



Private Bag X727, PRETORIA, 0001 • DST Building No 53, Scientia Campus, Meiring Naude Road, Brummeria, PRETORIA. Tel: +27 12 843 6666, Fax +27 12 349 1053 • www.dst.gov.za

GUIDELINE 2.4 OF 2015

GUIDELINES FOR THE OPERATION OF THE INTELLECTUAL PROPERTY FUND

Guideline 2.4 of 2015 is in operation according to the following time lines and with the following submission deadlines:

	ACTIVITY	TIMELINE/DEADLINE
PERIOD OF APPLICATION		
1.	Period of application of Guideline 2.4 of 2015	IP protection and maintenance costs incurred during the review period ¹ of: a) 1 April 2015 to 31 March 2016 ; and b) 1 April 2016 to 31 March 2017 .
CLAIM PERIOD²: 2016/17 FINANCIAL PERIOD		
2.	Application for a rebate for IP protection and maintenance costs incurred during the review period 1 April 2015 to 31 March 2016	30 August 2016
3.	Cost projections for IP protection and maintenance costs during the period 1 April 2016 to 31 March 2017	15 September 2016
CLAIM PERIOD: 2017/18 FINANCIAL PERIOD		
4.	Application for a rebate for IP protection and maintenance costs incurred during the review period 1 April 2016 to 31 March 2017	31 July 2017
5.	Cost projections for IP protection and maintenance costs during the period 1 April 2017 to 31 March 2018	15 August 2017

¹ See definition in Appendix A: Glossary of Terms

² See definition in Appendix A: Glossary of Terms

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

OVERVIEW

The Intellectual Property Rights from Publicly Financed Research and Development Act (IPR Act) No. 51 of 2008 came into effect on 2 August 2010.

The long title of the IPR Act reads as follows:

*“To provide for more effective utilisation of intellectual property emanating from publicly financed research and development; to **establish** the National Intellectual Property Management Office and **the Intellectual Property Fund**; to provide for the establishment of offices of technology transfer at institutions; and to provide for matters connected therewith.”*

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1. STRUCTURE OF THE INTELLECTUAL PROPERTY FUND

1.1 Legislative mandate

Section 13(1) to (3) of the IPR Act states:

“There is hereby established an Intellectual Property Fund to be managed by NIPMO.

The purpose of the Intellectual Property Fund is to –

*(a) **provide financial support** to institutions for the statutory protection and maintenance of intellectual property rights.....*

*An **institution** may recover the costs incurred in obtaining statutory protection for the intellectual property contemplated in this Act from the Intellectual Property Fund –*

*(a) **to the extent determined by NIPMO; and***
*(b) **on such terms as may be determined by NIPMO.”***

Furthermore regulation 13(1) and (2) of the IPR Act reads as follows:

*“NIPMO must develop **appropriate policies and procedures** for the effective implementation of the Intellectual Property Fund to ensure that the objects of the Act are met.*

*NIPMO must, in accordance with the objects of the Act, determine the operations of the Intellectual Property Fund, **subject to availability of funding from National Treasury.**”*

1.2 Scope of the Intellectual Property Fund

Financial support will thus be provided for a range of activities which secure IP rights (IPR) for IP which was **generated following publicly financed research and development (R&D)**. Such IPR include patents, plant breeders' rights, designs and trade marks, and applications for such rights.

The Intellectual Property Fund (IP Fund) seeks to provide a rebate of **UP TO fifty percent (50%)** for the costs incurred by an institution to protect and maintain its patents, plant breeders' rights, designs and trade marks, and applications for such rights, where the institution can show that the claim for a rebate is valid at the time of applying.

NIPMO may, in turn, grant the rebate when it is satisfied that the granted or pending IPR, for which the rebate is claimed, were generated following R&D conducted using public funds.

Furthermore, the rebate will be granted **subject to** funds being made available by National Treasury.

