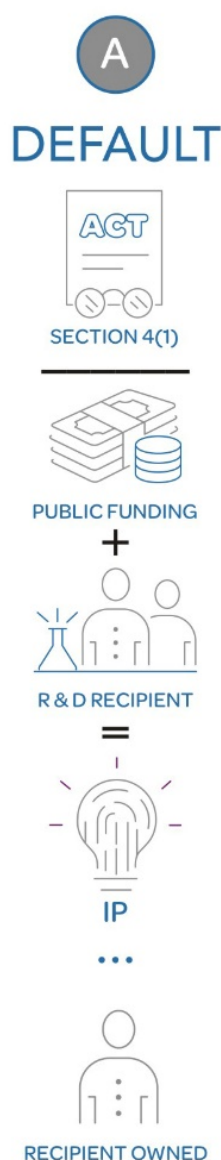


Illustration courtesy of Sally Dore from Design Aid (sally@designaid.co.za) and Rhodes University.

¹Section 1 of the IPR Act: “publicly financed research and development” means research and development undertaken using any funds allocated by a funding agency but excludes funds allocated for scholarships and bursaries

2.1 THE “DEFAULT” POSITION



If any one of the requirements for co-ownership are not met, the recipient that undertakes R&D using funding from a funding agency will be the owner of any IP that emanates from the R&D.

The “default” position on IP ownership, emanating from publicly financed R&D according to the IPR Act, is stipulated in Section 4(1) which states: “*Subject to section 15(2), intellectual property emanating from publicly financed research and development **shall be owned by the recipient***”. [own emphasis added]

A “recipient” is defined as “*any person, juristic or non-juristic, that **undertakes research and development using funding from a funding agency and includes an institution***”. A “funding agency” is further defined as the “*State or an **organ of state** or a **state agency** that funds research and development*”². [own emphasis added]

Guideline 1.3 of 2019 discusses the terms “*organ of state*” as defined in the Constitution of the Republic of South Africa³ and a “state agency” in more detail.

Thus, the “default” position on IP ownership in terms of the IPR Act is that (if the requirements for co-ownership are not met) the recipient that undertakes R&D using funding received from a funding agency will be the owner of any IP that emanates from that R&D.

²Section 1 of the IPR Act

³Constitution of the Republic of South Africa (Act 108 of 1996) defines as “organ of state” as:

“(a) any department of state or administration in the national, provincial or local sphere of government; or

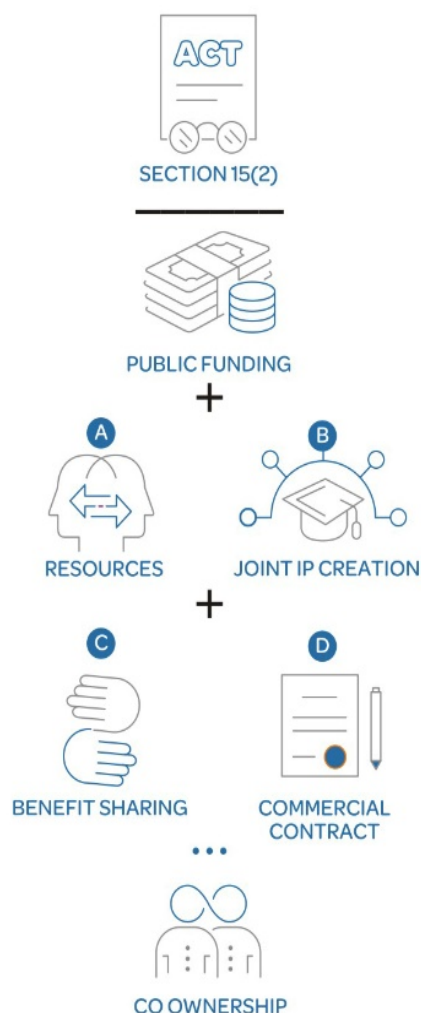
(b) any other functionary or institution

(i) exercising a power or performing a function in terms of the Constitution or a provincial constitution; or

(ii) exercising a public power or performing a public function in terms of any legislation, but does not include a court or a judicial officer”

2.2 CO-OWNERSHIP PROVISION

B CO-OWNERSHIP



For a private entity or organisation to become a co-owner of IP emanating from R&D undertaken at any institution, all four requirements (a) to (d) as illustrated above must be met for IP generated from publicly financed R&D to be co-owned.

