



science & innovation

Department:
Science and Innovation
REPUBLIC OF SOUTH AFRICA



Private Bag X727, PRETORIA, 0001 • Suite 15-16, The Enterprise Building, The Innovation Hub, Perseus Park, PRETORIA. Tel: +27 12 844 0269, <https://nipmo.dst.gov.za/>

NIPMO INTERPRETATION NOTE 12: PROCEDURE FOR THE REVIEW OF NON-COMMERCEALISED INTELLECTUAL PROPERTY AT INSTITUTIONS

Note: This interpretation note (NIN12) is limited in application to *institutions (namely higher education institutions and schedule 1 institutions)*.

The National Intellectual Property Management Office (NIPMO) is mandated to promote the objects¹ 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 matter provided for in the IPR Act.

The IPR Act provides for effective utilisation of intellectual property (IP) emanating from publicly financed research and development (R&D). Furthermore, Section 2(2) of the IPR Act seeks to ensure that-

*“a recipient protects IP emanating from publicly financed research and development from appropriation and ensures that it is available to the people of the Republic; a recipient **identifies commercialisation opportunities** for IP emanating from publicly financed research and development; 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 IP”*

The purpose of this NIPMO Interpretation Note (NIN12) is to provide clarity as to (a) what IP commercialisation may involve, (b) what NIPMO regards as **non-commercialised IP**, and hence (c) **how NIPMO** will conduct reviews to identify such non-commercialised IP.

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

Warm regards

Dr Kerry Faul

Head: NIPMO; Date: 29 March 2019 (published on 7 November 2019)

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

Lefapha la Saense le Thekenoloji • uMnyango wezeSayensi neTheknoloji • Muhasho wa Saints na Thekinoodzhi • Departement van Wetenskap en Tegnologie • Kgoro ya Saense le Theknolotši • Ndzawulo ya Sayense na Theknoloji • LiTiko leTesayensi ne Theknoloji • iSebe lezeNzululwazi neTeknoloji • UmNyango wezeSayensi neTheknoloji

Batho Pele - putting people first

1. BACKGROUND

In terms of Section 5(1)(h) of the IPR Act, a recipient must report to NIPMO twice a year on all matters pertaining to IP contemplated in the IPR Act, including all IP from which it elects to obtain statutory protection and the state of commercialisation thereof (IP7 form). Section 5(1)(i) further stipulates that *“a recipient must provide NIPMO with full reasons in respect of any intellectual property that is not commercialised”*.

Sections 14(2) and 14(3)³ make provision that NIPMO must conduct reviews of non-commercialised IP in consultation with the recipient⁴. Should it come to NIPMO’s attention, during the review process, that some IP may be commercialised, NIPMO must engage in further consultations with the recipient in an endeavour to ensure that the IP is commercialised⁵.

2. IP COMMERCIALISATION

In terms of the IPR Act, commercialisation is defined as *“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**”*. [own emphasis added]

Commercialisation in terms of the IPR Act is thus defined broader than just monetary returns and includes IP utilised⁶ for the benefit of society.

2.1 Assignment:

This is the outright sale or transfer of IP ownership (from an institution) to a third party. In this transaction, ownership may be transferred to, for example, a new (spin out/ start-up) or established company.

Refer to Forms IP4 and IP5 in the Regulations to the IPR Act for any necessary approvals for this transaction.

2.2 Licensing:

This transaction when concluded grants permission by a licensor/owner of an IP right to a licensee/third party to use the IP on agreed terms and conditions, however, no ownership is transferred. There are at least 2 types of licenses (for revenue or without revenue) that maybe awarded by the licensor/owner of an IP namely:

³ Section 14(2) and 14(3) of the IPR Act: (2) NIPMO must conduct reviews of non-commercialised intellectual property in consultation with the recipients. (3) If a review contemplated in subsection (2) shows that the intellectual property in question can be commercialised, NIPMO must engage in further consultations with the recipient in an endeavor to ensure that the intellectual property is commercialised.

⁴ Section 1 of the IPR Act: **“recipient”** means any person, juristic or non-juristic, that undertakes research and development using funding from a funding agency and includes an institution

⁵ Section 14(3) of the IPR Act

⁶ the action of making practical and effective use of something

- a) A *non-exclusive licence* which allows the licensor/ owner of the IP to grant multiple licenses for the same IP to different licensees. This will mean that more than one party will be able to use that specific IP.
- b) An *exclusive licence* which allows the licensor/ owner of the IP to grant a licence for the IP to one party (which may include all rights to the IP, or rights in certain areas of application or certain jurisdictions, for example). Typically, the licensor only retains rights for on-going research and development and sometimes internal use but not for commercial use.

