



SiMODiSA Research: PF IPR Act

14 May 2014

impacttrust

SiMODiSA
START-UP





The challenge & current status quo



Overview of PF IPR Act

- South African Intellectual Property from Publicly funded Research Act (IPR Act) is, as with many other countries, modelled on the US legislation (Bayh-Dole)
- The Act established NIPMO to promote / oversee the protection, management & commercialisation of IP from publicly-funded research
- The Act applies to IP developed from publicly-funded R&D only – no definition of R&D in the Act therefore NIPMO use OECD definition which includes:
 - Basic Research
 - Applied Research
 - Experimental Development
- Preferential licensing to B-BBEE & small business concerns



Overview of PF IPR Act

- Rationale is to:
 - encourage registration of patents & commercialisation of IP
 - Technology Transfer Offices (TTOs) tasked with building relationships with industry for transfer & commercialisation of IP & taking products to market
 - Ownership is not exclusively by universities. Any “recipient” receiving State-funding for R&D can own the IP



Key Challenge: Uncertainty

- Research input points to fundamental lack of understanding between government & industry interpretation of the IPR Act
- Misconceptions & myths abound in industry & amongst inventors & investors
- Leads to uncertainty, fear & avoidance of State funding or University IP



Bayh-Dole vs. PF IPR Act:

Despite many similarities between Bayh-Dole & PF IPR Act, comparison shows Bayh-Dole has had far more effective results:

| Bayh-Dole | NIPMO |
|---|--|
| Reported significant increase in industry support & tech transfer | Low levels of industry support & tech transfer |
| Patents granted in 2010/2011 = 202 207 | Patents granted in 2010/2011 = 1 124 |
| Reported to have created significant certainty re IP ownership | Plagued by uncertainty due to poor clarity & no clear guidelines – inventors therefore avoid State funding |
| Well-functioning TTOs | Under-capacitated TTOs |



Key Challenges: TTOs

- Key function of TTO is to build relationship with industry for transfer & commercialisation of IP
- Challenges reported on TTOs:
 - TTOs under-capacitated & under skilled
 - Licensing, commercialisation & entrepreneurial skills in short supply
 - Nature of skills takes 5 to 7 years to acquire
 - Pipeline between TTO & industry weak
 - NIPMO under-capacitated & under-funded to support & develop TTO skills



FUTURE AHEAD

Proposed Solution



Parameters of suggested reform

- PF IPR Act new & effects still being explored
- Other than administrative changes, the PF IPR Act unlikely to be amended in short-term
- NIPMO acknowledges urgent need to clarify PF IPR Act to alleviate uncertainty & 'fear'
- Aims to publish 9 guidelines. Guideline 1 already published on scope of PF IPR Act
- Research process has identified key points for NIPMO to clarify



Points for clarification by NIPMO

- **Ownership of Government-funded IP:**
- IP developed from state-funded research is owned by the “recipient”
 - anyone who received the State funding
 - Passes to government (NIPMO) where “recipient” does not want to own it (e.g. due to renewal fees)
 - If NIPMO does not want to own, gives option to private funder & thereafter creator to own
 - Benefit sharing arrangements – clarity is required re at what stage you must contract re the arrangement; parameters of what must be defined



Points for clarification by NIPMO

- **Government rights to IP under PF IPR Act:**
 - The State has the right of use of any IP developed pursuant to the IPR Act & does not have to pay royalties for use thereof – only exercised in very limited circumstances of health, security & emergency needs of SA & until need alleviated
 - If holder commercialises but fails to continue with commercialisation & wants to retain exclusive license, State may request conversion to non-exclusive license or require holder to grant license to third party
 - State may only demand assignment of IP if holder did not make disclosure to NIPMO of IP developed from State-funded research



Points for clarification by NIPMO

- **Sale of IP:**
 - IPR Act allows the IP to be sold to commercialise & if so, does not have to be managed in terms of the Act



Further Recommendations

- More training courses are needed in IP, IP management & tech transfer
- Allocate more funding to NIPMO to train TTO staff & ensure TTOs are effective
- Where a public entity creates a spin-off, obliged to obtain approval from National Treasury (via DST) - can take 2 years.
Consider exemption for certain size spin offs

A black and white photograph of a pair of hands cupped together, holding a butterfly. The butterfly has dark wings with white markings. The background is plain white.

Thank you

CONTACT

Jason Goldberg

t. +27 10 001 3715

c. +27 83 675 5358

e. jgoldberg@edgegrowth.com

Gabrielle Habberton

t. +27 10 001 3715

c. +27 72 746 9467

e. gabrielle@impacttrust.org.za

impacttrust

*Brought to
you by*


OMIDYAR NETWORK™


SAVCA
SOUTH AFRICAN VENTURE CAPITAL
AND PRIVATE EQUITY ASSOCIATION


pwc

SiMODISA
START-UP