Section 15(2) of the IPR Act states “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;
- (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.” [own emphasis added]

All four requirements (a) to (d) above must be met for IP generated from publicly financed R&D to be co-owned.

Each of the terms highlighted in the quote from section 15(2) above will be discussed in more detail:

2.2.1 The term: “**private entity or organisation**”

The IPR Act⁴ defines a “*private entity or organisation*” as a private sector company, a public entity, an international research organisation, an educational institution, or an international funding or donor organisation.

The table below provides some non-exhaustive examples of a “*private entity or organisation*”.

Table 1: Non-exhaustive examples of a private entity or organisation

⁴Section 15(5) of the IPR Act

TERM	EXAMPLES
Private sector company	<p>Entities governed by the South African Companies Act⁵ including any Private company (Proprietary Limited (Pty) Ltd); Public company (Ltd); and Personal liability (Incorporated (Inc)).</p> <p>All of the above must be registered at the Companies and Intellectual Property Commission (CIPC).</p> <p>A private sector company will also include an international private company that is owned or operated by private individuals or groups and registered in that foreign country.</p>
Public entity	<p>Public entity includes all entities listed under the Public Finance Management Act⁶ (PFMA) Schedules. According to Chapter 1 of the PFMA a public entity is defined as a national⁷ or provincial⁸ public entity which includes a national/provincial government business enterprise.</p> <p>The term “public entity” includes the 11 schedule 1 institutions listed in the IPR Act (and in bold below) as well as all State Owned Companies (SOC Ltd). Some examples include (non-exhaustive list, please refer to the PFMA schedules):</p> <ul style="list-style-type: none"> <i>Schedule 2: Major Public Entities:</i> Armaments Corporation of South Africa Limited (ARMSCOR), DENEL (Pty) Ltd, ESKOM, Independent Development Corporation of South Africa Limited (IDC), South African Nuclear Energy Corporation (NECSA), and Transnet Ltd. <i>Schedule 3A: National Public Entities:</i> Agricultural Research Council (ARC), Council for Geoscience (CG), Human Science Research Council (HSRC), Medical Research Council of South Africa (MRC), National Health Laboratory Service (NHLS), National Research Foundation (NRF), South African National Biodiversity Institute (SANBI), South African National Space Agency (SANSa), Technology Innovation Agency (TIA), and Water Research Commission (WRC). <i>Schedule 3B: National Government Business Enterprises:</i> MINTeK, Council for Scientific and Industrial Research (CSIR), Public Investment Corporation Limited (PIC), Rand Water, and SA Bureau of Standards (SABS).

⁵Company Act, No. 71 of 2008

⁶Act no 1 of 1999

⁷Chapter 1 of the PFMA define **national public entity** as:

(a) a national government business enterprise; or (b) a board, commission, company, corporation, fund or other entity (other than a national government business enterprise) which is— (i) established in terms of national legislation; (ii) fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation; and (iii) accountable to Parliament

⁸ Chapter 1 of the PFMA define **provincial public entity** as:

(a) a provincial government business enterprise; or (b) a board, commission, company, corporation, fund or other entity (other than a provincial government business enterprise) which is— (i) established in terms of legislation or a provincial constitution; (ii) fully or substantially funded either from a Provincial Revenue Fund or by way of a tax, levy or other money imposed in terms of legislation; and (iii) accountable to a provincial legislature;

	<ul style="list-style-type: none"> • <i>Schedule 3C (Provincial Public Entities) and 3D (Provincial Government Business Enterprises)</i> that fund R&D
International research organisation	Commonwealth Scientific and Industrial Research Organisation (CSIRO), Consultative group on International Agricultural research (CGIAR), and International Brain Research Organization (IBRO) etc.
Educational institution	Local and foreign (private and public) Universities, Universities of Technologies, Colleges etc and include the 26 Higher Education Institutions
International funding or donor organisation	Bill and Melinda Gates Foundation, European Union, Grand Challenges Canada, United Nations, United States Agency for International Development, Wellcome Trust, World Bank, BRICS Bank and World Health Organization etc.

