Topic 4(b) Formulation of IP Policies – Institutional Issues: Optimal Mechanisms for Consultations, Coordination, Drafting, Decision Making

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THE ROLE OF INTELLECTUAL PROPERTY OFFICES (IPOs) IN PROMOTING INNOVATION, BUSINESS COMPETITIVENESS AND ECONOMIC GROWTH

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February 2 and 3, 2012, Tokyo, Japan.
Overview

- Background and Context

- Case Study – South African Position on IP Emanating from Publicly Financed R&D
  - Background
  - Policy Development
  - Legislative Development
  - Regulations

- Concluding Remarks
Background and Context

Drivers for managing IP (2002 R&D Strategy)

- Differences in **patent rates** represents one of the greatest “divides” of the knowledge age

- Intellectual Property:
  - *Instrument for wealth creation*
  - *Must generate social & economic benefits to Republic*
  - *innovation, diffusion of scientific and technical knowledge*
  - *Market competitiveness*

- Legislative framework for IP from publicly financed R&D
  - *Clear rights & obligations*
Disparate policies on IP ownership and commercialisation
  - Loss of IP to foreign jurisdictions - little benefit to public
  - Poor commercial practices - IP sitting on shelves
  - IP as instrument for wealth creation / social development

No balance of incentives and regulation

Unbalanced relationship in negotiation of IP arrangements
  - Universities, research institutes and business

Low public spending accountability

As of 2008, publicly financed institutions accounted for about 5% of all patent applications published by the EPO, USPTO, and WIPO, which have a South African priority.
Background and Context
Patenting Landscape – South Africa

Number of PCT filings per developing country for the Period 1998–2009
(excluding China and R. of Korea)

<table>
<thead>
<tr>
<th>Year</th>
<th>South Africa</th>
<th>India</th>
<th>Singapore</th>
<th>Brazil</th>
<th>Mexico</th>
<th>Malaysia</th>
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<tr>
<td>1998</td>
<td>114</td>
<td>14</td>
<td>125</td>
<td>113</td>
<td>66</td>
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<tr>
<td>1999</td>
<td>317</td>
<td>101</td>
<td>168</td>
<td>115</td>
<td>55</td>
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<td>2000</td>
<td>390</td>
<td>190</td>
<td>222</td>
<td>178</td>
<td>73</td>
<td>5</td>
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<td>2001</td>
<td>419</td>
<td>295</td>
<td>288</td>
<td>173</td>
<td>104</td>
<td>18</td>
</tr>
<tr>
<td>2002</td>
<td>385</td>
<td>525</td>
<td>330</td>
<td>201</td>
<td>132</td>
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<td>2003</td>
<td>358</td>
<td>763</td>
<td>282</td>
<td>219</td>
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<tr>
<td>2004</td>
<td>412</td>
<td>724</td>
<td>432</td>
<td>278</td>
<td>118</td>
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<td>2005</td>
<td>360</td>
<td>679</td>
<td>455</td>
<td>279</td>
<td>141</td>
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<td>2006</td>
<td>424</td>
<td>836</td>
<td>463</td>
<td>334</td>
<td>168</td>
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<td>2007</td>
<td>406</td>
<td>901</td>
<td>522</td>
<td>398</td>
<td>186</td>
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<td>2008</td>
<td>399</td>
<td>1070</td>
<td>563</td>
<td>472</td>
<td>213</td>
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<td>2009</td>
<td>378</td>
<td>885</td>
<td>574</td>
<td>494</td>
<td>192</td>
<td>224</td>
</tr>
</tbody>
</table>
## Background and Context

### Institutional Arrangements - 2010

<table>
<thead>
<tr>
<th>Institution</th>
<th>IP Policy</th>
<th>Tech. Transfer Capacity (Year Established)</th>
<th>Institution</th>
<th>IP Policy</th>
<th>Tech. Transfer Capacity (Year Established)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhodes University</td>
<td>Yes</td>
<td>No</td>
<td>University of Limpopo</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Walter Sisulu Metropolitan University</td>
<td>Yes</td>
<td>No</td>
<td>Tshwane University of Technologie</td>
<td>Yes</td>
<td>Limited (2005)</td>
</tr>
<tr>
<td>Durban University of Technology</td>
<td>No</td>
<td>No</td>
<td>University of KwaZulu-Natal</td>
<td>No</td>
<td>In process of establishment</td>
</tr>
<tr>
<td>University of Fort Hare</td>
<td>No</td>
<td>No</td>
<td>UNISA</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Cape Peninsula University of Technology</td>
<td>No</td>
<td>No</td>
<td>University of Western Cape</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Vaal University of Technology</td>
<td>No</td>
<td>No</td>
<td>CSIR</td>
<td>Yes</td>
<td>Yes (2001)</td>
</tr>
<tr>
<td>Central University of Technology</td>
<td>No</td>
<td>No</td>
<td>University of Fort Hare</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Mangosuthu University of Technology</td>
<td>No</td>
<td>No</td>
<td>University of Zululand</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Vaal University of Technology</td>
<td>No</td>
<td>No</td>
<td>Agricultural Research Council (ARC)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Medical Research Council (MRC)</td>
<td>Yes</td>
<td>Yes (2004)</td>
<td>Mintek</td>
<td>Yes</td>
<td>Limited</td>
</tr>
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</table>