1.3 Structure of the Intellectual Property Fund

1.3.1 *IP falling outside the scope of the IPR Act*

- a) To ensure that the IP Fund promotes the objectives of the IPR Act, NIPMO will, over a period of time, only provide financial support for IP falling within the scope of the IPR Act (i.e. for IP generated post 2 August 2010). This process will occur in a staggered manner whereby NIPMO will provide support for IP falling outside of the scope of the IPR Act over a period of two (2) years and thereafter, expenses incurred on this IP will no longer be covered by the IP Fund. This will affect IP appearing on Sheet A of Form IPF 1. We therefore urge institutions to bear this in mind when making decisions on which IP they wish to protect and maintain. This approach will be

implemented over the 2015/2016 and 2016/2017 financial years so that for the 2017/2018 review period, the IP Fund will only provide financial support for IP falling within the scope of the IPR Act. The approach which will be adopted by NIPMO in phasing out financial support for IP falling outside the scope of the IPR Act is summarised in Table 1 below:

Table 1: During the 2015/16 and 2016/17 review period, the maximum rebate amount paid per year for IP falling outside the scope of the IPR Act depends on the status of the IPR

INTELLECTUAL PROPERTY RIGHTS	PERCENTAGE REBATE THAT WILL BE PROVIDED (MAX)
Pending IPR/ protected (granted IPR)	15%
Commercialised ³	25%

- b) The rebate that can be claimed for IP falling outside the scope of the IPR Act will thus range from 15% to 25%. Stronger emphasis has been placed on licensed /commercialised IP to align with the objectives of the IPR Act. Accordingly, institutions will be able to claim a rebate against the IP Fund to the extent that the IP has been commercialised.

1.3.2 IP falling within the scope of the IPR Act

- a) The rebate that can be claimed for IP falling within the scope of the IPR Act will be up to 50%.

^{3 3} See definition in Appendix A: Glossary of Terms

2. REQUIREMENTS TO QUALIFY FOR A REBATE FROM THE IP FUND

2.1 The claimant for a rebate from the IP Fund

- a) The claimant must be the institution directly, or the institution's office of technology transfer (OTT) or a designated person or existing structure within the institution that has been formally designated by the institutions' executive to undertake the responsibilities of the OTT in respect of the IPR Act and the regulations thereto.

2.2 Ownership

a) The owner of the IP

The institution or its OTT (or the wholly owned subsidiary performing the OTT function) must be recorded as the applicant, co-applicant, assignee, co-assignee, patentee or co-patentee for all pending and registered IP at the relevant IP registration office.

The IP will not qualify for a rebate from the IP Fund if, for example:

- a current employee or previous employee of the institution is recorded as the sole applicant, assignee or patentee and the institution is also not cited as an applicant, assignee or patentee;
- the IPR belongs to the institution as per an agreement, however, the assignment has not been recorded at the relevant IP registration office; and/or
- the IPR are in the process of being assigned to the institution and the institution is responsible for making payments for the protection and maintenance costs, however, the assignment has not been finalised during the relevant period during which the costs are incurred. If the IP is assigned during the review period and reflects at the relevant IP registration office, then any IP protection and maintenance costs incurred

during the remainder of the review period will qualify for a rebate. For example, if the review period is 1 April 2015 to 31 March 2016 and assignment takes effect at the IP registration office on 28 October 2015, then all costs incurred between 29 October 2015 and 31 March 2016 may be claimed for in the 2016/17 claim period. Supporting documentation to verify the date assignment was recorded at the IP registration office must be provided.

b) Co-ownership

In the instances where an institution is recorded as a co-applicant, co-assignee or co-patentee, supporting documentation should be provided stipulating the percentage of ownership each institution has to the IPR. Accordingly, where the IPR are co-owned by two or more institutions, the institution(s) **must** provide the following:

- Proof to the satisfaction of NIPMO that the co-ownership of the IPR has been recorded at the relevant IP registration office. The proof may be in the form of a Form P2, which indicates that the IPR are co-owned by the institutions.
- Proof to the satisfaction of NIPMO of the percentage of ownership that each institution has to the IPR. The proof may be in the form of a signed agreement between the institutions which indicates the percentage of ownership each institution has to the IPR.
- Where an institution fails to provide satisfactory proof of its percentage of ownership of the IPR, NIPMO will conclude that the IPR are equally shared by the institutions i.e. the institutions each own fifty percent (50%) of the share in the IPR. NIPMO will accordingly grant a rebate based on each institution's share in the IPR. In the case where an institution has misrepresented its percentage of ownership of the IPR, and it later transpires that NIPMO has granted a rebate based on such misrepresentation, the institution will be required to pay back to NIPMO any funds which were incorrectly allocated to it.

c) Spin out companies

If IPR are recorded at the IP registration office under the name of a spin-out company that is wholly/partly owned by the institution and the institution is responsible for making payments on the protection and maintenance costs, then that IP will qualify for a rebate under the following conditions:

- the percentage rebate is dependent on the percentage shareholding of the spin out company held by the institution. For example, if the institution holds 70% of the shares in the spin out company, then the institution will qualify for a 35% rebate (i.e. 50% of the 70% shareholding relationship) for the IP prosecution and maintenance costs incurred in question; and
- supporting documentation indicating the percentage shareholding in the spin out company held by the institution must be submitted in support of the application.