It is noteworthy that the term “public entity” only relates to **companies or business enterprises** established by local, provincial and national government and not the local, provincial or national department(s) itself (for example, CSIR is a business enterprise of the Department of Science and Technology (DST)). Thus, the term “*private entity or organisation*” will by default assume to exclude South African government departments in all spheres. **SA government departments⁹ can therefore not co-own IP that falls within the scope of the IPR Act¹⁰, from the outset, irrespective of creatorship.**

In contrast, when South African government departments fund **non-R&D activities** through service level agreements, section 5(2) and 21 of the Copyright Act¹¹ provides that all copyright “*made by or under the Department’s direction or control of the state*” will be owned by the state.

2.2.2 The construct: “*undertaken at an institution*”

The term “*undertaken at an institution*” does not necessarily imply that the entire R&D should be conducted at a particular institution. The definition of “*undertake*” according to the Concise Oxford English Dictionary (11th edition) includes “*commit oneself to and begin, take on, formally guarantee, pledge or promise*”.

A multiparty collaborative R&D agreement may be entered into between a private entity or organisation and an institution, and commit the institution to the implementation and execution of the R&D.

If the collaborative parties (which falls within the definition of “*private entity or organisation*”) subcontract part of the R&D to a third party, and a third party undertakes/conducts R&D, the third party becomes the recipient (in terms of the IPR Act) and consequently the owner of such IP. In order to ensure that the multiparty collaboration succeeds, the parties may have in their agreement specific clauses stating that the third party must give access to (via licence) or

⁹ Local, provincial or national government departments

¹⁰ In terms of section 15(2) of the IPR Act

¹¹ *Copyright shall be conferred by this section on every work which is eligible for copyright and which is made by or under the direction or control of the state or such international or local organization as may be prescribed [own emphasis]. Ownership of any copyright conferred by section 5 shall initially vest in the state or the international or local organization concerned, and not in the author.*

transfer (via assignment, with NIPMO approval) the IP emanating from the R&D to the collaborative parties that subcontracted to the third party.

2.2.3 Requirement 1: Contribution of resources

Regulation 1 to the IPR Act defines “resources” as:

“any contribution to research and development, and includes contribution in the form of financial or human resources, materials and infrastructure to undertake research and development, relevant background intellectual property, equipment and facilities”. [own emphasis added]

As is evident from the above definition, a contribution of resources is not only limited to a financial contribution but may include other types/forms of contributions.

2.2.4 Requirement 2: Joint IP Creatorship

2.2.4.1 Two or more IP Creators

The IPR Act does not provide a definition for the term “*joint intellectual property creatorship*”. It is therefore important to establish who would be regarded as an IP creator in order to ascertain when IP is jointly created.

According to the Concise Oxford English Dictionary (11th edition), the word “*joint*” is defined as: “*shared, held, or made by two or more people*”.

An IP Creator, according to Section 1 of the IPR Act, is defined as: “*the person involved in the conception of the 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*”. [own emphasis added]

Considering the definitions provided it is clear that the IP in question must/should have been created “*or made by two or more people*” and that the IP creators would be “*identifiable as such for the purposes of obtaining statutory protection*”.

2.2.4.2 A single IP Creator

It is also possible that a single IP Creator could have co-created IP discretely for two parties (an institution and for a “*private entity or organisation*”) through employment/ contract/ studies and that rights could flow to each party through the discrete “parts” developed. The parties could thus jointly own the IP created by one IP Creator as per the percentage of IP created (per time spent, contribution of resources etc) or in an equal undivided share.

For example if an IP creator is employed by both institution A and private entity or organisation B to conduct research on behalf of both A and B it is possible that both A and B can co-own the IP resulting from the research as the requirement for joint creatorship will be met.

Please also refer to the respective institutional IP policy for further detail and clarity with regards to this position.

2.2.4.3 Table 2 below lists the types of IP that are regulated by statute. The person involved in the conception of such IP is regarded as the IP creator, as per the IPR Act.

