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Department:
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NIPMO
NATIONAL INTELLECTUAL PROPERTY MANAGEMENT OFFICE
An initiative of the Department of Science and Technology

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NIPMO INTERPRETATION NOTE 5:
SPECIFIC OWNERSHIP SCENARIOS

The National Intellectual Property Management Office ("NIPMO") is mandated to promote the objects[1] of the Intellectual Property Rights from Publicly Financed Research and Development Act, 51 of 2008 ("IPR Act"). One of the functions of NIPMO, according to Section 9(4)(c)(iv)[2], is that NIPMO must provide assistance to institutions with any other matter provided for in the IPR Act.

This NIPMO Interpretation Note ("NIN 5") provides clarity on five (5) specific ownership scenarios of intellectual property ("IP") generated from publicly financed research and development[3] ("R&D") and further supplements the scenarios with a reference check box.

Should you have any questions or comments, please do not hesitate to contact us.

Warm regards

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Head: NIPMO
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NIPMO Ref No: NIN 5

[1] Section 2(1) of the IPR Act: 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.
[2] Section 9(4)(c)(iv) of the IPR Act: NIPMO must, furthermore provide assistance to institutions with any other matter provided for in this Act
[3] Section 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

1. BACKGROUND

During the drafting of Guideline 4.1 of 2015 entitled "*Intellectual Property ownership*"[4] and the public consultations held on 12 December 2012, 6 August 2013 and 10 September 2014, stakeholders posed certain ownership scenarios to NIPMO and requested some clarity. These scenarios are described below and formulated into a standard five question checkbox as a quick reference.

As stated in Guideline 4.1 of 2015, three IP ownership options are provided for in the IPR Act and summarised in the table below.

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 **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.

2. SUMMARY OF SCENARIO'S

The scenario's discussed below can be summarised as follow:	
1.	Recipient owns;
2.	Co-ownership;
3.	Full Cost;
4.	Collaborative party not regarded as a "*private entity or organisation*"; and
5.	Publicly financed R&D is undertaken at the recipient (excluding an institution).

[4] Published on 31 March 2015.

3. SPECIFIC OWNERSHIP SCENARIOS

3.1 FIRST SCENARIO: RECIPIENT OWNS

The collaborative parties are a "*private entity or organisation*"[5] and an "*institution*"[6] as defined in terms of the IPR Act. The publicly financed R&D is undertaken at the institution. Co-ownership requirements (Section 15(2)[7]) are **not** met and the R&D is **not** conducted on full cost basis[8].

Reference check box:

Is the collaborative party a "*private entity or organisation*" as listed in S15(5)?	**Yes**
Is one of the collaborative parties an institution as defined in S1?	**Yes**
Is the R&D undertaken at the institution?	**Yes**
Are all four requirements stated in S15(2) of the IPR Act met?	**No**
Is the R&D conducted on a full cost basis?	**No**

WHO OWNS? Section 4(1)[9] of the IPR Act (default position) applies. The institution shall own any IP emanating from publicly financed R&D as the requirements set out in Section 15(2) are/were not met.

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[5] Section 15(5) for the IPR Act: 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.

[6] Section 1 of the IPR Act: **"institution"** means -*a)* any higher education institution contemplated in the definition of **"higher education institution"** contained in section I 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).

[7] Section 15(2)of the IPR Act: 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.

[8] Section 15(4) of the IPR Act: (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.
(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.

[9] Section 4(1) of the IPR Act: Subject to section 15(2), intellectual property emanating from publicly financed research and development shall be owned by the recipient.

3.2 SECOND SCENARIO: CO-OWNERSHIP

The collaborative parties are a "*private entity or organisation*" and an "*institution*" as defined in terms of the IPR Act. The publicly financed R&D is undertaken at the institution. Co-ownership requirements **are** met and the R&D is **not** conducted on a full cost basis.

Reference check box:

Is the collaborative party a "*private entity or organisation*" as listed in S15(5)?	**Yes**
Is one of the collaborative parties an institution as defined in S1?	**Yes**
Is the R&D undertaken at the institution?	**Yes**
Are all four requirements stated in S15(2) of the IPR Act met?	**Yes**
Is the R&D conducted on a full cost basis?	**No**

WHO OWNS? Section 15(2) of the IPR Act (co-ownership provision) applies. The institution will co-own any IP emanating from the R&D with the private entity or organisation, as all the requirements of Section 15(2) of the IPR Act have been met.

3.3 THIRD SCENARIO: FULL COST

The collaborative parties are a "*private entity or organisation*" and an "*institution*" as defined in terms of the IPR Act. The publicly financed R&D is undertaken at the institution. The R&D **is** conducted on full cost basis.

Reference check box:

Is the collaborative party a "*private entity or organisation*" as listed in S15(5)?	**Yes**
Is one of the collaborative parties an institution as defined in S1?	**Yes**
Is the R&D undertaken at the institution?	**Yes**
Are all four requirements stated in S15(2) of the IPR Act met?	**N/A**
Is the R&D conducted on a full cost basis?	**Yes**

WHO OWNS? Section 15(4)(a) of the IPR Act (full cost arrangement) applies. The R&D is conducted on a full cost basis, such R&D shall not be deemed to be publicly financed R&D and the provisions of the IPR Act will not be applicable. IP ownership will be regulated by other IP statutes/ contractual arrangements.

3.4 FOURTH SCENARIO: COLLABORATIVE PARTY NOT REGARDED AS A "PRIVATE ENTITY OR ORGANISATION"

One of the collaborative parties is **not** a "*private entity or organisation*"; the other is an "*institution*" as defined per the IPR Act. The publicly financed R&D is undertaken at the institution. Co-ownership provisions and the full cost arrangement **are not** applicable ("N/A") to this scenario as these options are limited to parties included in the definition of a "*private entity or organisation*" as per section 15(5) of the IPR Act.

Reference check box:

Is the collaborative party a "*private entity or organisation*" as listed in S15(5)?	**No**
Is one of the collaborative parties an institution as defined in S1?	**Yes**
Is the R&D undertaken at the institution?	**Yes**
Are all four requirements stated in S15(2) of the IPR Act met?	**N/A**
Is the R&D conducted on a full cost basis?	**N/A**

WHO OWNS? Section 4(1) of the IPR Act applies. The institution shall own any IP generated.

3.5 FIFTH SCENARIO: PUBLICLY FINANCED R&D IS UNDERTAKEN AT THE RECIPIENT (WHO IS NOT AN INSTITUTION)

The collaborative parties are a "*private entity or organisation*" and a "*recipient*" (who is not an institution) as defined in the IPR Act. The publicly financed R&D is undertaken at the recipient (excluding an institution). Co-ownership provisions and full cost arrangement are not applicable ("N/A") to this scenario as the recipient is not an institution.

Reference check box:

Is the collaborative party a "*private entity or organisation*" as listed in S15(5)?	**Yes**
Is one of the collaborative parties an institution as defined in S1?	**No**
Is the R&D undertaken at the institution?	**N/A**
Are all four requirements stated in Section 15(2) of the IPR Act met?	**N/A**
Is the R&D conducted on a full cost basis?	**N/A**

WHO OWNS? Section 4(1) of the IPR Act applies. The "*recipient*" (which excludes an institution in this scenario) shall own the IP. If there is a co-creation of IP the IPR Act, in this specific scenario, is silent on co-ownership provisions and other IP statutes/ contractual arrangements will be applicable.