2.3 The application

- a) Each institution submitting an application for a rebate from the IP Fund must only submit one consolidated application.
- b) The application for a rebate from the IP Fund **must**, as a minimum requirement, be presented in **hard and soft copy** form. **Each page of the hard copy of the IPF 1 form must be signed off by the institution's Chief Financial Officer or similar executive.**

The application must include the following (see Annexure B for checklist):

i) A completed application form

The approved excel spreadsheet entitled "Form IPF 1". The Form IPF 1 comprises two (2) separate sheets: **Sheet A** ("Pre IPR Act"⁴) must be

⁴ See definition in Appendix A: Glossary of Terms

populated for all IP which was created prior to 2 August 2010; and **Sheet B** ("Post IPR Act"⁵) must be populated for all IP which was created post 2 August.

Please note that NIPMO will **not allow any amendments to be made to the format of Form IPF 1.**

In addition, we require the following:

- the hard copy version of Form IPF 1 must be identical to the soft (electronic version) submitted;
- all amounts appearing on Form IPF 1 must be in ZAR (South African Rands). For all invoices received directly by the institution (and not, for example, from or via their IP attorney) which has been issued in foreign currency, the amount in ZAR actually paid must be reflected on Form IPF 1 and the institution must provide supporting documentation accompanying that claim showing the conversion rate as well the ZAR equivalent (for example, a bank statement confirming the Foreign Exchange (Forex) payment);
- supporting documentation must be provided for service providers listed that are not IP attorney firms or in instances where the services provided by the IP attorney are not clearly set out, elaborating on the services rendered by that particular entity, which services must fall within the list of eligible services (see section 3.1 below);
- all credit notes must be reflected on Form IPF 1 as a negative amount and must clearly indicate which claim is being cancelled by that specific credit note; this can be stipulated in the comments column (see Form IPF 1)
- that institutions make use of formulas when populating the excel spreadsheet in order to avoid calculation errors; and
- all claims on Sheet B (Post IPR Act) of Form IPF 1 must have a **corresponding** (i.e. updated as per the biannual reporting requirements) IP7 form reference number which has previously been submitted to NIPMO in accordance with the specific biannual reporting requirements.

⁵ See definition in Appendix A: Glossary of Terms

ii) A copy of the invoice for which a rebate is claimed

The invoices must be presented in the same order as they appear on Form IPF 1, with the corresponding claim number (see Form IPF 1) appearing clearly on the invoice. Where the IPR are co-owned by two or more institutions, the invoice must clearly show whether the payment represents:

- The full invoice amount paid to the service provider; or
- The full invoice amount in relation to the institution's share in the IPR (for example, the invoice may include the words "Your 50% share").

iii) A supplier payment history report

This report is a financial system printout indicating the exact date for which an eligible payment was made to the service provider (for example, a portable document format ("pdf") print out with the institution's logo or official stamp signed off by the necessary financial authority with the appropriate delegated accountability should be provided. For the application to be submitted in 2015/16 the exact date of payment must fall within the review period of 1 April 2014 to 31 March 2015. Note that an excel spreadsheet will not be accepted as proof of payment).

Alternatively, NIPMO will also accept the following to verify the date on which payment was made:

- Bank statements – institutions may supply copies of bank statements indicating the date on which payment was made (in addition the claim number corresponding with each payment must be clearly indicated on the copy of the statement); or
- Accept/Reject reports – this report indicates the date on which the electronic payment transfer was made by an institution's finance department for a specific claim.

iv) Report of the benefits for society of publicly financed research

Section 5(1)(j) of the IPR Act states that “A recipient must, in respect of an institution, put in place mechanisms to annually assess, record and report to NIPMO on the benefits for society of publicly financed research conducted in that institution.”

All applicants for a rebate from the IP Fund are required to provide, as part of their application, a report on the benefits (see definition in Annexure A) to society of publicly financed research.

v) Report of acknowledgement of support received from NIPMO

NIPMO must be acknowledged in all publicity associated with commercialised IP for which financial support was provided through the IP Fund. An annual report of all instances where NIPMO has been publicly acknowledged must be included with the submitted application form. We recommend that an excerpt(s) where NIPMO has been acknowledged is prepared in a consolidated document.