Table 2: IP statutes to be consulted to determine the IP creator of a specific statutory protectable IP

IP CREATOR	EXAMPLE(S)	IP RIGHT	STATUTE (WHERE APPLICABLE)
Inventor	Invention (including genetically modified plant varieties)	Patent	Patents Act No. 57 of 1978 (as amended)
Author/ Proprietor	Functional or aesthetic design	Design	Designs Act No. 195 of 1993 (as amended)
Breeder	Plant variety	Plant Breeders' Right	Plant Breeders' Rights Act No. 15 of 1976
Proprietor	Mark	Trade mark	Trade Marks Act No. 194 of 1993
Author	Literary/Musical/Artistic works Cinematograph films; Sound recordings; Broadcasts; Programme-carrying signals; Published editions; Computer programmes	Copyright	Copyright Act No. 98 of 1978 (as amended); Registration of Copyright in Cinematograph Films Act, No. 67 of 1977

IP creatorship would, therefore, only be applicable to statutory protectable IP. Even though confidential information is regarded as IP it is not regarded as property *per se*¹² (confidential information is possessed not necessarily owned) and can therefore not be “co-owned” unless it is reduced to a material form which would render it protectable by statute.

¹² Joint/multi-party collaborative R&D invariably yields new information. Some of this information and know-how does not qualify for statutory IP protection, but is often potentially valuable to the parties for as long as it remains confidential. Whilst it remains a secret, the information can be protected by the common law duty of confidentiality and/or contractual confidentiality obligations (Nicolson F & Terry C, December 2012, “Joint ownership of IP in the UK – Joined up thinking or just a little disjointed?”, Les Nouvelles, page 292).

Whilst confidential information is often referred to in definitions as “intellectual property”, it is not necessarily regarded as a “property”. A person who is in possession of confidential information does not “own” that information (*Moorgate Tobacco Co Ltd v Philip Morris Ltd and Another* (1983-1984) 156 CLR 414 A judgment of the High Court (Court of Appeal) of Australia). That person may either not disclose the information to another person but cannot stop anyone else from producing and using the same information or, if the information is disclosed, from further disclosing the information in the absence of any contractual or equitable obligation of confidence (De Boos R & Creek, December 2012, “Joint ownership in Australia” Les Nouvelles, page 252).

The above Australian reference was confirmed in a recent England and Wales Court of Appeal decision (Stephen John Coogan v News Group Newspapers Limited and Glenn Michael Mulcaire [2012] EWCA Civ 48 (<http://www.bailii.org/ew/cases/EWCA/Civ/2012/48.html>)) as well as in South Africa in the case of *Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 (1) SA 209 (C) wherein Judge Corbett stated:

“What the plaintiff is claiming is that the subject-matter of these contractual rights, viz the confidential information imparted in “credit records”, and not the rights themselves, is incorporeal property at common law and that plaintiff is entitled to be protected against the unlawful use of this property by defendant. In my view, this claim is unfounded. I do not think that, except in a somewhat loose sense, such information, as distinct from the contractual rights, can be regarded as property at common law; nor do I believe that the plaintiff can found a cause of action upon an alleged invasion of its rights of “property” in such information.”

The concept that confidential information cannot be regarded as property was also confirmed in the later case of *Waste-tech (Pty) Ltd v Wade Refuse (Pty) Ltd* 1993 3 All SA 542 (W) wherein Judge Serrurier stated that “information or knowledge, of whatever value and however confidential, is not recognised as property either in South Africa or in the English law systems”.

2.2.5 Requirement 3: Appropriate arrangements are made for benefit-sharing for IP creators at the institution

Within this context, “*appropriate arrangements*”, would be met if Section 10¹³ of the IPR Act is included in the institution’s IP policy which must be approved by NIPMO and by the institution’s Senate/Council/Board. Nothing prevents the parties to reiterate the institution’s specific benefit-sharing arrangements within a multiparty collaborative R&D agreement.

The benefit sharing arrangement to an IP creator at an institution, as set out in the IPR Act, is a minimum legislative requirement. Institutions are free to reward other IP contributors/enablers or foreign IP creators should they wish to do so.