A licence may be granted to, for example, a new (spin out/ start-up) or established company.

Refer to Forms IP6 and IP8 in the Regulations to the IPR Act, as well as NIPMO Interpretation Notes 1 and 2 for necessary NIPMO approvals for these transactions.

3. NON-COMMERCEIALISED IP

Within the context of the commercialisation options, set out in 2.1 and 2.2 above, NIPMO regards IP to be non-commercialised if:

A third party, who is willing to enter into an arrangement with the IP owner, is prevented from doing so by the IP owner because the IP owner is not willing to negotiate or is not willing to make the IP available on reasonable terms.

Consider the following examples:

- 3.1 Should a third party approach NIPMO to enquire about IP/s in any field that the third party has interest in, NIPMO may mine the IP7 database to find any IP/s which may be of interest to the third party. Should NIPMO find such IP and become aware that this IP is not being commercialised, NIPMO may notify the institution of such interest expressed by the third party;

NIPMO may, without disclosing such IP to a third party, advise that party to contact a particular institution (based on expertise) to negotiate possible access to such IP. Should NIPMO receive feedback from the third party that the institution will not enter into negotiations or make the IP available on reasonable terms, NIPMO will regard such IP as non-commercialised IP and will initiate a review thereof;

- 3.2 NIPMO may, in reviewing its database, note IP that is non-commercialised. Should NIPMO be aware, through its networks, of a potential licensee/ assignee for the IP, NIPMO may initiate a review of the IP.

4. THE REVIEW PROCESS FOR NON-COMMERCEALISED IP AT AN INSTITUTION

The NIPMO review process will be conducted in the following manner:

STEP 1: NOTIFICATION TO THE INSTITUTION

Should IP be deemed to be non-commercialised (see examples in 3.1 and 3.2 above), NIPMO will notify an institution of its intention to conduct a review.

NIPMO will request the institution to upload the technology on the Innovation Bridge Portal (www.innovationbridgeportal.info/ibportal).

STEP 2: NIPMO REVIEW

In order for this review to be conducted, NIPMO may further request –

- A market analysis report conducted by the institution;
- A draft report detailing efforts undertaken by the institution in an effort to commercialise/ utilise the IP;
- Proof that there is lack of co-operation from the IP Creator(s) (if this is provided as the institution's reason for not commercialising); or
- any other document as reasonably required.

The institution may provide NIPMO with any additional documentation/ information it deems appropriate for NIPMO to conduct its review.

If deemed necessary NIPMO may verify the information/ documentation provided by the institution.

STEP 3: NIPMO FINDINGS REPORT

Within **thirty (30) working days** after receiving any information/ documentation set out in step 2 above, NIPMO will issue a findings report.

At least three (3) possible review findings are anticipated:

a) IP not being commercialised and no agreement to commercialise in place or concluded with third parties

NIPMO may identify alternative/ additional commercialisation partner/s and where appropriate present the outcomes to the institution.

Following identification of commercialisation opportunities with third parties by NIPMO, the institution will be:

- notified of this outcome **within fourteen (14) days**;
- afforded **six (6) months** to make contact and negotiate with the identified partner/s; and
- requested to update NIPMO on the progress every **two (2) months**.

Should the institution not be successful in commercialising the IP with the identified commercialisation partner, the institution must provide NIPMO with reasons thereof.

Should NIPMO not be satisfied with the reasons provided by the recipient, NIPMO may elect to take ownership of the IP, if NIPMO deems it to be in the interest of the people of the Republic.

b) An exclusive licence holder not commercialising the IP

Should a licensee granted an exclusive licence, not be commercialising the IP, NIPMO will consult with the institution with a view of addressing the lack of commercialisation or understanding the reasons for the lack of compliance by the exclusive licensee with the terms of the licence.

If no progress is made after this consultation, NIPMO must issue, according to Regulation 14(3)(b)⁷ a notice to the institution to change the terms of the licence agreement already concluded.

c) Possible contribution of IP towards social benefits

In an event where NIPMO is unable to find a commercialisation partner/s for an IP that can **contribute towards social benefit**, NIPMO may make a recommendation that the institution grant access to or place the IP in public domain⁸.

[END]

⁷ Regulation 14(3)(b) of the IPR Act- If no progress has been made after a period of 6 months of consultation envisaged in paragraph (a) , NIPMO may no later than 3 months thereafter issue a written notice to the recipient and any co-owner(s) of the intellectual property requiring that they either grant a licence to a third party or that the recipient and any co-owners put in place steps either to amend the terms of the licence agreement or to convert the exclusive licence to a non- exclusive licence and seek other commercialisation partners

⁸ Make it available to the public as a whole, especially through not being subject to copyright or other legal restrictions