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NIPMO INTERPRETATION NOTE: 9

INTELLECTUAL PROPERTY OWNERSHIP WITH RESPECT TO TECHNOLOGY INNOVATION AGENCY (TIA) FUNDING PROGRAMMES

The National Intellectual Property Management Office (NIPMO) is mandated to promote the objects 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), is that NIPMO must provide assistance to institutions with any other matter provided for in the IPR Act.

This NIPMO Interpretation Note (NIN9) provides clarity on the intellectual property (IP) ownership provisions in terms of the IPR Act with respect to TIA research and development (R&D) funding programmes.

Warm regards

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1. INTRODUCTION

The Technology Innovation Agency (TIA) approached NIPMO seeking clarity on the IP ownership provisions in terms of the IPR Act with respect to outputs from its various funding programmes. In this Interpretation Note we address the various IP ownership provisions relating to certain TIA funding programmes, namely the Technology Station Programme; the Youth Technology Innovation Programme; and the Seed Fund.

2. TIA FUNDING SCENARIOS AND IP OWNERSHIP

2.1 Technology Station Programme (TSP)

2.1.1 Overview

TSP enables Higher Education Institutions (HEIs) to provide technology services to Small, Medium and Micro Enterprises (SMMEs). TIA provides financial support to the technology stations (TSs) hosted by HEIs to provide innovative, science, engineering and technology solutions for complex engineering challenges within the relevant industrial sectors. The SMMEs contribute towards the cost of the research or intervention being provided at the TSs on a sliding scale. R&D projects will therefore be funded by both parties to differing amounts.

2.1.2 IP ownership provision

Section 4(1) of the IPR Act stipulates that subject to section 15(2)¹, IP emanating from publicly financed R&D shall be owned by the recipient.

TIA provides general funding to the HEI/TS to assist SMMEs on a sliding scale such that R&D is conducted **below full cost**² 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.

In instances where the TS provides similar services to an individual, other than a SMME (or private entity or organisation³), below full cost, the IPR Act is silent on co-ownership requirements and the TS and individual may negotiate co-ownership as they deem fit.

Taking into consideration the objective of the 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, assigning (transfer of

¹ 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.

²Section 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.

³ Section 15(5) of the IPR Act: 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

ownership) the ownership of the IP to the SMME/individual. NIPMO approval is required for royalty free transactions (on an IP8 Form) and assignments (on an IP4 Form).

2.1.3 Summary table

Technology Station Programme		
Contracting party	R&D funding	IP ownership
SMME	R&D is conducted below full cost ⁴ - 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 ⁵ - 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 access to IP to SMME.

2.2 Youth Technology Innovation Programme (YTIP)

2.2.1 Overview

YTIP is designed to assist young innovators who may not necessarily be directly linked to any Science Council (SC), HEI or SMME to access risk funding, mentorship and business skills support. The programme seeks to play the connector role in supporting the development of new technologies by the youth, which can be taken to the market to solve various social and technological challenges. The recipient of the YTIP receives a voucher from TIA that may be redeemed at a relevant TS.

In instances where the cost of the R&D conducted/to be conducted by the TS exceeds the value of the voucher to be redeemed, the recipient may approach TIA for further funding. TIA may approve further funding for the project to ensure that the full cost (direct and indirect cost) incurred by the TS of the R&D is covered.

In instances where the R&D costs (as determined during the start of the project) exceeds the value of the voucher, the TS may contribute of its own finances towards the project and the project will be deemed to be below full cost.

⁴Section 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.

⁵Section 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.

2.2.2 IP ownership provision

Section 15(4)(a) of the IPR Act stipulates that any R&D undertaken at an institution and funded by a private entity or organisation⁶ on a full cost basis shall be deemed not to be publicly financed R&D and the provisions of the IPR Act shall not apply.

Should the R&D be funded on a full cost basis and the YTIP recipient is a private sector company (private entity or organisation as per Section 15(5) of the IPR Act) the resultant IP would be deemed not to be publicly financed, thus the IPR Act is not applicable. IP ownership will now be determined in terms of applicable IP statutes and contractual arrangements and the HEIs/TSs may assign the IP to the YTIP recipient at no further cost.

In the instance where the YTIP recipient is an individual and all the direct and indirect costs associated with the R&D project are covered, the project outputs would be deemed to be publicly financed, the IPR Act will apply, and the resultant IP will be owned by the HEI/TS or co-owned with the individual. This is due to the IPR Act not making provision for an individual to pay for the full cost of research undertaken at an institution/HEI.

The intention of the YTIP programme should be borne in mind. NIPMO therefore encourages HEI/TS to provide access (via license or assignment) to these technologies to the youth.

2.2.3 Summary table

Youth Technology Innovation Programme			
R&D cost (direct and indirect costs) equal to the value of the voucher/s to be redeemed	Company	R&D conducted on full cost basis - IPR Act is not applicable.	IP ownership determined in terms of applicable IP statutes and contractual arrangements.
	Individual	The R&D deemed to be publicly financed - IPR Act applicable.	The resultant IP will be owned by the HEI/TS subject to S4(1) of the IPR Act or co-owned by the HEI/TS and the individual subject to S15(2) of the IPR Act.
R&D cost exceeds the value of the voucher to be redeemed	Company	R&D is conducted below full cost - IPR Act is 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.

³Section 15(5) of the IPR Act: 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.

2.3 Seed Fund (SD)

2.3.1 Overview

The SD sets out to assist innovators at HEIs (accessible through Offices of Technology Transfer Offices (OTTs)) and SMMEs (accessible through Regional Funding Agencies (RFA)) to advance their research output by developing prototypes, proof of concept and business cases that could be used for further development. In this programme, TIA concludes an agreement with the HEIs or RFA. The RFA would in turn fund incubatees and manage the funding outputs on behalf of TIA.

2.3.2 IP ownership provision

In terms of Section 4 of the IPR Act, a recipient that undertakes R&D using funding from a funding agency would own the IP generated. In this scenario, the HEI or the RFA incubatees would be regarded as the recipients⁷, and consequently own the IP resulting from the R&D.

As the IPR Act is applicable to the IP generated, it should be borne in mind that the IP should be disclosed (and updated) to NIPMO on a biannual basis (on an IP7 Form).

2.3.3 Summary table

Seed Fund		
SD accessible through HEIs	IPR Act is applicable - HEI is the recipient	The resultant IP will be owned by the HEI subject to S4(1) of the IPR Act.
SD accessible through RFA	IPR Act is applicable - RFA incubatees are recipients	The resultant IP will be owned by the RFA incubatees subject to S4(1) of the IPR Act.

3. CONCLUSION

In light of the objectives of the TIA funding programmes, NIPMO encourages access to the technology/IP generated by or on behalf of the SMMEs/individuals, via licensing or assignment.

⁷Section 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.