2.2.6 Requirement 4: The institution and the private entity or organisation conclude an agreement for the commercialisation of the IP

An agreement for the commercialisation of IP could be a separate agreement or specific clauses within a multiparty collaborative R&D agreement.

It should be noted that the term “*commercialisation*”, according to the IPR Act¹⁴, 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”.*

There are two options that can be followed for the fourth requirement to be met, depending on the maturity level and certainty of what IP is to be created.

It is acknowledged that the outcomes of a multiparty collaborative R&D agreement are not always ascertainable or determinable at the commencement of R&D or even at the instance of IP creation. The parties involved in the multiparty collaborative R&D need to identify the level of maturity of the R&D and choose either of the options below which best fits the circumstances:

Option 1

Option 1 entails the conclusion of an agreement to commercialise IP developed in terms of the multiparty collaborative R&D agreement **after** the creation of IP.

In terms of option 1 the other three requirements as set out in Section 15(2) must be met before the parties can “*conclude an agreement for the commercialisation of the intellectual property*” (i.e commercialisation agreement will be put in place **after** IP creation).

¹³ Section 10(1) and (2) of the IPR Act:

(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:

(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.

¹⁴Section 1 of the IPR Act

This commercialisation agreement will be concluded if it is not possible to determine, at the commencement of the R&D, what IP will be generated during the term of the multiparty collaborative R&D agreement. It should be noted that co-ownership of the IP will only take effect once the agreement to commercialise is concluded between the institution and the private entity or organisation.

Option 2

Option 2 entails the conclusion of an agreement to commercialise IP that will be developed as a result of multiparty collaborative R&D (i.e. **before** IP creation commences).

If the outcomes of R&D can be reasonably determined at the commencement of the project, it is advisable **and recommended** that an upfront agreement be put in place to regulate the commercialisation of such IP.

In order to avoid that the multiparty collaborative R&D agreement constitutes the proverbial “*agreement to agree*”, we advise the inclusion of an arbitration clause¹⁵ and agreement on minimum essential terms.¹⁶

We therefore recommend that a commercialisation framework be put in place before IP creation. This framework **may include** some of the following provisions:

- the “*process by which any intellectual property ... is or may be adapted or used for any purpose that may provide any benefit to society or commercial use on reasonable terms*”,¹⁷
- a royalty schedule (possibly having a range of royalty payments linked to a specific metric or goal and/or frequency of royalty payments);
- the funding partner has a first right to negotiate the rights to commercialise the IP;
- the right for the recipient to use the IP for research, development and educational purposes¹⁸;

¹⁵In *Southernport Developments (Pty) Ltd v Transnet Limited 2004 JOL 13030 (SCA)* (“Southernport Developments”) the court held that it was trite/commonplace law that the parties to a lease agreement could validly agree that the rent be determined by a particular arbitrator. The court further held that “*the express undertaking to negotiate in good faith in this case is not an isolated edifice. It is linked to a provision that the parties, in the event of them failing to reach agreement, will refer such dispute to an arbitrator, whose decision will be final and binding.*” The court, therefore, held that the inclusion of an arbitration clause in an agreement distinguished it from an “agreement to agree” and held that the final and binding nature of the arbitrator’s decision rendered the agreement certain and enforceable what would otherwise have been an unenforceable arrangement. Acting Judge of Appeal Ponnann further held in *Southernport Developments* that “*the second agreement had settled all of the essential terms between the parties and was immediately binding, although fuller negotiations to settle subsidiary terms were still within the contemplation of the parties in accordance with the continuing relationship between them. Simply put, the arbitrator was entrusted with putting the flesh onto the bones of a contract already concluded by the parties.*”

¹⁶According to the above case law it is evident that an agreement to engage in further negotiations may be legally enforceable if some of these conditions are included in the agreement:

- the parties agreed to negotiate outstanding terms of the agreement in good faith,
- an agreement on all of the “*essential terms*” of the agreement have been reached and the relevant further negotiations are only to “*settle subsidiary terms still within the contemplation of the parties*”, and
- there is a dispute resolution mechanism in place that will render the agreement certain and enforceable.