Source: Survey of institutions
Policy on IP from Publicly Financed R&D
Development Process / Path

May 2006
Cabinet approval for consultation of draft policy

2005
Deliberate intent by Department of Science and Technology to pass policy and associated legislative framework

Stakeholder consultations:
• Various Forums (e.g. Licensing Executive Society; Facilitated Workshops; Conferences; Written Submissions)
• Government departments
• Industry / academics / research institutions
• Funding Agencies

2007
Cabinet approval of Policy Framework and draft Legislation for public comment

2002: R&D Strategy
Policy and legislative framework for IP from publicly financed R&D
Intellectual property (patents) must be secured on the outputs of publicly financed research
- Obligation to disclose potential IP
- Government can secure IP if institution does not

Obligations and benefits are linked
- Ownership
- Obligation to commercialise

Individuals and institutions have defined rights
- Ownership
- Benefit sharing
Certain patents can be secured to protect public interest and will not be licensed on commercial terms.

Preferences in commercialisation:
- non-exclusive licensing
- local licensing
- SMMEs and BEEs as licensors

Government has walk-in rights on publicly financed IP in the national interest – free licence.

Revenue to institutions will grow but it is not expected to be a major source of finance at the system level.
Policy and Legislation on IP from Publicly Financed R&D

Guiding Principles

- Consistent approach in protection of IP
- Benchmark against good global practice and contextualise for local efficacy
- Identify key rights, functions & obligations
- Good balance between incentives and control
- Certainty in terms of publicly financed IP
- Must not hinder private-public collaborations
Legislation on IP from Publicly Financed R&D
Development Process / Path

**Public Consultation**

<table>
<thead>
<tr>
<th>REVIEW OF PUBLIC COMMENTS</th>
<th>REDRAFT BILL Incl. WORKSHOP I (Public Comments &amp; Best Practices)</th>
<th>CIRCULATE BILL TO EXCO &amp; STAKEHOLDER GROUP</th>
<th>WORKSHOP II IPR TEAM &amp; STAKEHOLDER GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>17/9/07 (done)</td>
<td>10/12/07 (done)</td>
<td>30/01/08</td>
<td>15/02/08</td>
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<tr>
<td>2 weeks</td>
<td>3 weeks</td>
<td>1 week</td>
<td>1 week</td>
</tr>
</tbody>
</table>

...to (A) or (B)

- **PHASE I**
  - CERTIFICATION
  - STATE LAW
  - ADVISORS
  - 30/01/08
  - 6 weeks

- **PHASE II**
  - PARLIAMENTARY PROCESS
  - Portfolio Committee
  - 8/2/2008

- **PHASE III**
  - PUBLIC HEARINGS
  - Portfolio Committee (B)

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- PFR IPR ACT
- LEGISLATIVE
- Portfolio Committee
- REDRAFTING IPR Team EXCO
- DETERMINED BY PORTFOLIO COMMITTEE
### WORKSHOP 1 (2 Day Breakaway Sessions)

**OBJECTIVES**

- Discuss the public comments received during the public consultation process
- Discuss and agree on international best practices which are in alignment with Publicly Financed IPR Policy Framework
- Agree on revisions and amendments to the IPR Bill
- Revise the IPR Bill
- Discuss and agree on issues to be incorporated into regulations
- Set Agenda for Stakeholder Group engagement

**OUTCOME**

Revised IPR Bill for submission to:
- EXCO
- State Law Advisors;
- further consultation with Stakeholder Group
Legislation on IP from Publicly Financed R&D
Development Process / Path

DAY 1 (AGENDA)

- Discuss Public Comments (am)
  - Agree on grouping into:
    - Group A: Constructive and language suggestion
    - Group B: Concerns worth noting
    - Group C: General Comments / for noting / in support
  - Identify common themes from public comments

- Identify sections of the Bill to be redrafted / amended

- Discuss international best practices and case studies:
  - Bayh-Dole (USA); Canada, Chile and/or India

OUTCOMES

Agreement on clauses for revision
General input into Day 2 of revision of Draft Bill
### DAY 2 (AGENDA)

- Revision and redrafting of identified provisions of the draft IPR Bill
- Consider the ‘revised’ Bill in light of:
  - public comments;
  - International best practices;
  - Publicly Financed IPR Policy Framework
- Discuss possible provisions for regulations

### OUTCOMES

Revised Draft Bill to be circulated internally for final proof reading and checking prior to sending to Stakeholder Group & State Law Advisors.
Legislation and Regulations on IP from Publicly Financed R&D
Development Process / Path