¹⁷Section 1 of the IPR Act: Definition of commercialisation

¹⁸Regulation 10 of the IPR Act: **Non-commercial licences** Subject to any contractual arrangement to the contrary, a recipient is deemed to have reserved the right to use the intellectual property falling under the Act -

- (a) owned fully by the recipient, for research, development and educational purposes and may at any time transfer that right, to a third party on such terms and conditions as the recipient may determine, for the same purpose; or
- (b) co-owned by the recipient with co-owner(s), for research, development and educational purposes and subject to the consent of such co-owner(s) of the intellectual property, which may not be unreasonably withheld, may transfer that right, to a third party on such terms and conditions as agreed by the recipient and the co-owner(s) of the intellectual property, for the same purpose.

- the general obligations of the contracting parties; and
- the default position on a commercialisation strategy e.g. licence, assignment, etc.

It is recommended that contracting parties should ensure that the essential terms of the commercialisation agreement are described and agreed upon. It is further essential that provisions are made in the agreement for the contracting parties to negotiate in good faith certain subsidiary terms as the IP becomes more defined during the R&D.

2.2.7 Apportionment of ownership

The IPR Act is silent on whether the relative contributions of the various parties to a multiparty collaborative R&D agreement will lead to apportioned co-ownership.

Section 29(1) of the Patents Act¹⁹ provides for joint applicants of a patent application, in default of an agreement to the contrary, to have an equal undivided share in the application. Sections 25(1) of the Designs Act²⁰ and 28(1)(a) of the Plant Breeders' Rights Act²¹ have similar provisions, respectively.

As the IPR Act does not prescribe any apportionment of ownership and other IP legislation provides for a contractual arrangement for that apportionment, the collaborating parties should therefore negotiate and contractually agree on the percentage owned by each party, failing which the default position or provisions of joint ownership in the relevant IP law for the IP in question would apply, as the case may be..

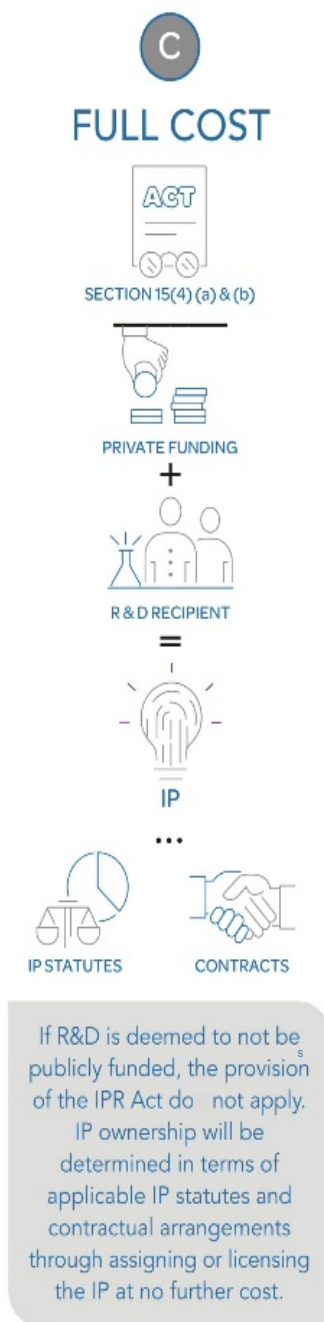
(2) In the case where NIPMO acquires intellectual property in terms of section 14(5) of the Act, NIPMO will grant a non-exclusive, non- transferrable and royalty-free licence for research, development and educational purposes to any institution in the Republic upon application by such institution.

¹⁹ See section 49(1) of the Patents Act No. 57 of 1978

²⁰Act No. 195 of 1993

²¹Act No. 15 of 1976

2.3 FULL COST ARRANGEMENT



Section 15(4)²² of the IPR Act provides for a private entity or organisation to pay the full cost of R&D undertaken at an institution, such that the R&D is deemed not to be publicly financed and the provisions of the IPR Act do not apply.

It should, however, **be noted that the IP ownership does not automatically belong to the full cost funder (i.e. private entity or organisation).**

As the IPR Act does not apply, IP ownership will be determined in terms of applicable IP statutes and contractual arrangements. In the case where the IP belongs to the institution, the institution has the discretion to make the IP available by assigning or licensing the IP, at no further cost, to the private entity or organisation. Alternatively, the parties may negotiate a further margin for the transfer of (assignment) or access to (licence) the IP.

²²Section 15(4) of the IPR Act: (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. (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.

2.4 SUMMARY TABLE: IP OWNERSHIP OPTIONS

IP OWNERSHIP OPTION	SECTION	DESCRIPTION
Default position	4(1)	If the requirements for co-ownership are not met, the IP emanating from publicly financed R&D shall be owned by the recipient who undertakes the R&D.
Co-ownership provision	15(2)	Any private entity or organisation may become a co-owner of IP emanating from publicly financed R&D undertaken at an institution, subject to the four (4) requirements as set out in Section 15(2) being met.
Full cost arrangement	15(4)(a)	If R&D is undertaken at an institution on a full cost basis, it is deemed not to be publicly financed R&D and as such the provisions of the IPR Act shall not apply. The collaborating parties are free to negotiate ownership of the generated IP.

3. MISCELLANEOUS IP OWNERSHIP SCENARIOS

Different IP ownership scenarios will be highlighted and discussed below, based on challenges in applying the IP ownership options. These scenarios are for illustrative purposes and NIPMO accepts that these scenarios do not provide an exhaustive list of the challenges experienced in practice.

3.1 *Employee creates outside scope of employment*

Private or outside work may include²³, amongst others, work completely unrelated to the role of the employee, that does not require usage of any recipient facilities and does not involve the employee employing/or being assisted by a staff member who reports to him/her directly or indirectly.

In the instance where IP is generated within the general understanding of private work and no public funds are used, the IP generated will fall outside the scope of the IPR Act.

3.2 *Outsourcing of R&D or part of the R&D from one institution to another private entity or organisation (which includes an institution)*

If a project is initiated and undertaken at an institution and part of the R&D is sub-contracted to another private entity or organisation and the R&D is undertaken by the private entity or organisation (**no co-creatorship takes place**), the default position on IP ownership will apply, i.e. the private entity or organisation will be regarded as a recipient and would own the sub-contracted IP generated.

In order to ensure that that multiparty collaboration succeed, the parties can have in their agreement specific clauses stating that the third party must give access to (via licence) or transfer (via assignment, with NIPMO approval) the IP emanating from the R&D to the collaborative parties that subcontracted to the third party.

3.3 *Sabbatical Researchers*

If a sabbatical researcher undertakes publicly financed R&D, the default position on IP ownership will apply. The institution will own the generated IP or co-own if the requirements set out in Section 15(2) of the IPR Act are met.

3.4 *Experiential Learning*

In order for a student to qualify for a National Diploma in a specific field, the student needs to enrol for a period of six weeks to one year of experiential learning at an organisation (depending on the requirements of that specific field). Experiential learning is generally regarded as personal²⁴ involvement²⁵ and acquisition of knowledge and skills of a student through relevant experiences.

Due to the nature of experiential learning (undergraduate training) the R&D is not undertaken at the institution but rather at the private entity. The institution in this scenario will not fund R&D and would therefore not be regarded as a funding agency. The private entity cannot therefore be regarded as a “recipient” and the IPR Act will not be applicable.

²³This is not an exhaustive list

²⁴Involving the presence or action of a particular individual as per Concise Oxford dictionary 11th edition revised

²⁵Be engaged in an emotional or personal relationships as per Concise Oxford dictionary 11th edition revised

Should the supervisor of the student or the student make a material contribution to the IP being generated, co-ownership in terms of relevant IP statutes must be negotiated.

3.5 Undergraduate student undertaking R&D at an institution

The default position on IP ownership is applicable; therefore, the institution will own the IP, as there is use of public funding.

3.6 Open source entrepreneurial laboratory hosted by or at an institution

Open source entrepreneurial laboratories are generally regarded as an open space where technology entrepreneurs can interact, work, gain access to tools and expertise and deploy their solutions to start and grow their businesses. Open source entrepreneurial laboratories provide the infrastructure necessary for the deployment and scaling of mobile applications.

Generally, ownership in open source technology is provided for in the open source license. Should the researcher conduct R&D and make use of open source technology the IP emanating from the publicly financed R&D will be dealt with in terms of the IPR Act.