May 2007
Cabinet Approved Policy Framework and Draft Legislation

Stakeholder consultations:
• Various Forums (e.g. Licensing Executive Society; Facilitated Workshops; Conferences; Written Submissions)
• Government departments
• Industry / academics / research institutions
• Funding Agencies

2 August 2010
Approval of Regulations to Legislation

Dec 2008
Approval of Legislation
Legislation on IP from Publicly Financed R&D
Importance of References and Frameworks

REFERENCES
Framework for:
• Consultation – areas on which you need input and also demonstration of what want to achieve
• Decision making – test the inputs and suggestions against references
• Drafting – ensures consistency and precedents

South Africa’s R&D Strategy
IPR Policy Framework
IPR Bill as published for public comment + Cabinet Feedback
Public Comments / Consultations
International Best Practices
  • Bayh-Dole (USA)
  • India process - Ministerial Directive
  • Canada
  • Chile
  • Other

OUR REFERENCES
“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**…………..”
IPR-PFRD Act
Summary of Key Provisions

Disclosure and Ownership of Intellectual Property
* Recipient has title to IP
* Obligation to protect
* NIPMO may in national interest where recipient elects not to proceed

Institutional Arrangements
* National Intellectual Property Management Office (NIPMO)
* Office of Technology Transfer

Benefit Sharing Arrangements
* > 20% of initial gross revenues
* > 30% of nett revenues

Co-financed R&D
* Option to exclusive licence
* Joint Ownership possible

Government Rights
* non-exclusive licence for national need
* Non-commercialisation
* Assignment in case of non-disclosure

Local IP Transactions
* Licences no approval required
* Assignment: NIPMO Approval

Off-shore IP Transactions
* Exclusive Licences & Assignments require approval
* Capacity in and benefits to Republic

Full Cost R&D

REGULATIONS, 2010
IPR-PFRD Act
Consultation Process During Implementation

- Develop regulations to incorporate implementation frameworks

- Incorporate provisions that allow for consultation (NB: decisions making “in consultation” vs “after consultation”)

- Ensure that make provision for review of implementation and preferably provision for independent review
  
  - NIPMO
  - Dispute Panel
  - Advisory Board
IPR-PFRD Act

Consultation Process During Implementation

E.g. Government Rights – Failure to Disclose (s14(5))

- Prior to demanding assignment - NIPMO to first issue a written notice and request a written response with reasons and supporting evidence why s14(5) should not be exercised.

- No response within 30 days - NIPMO may demand assignment.

- NIPMO to consider any response and request such additional information as may still be required to make a determination.

- Any determination subject to review by the Dispute Panel.

- If Dispute Panel rules in favour of recipient / co-owner(s), new notice based on different facts must be issued if want to proceed.
IPR-PFRD Act
NIPMO

- **S8(1): Administrative Agency under the DST**
  - Minister appoints NIPMO Head
  - Advisory Board (5 to 9)
  - Independent Dispute Panel

- **S8(2):** Minister may assign operational management to another entity with similar objectives

### NATIONAL INTELLECTUAL PROPERTY MANAGEMENT OFFICE

- **Capacities**
  - **Capacity Development**
    - (IP management & technology transfer infrastructure; and human capacity)
  - **Advocacy, Partnerships & Policy Development**
  - **IP & Commercialisation Advisory Services**
    - (Advice on IP transactions and commercialisation of publicly financed IP; including due diligence capabilities)
  - **IP Fund**

- **Advisory & Support**
  - **Disclosures & Protection**
  - **IP Transactions**
  - **Legal & Compliance**
    - (incl. Full Cost)

- **Regulatory and Enforcement**
Recommendations

- **Do not outsource the policy or legislative approach** – there are terms of reference for the policy / legislation

- **Must have subject matter expert** on your team – if not on your payroll – get them on your payroll / secondment

- **Internal champions important** – to counter any negative sentiments

- **Drafting best done in chunks** – working groups and representative stakeholder focus groups

- **Consultative process essential**
  - Be patient, understand the concerns – use external advice
  - Be open to suggestions whilst at same time not altering agreed approach
Recommendations

- Consultation process requires a **very clear framework**

- Drafting is easier when there is an agreed policy approach and legislative framework

- **International benchmarks** are important and provide appropriate precedents and validation – must contextualise to local conditions

- **Drafting process can be an arduous process**
  - Leadership at appropriate level
  - Technically competent team that focuses on end goals whilst taking into account socio-economic and political impacts of desired goals and hence appropriate provisions
  - Time lines are a guide and may have to be flexible to ensure buy-in
Concluding Remarks

- Policy / Legislative Framework must be nuanced to local context

- Consultation process is important

- Successful implementation requires an enabling environment comprising:
  - Government support / Funding (research and innovation)
  - Institutional policies and infrastructure (e.g. TTOs)
  - Industry – institution relationships
  - Relevant R&D programs
THANK YOU
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