3.7 Spin-off or start-up companies of institutions

Institutions may opt for the creation of a spin-off or start-up company to commercially develop and market their IP. The new company may consist of institutional staff and/or student members, entrepreneurs not affiliated with the institution, or a combination of these parties.

If the spin-off or start-up appoints the institution to perform R&D (which may involve students) to build upon the “background IP” (IP held by the start-up/spin-off) and make payments to institution not on full cost basis the institution will own the IP.

The IP vesting in the institution could be transferred²⁶ to the spin-off or start-up company with NIPMO approval²⁷, as appropriate.

3.8 Technology Stations

The Technology Innovation Agency (TIA) funds technology stations (TSs) that are situated within specific HEIs²⁸ and offer a wide range of different services aimed at assisting small, Micro and medium enterprises (SMMEs), researchers, and others to more fully exploit their innovative potential.

TIA provides general funding to the HEI/TS to assist SMMEs on a sliding scale such that R&D is conducted **below full cost** and hence the IPR Act **is applicable**. This implies that if the requirements for co-ownership, as stipulated in section 15(2) of the IPR Act, are not met, the HEI, through the TS, will own the IP.

²⁶Transfer via licensing or assignment

²⁷Regulation 11 of the IPR Act

²⁸ Cape Peninsula University of Technology – **Technology Station in Clothing & Textile, Agrifood Technology Station, AMTL Technology Station: Advanced Manufacturing**; Central University of Technology – **Product Development Technology Station**; Durban University of Technology – **Technology Station in Reinforced Material and Plastics**; Mangosuthu University of Technology – **Technology Station in Chemicals**; Nelson Mandela Metropolitan University – **Automotive Components Technology Station, Downstream Chemicals Technology Stations**; Tshwane University of Technology – **Technology Station in Electronics, Technology Station in Chemicals**; Tshwane University of Technology + Walter Sisulu University + Stellenbosch University – **Institutes for Advanced Tooling Cluster**; University of Johannesburg – **Metal Casting Technology Station**; University of Limpopo – **Limpopo Agrifood Technology Station**; Vaal University of Technology – **Material Processing Technologies**

Taking into consideration the objective of the TS programme it is recommended that the HEI/TS provides the SMME/individual access to the technology/IP created. This access could be in the form of a royalty bearing or royalty free license, or, alternatively, assignment (transfer of ownership) of the IP to the SMME/individual. NIPMO approval is required for royalty-free license transactions (on an IP8 Form) and assignments (on an IP4 Form).

Summary table

Technology Station Programme		
Contracting party	R&D funding	IP ownership
SMME	R&D is conducted below full cost ²⁹ - IPR Act applicable.	The HEI/TS will own the IP (S4(1) of the IPR Act). If the requirements for co-ownership are met (S15(2) of the IPR Act), the SMME will co-own the IP. HEI/TS to provide appropriate access to IP to SMME.
Individual	R&D is conducted below full cost - IPR Act applicable.	The HEI/TS will own the IP (S4(1) of the IPR Act). IPR Act silent on co-ownership, parties may negotiate co-ownership as they deem fit. HEI/TS to provide appropriate

See also NIPMO Interpretation Note 9: Intellectual Property Ownership with respect to Technology Innovation Agency (TIA) Funding Programmes.

3.9 Technology And Human Resource For Industry Programme (THRIP)

The Technology and Human Resource for Industry Programme (THRIP) of the Department of Trade and Industry is intended to leverage collaborative partnerships between government and industry (working with academia, i.e. HEIs and Science, Engineering and Technology Institutions (SETI)) for R&D in science, engineering and technology on a cost-sharing basis, to produce highly skilled human resources and technology solutions, for improved competitiveness³⁰.

For IP derived from a THRIP initiative, to the extent that public funds are used the default ownership position applies, meaning the Recipients undertaking the R&D, will own the IP.

[END]

²⁹ Section 15(4) of the IPR Act: 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.

³⁰ THRIP Programme guidelines, July 2017,

http://www.thedti.gov.za/DownloadFileAction?id=1188&filename=Guidelines_THRIP.pdf