IMPORTANT TO NOTE:

- It is a requirement of NIPMO that the Form IPF 1 is completed accurately. If any of the above **supporting documents** (2.3 (ii) to (v)) are **not submitted** or are **incomplete**, NIPMO will not consider the application and the application will be **returned to the institution for amendment or completion within a prescribed deadline as communicated to the claimant following NIPMO’s review of the application (a reasonable time period is provided upon NIPMO’s discretion)**. Any supporting documents provided after the prescribed deadline has expired will not be considered by NIPMO and that specific claim will no longer qualify for a rebate.

- Furthermore, if there is any information contained in the supporting documents but which is **not detailed in the completed Form IPF 1**, this information will not be considered for a rebate and an **opportunity to complete or amend the application will not be granted**. Any claim omitted from Form IPF 1 will not qualify for a rebate (for example, additional invoices supplied which do not appear on Form IPF 1).
- Any claim on Sheet B (Post IPR Act) of Form IPF 1 for which an accompanying IP7 form has not been received, as per the requirements of 2.4 (b)(i) bullet 6 above, will result in the claim being disqualified.

3. ELIGIBLE/NON-ELIGIBLE COSTS FOR A REBATE

3.1 Eligible Costs

As indicated above,

“The purpose of the Intellectual Property Fund is to – provide financial support to institutions for the statutory protection and maintenance of intellectual property rights”.

For the purpose of qualifying for a rebate from the IP Fund, costs which are regarded as statutory protection and maintenance costs include:

- a. Search costs (including novelty and freedom to operate searches; only applicable to institutions that have not been provided with search tools by NIPMO, for example, TotalPatent® or Innography);
- b. Service provider (IP attorney or consultant (where applicable)) fees for drafting the application, filing the application (international or national application), preparation of any formal documents required during filing and/or subsequent prosecution (including an assignment or a power of attorney), and for prosecuting the application to grant (including a correction or amendment; receiving, preparing and responding to an official action, translation fees, validation of a granted application; and all related foreign associate fees and patent office official fees);
- c. Renewal/maintenance fees; and
- d. Overhead charges (for example, printing, faxing, telephone etc) incurred by the service provider and reflected on their invoice for services rendered.

3.2 Non-eligible Costs

The following costs do not qualify as IP protection and maintenance costs for IP generated following a R&D activity using public funds and **cannot** be claimed from the IP Fund:

- a. Salaries and consultant's fees (with the exception of IP attorney or consultant fees for drafting and prosecution);
- b. Market reviews;
- c. Business plans;
- d. Costs incurred during litigation and opposition proceedings;
- e. Company name searches and related objections;
- f. IP protection and maintenance costs which have been borne by a party other than the institution (for example, other public funding bodies or other third parties including a licensee);
- g. Overhead charges (for example, printing, faxing, telephone etc) incurred directly by the institution;
- h. Value Added Tax (VAT);
- i. Fees incurred for the late payment of renewal/maintenance costs;
- j. Drafting of research collaboration agreements;
- k. Trademarks and domain names which are not associated with an R&D activity (for example, trademarks or domain names not associated with products resulting from patents/inventions or plant breeder's rights);
and
- l. Defensive company names.

These lists are not exhaustive and may be altered or updated by NIPMO, which changes will be communicated to institutions.

4. GENERAL

4.1 Cost projections

Each institution must provide NIPMO with realistic cost projections, for NIPMO budgetary purposes, in respect of the IP protection and maintenance costs for which they intend to submit an application for a rebate in the following claim period. These projections must be prepared in consultation with your service provider (typically your IP attorney(s)).

Failure to provide realistic cost projections may result in your application not been considered by NIPMO in the period under review.

4.2 Onus to commercialise the IP

For IP which is included in Sheet A (Pre IPR Act), the institution must use its best and reasonable endeavours to ensure that all IP, for which a rebate is claimed, are commercially viable applications/granted rights and further that all reasonable efforts are made to ensure the IP is commercialised.

For IP which is included in Sheet B (Post IPR Act), a corresponding IP7 form (i.e. the Intellectual Property Status and Commercialisation Report) must have been previously submitted to NIPMO prior to the application for a rebate from the IP Fund detailing the status of the IP and progress made in terms of commercialisation⁶ thereof.

4.3 Over/Under-payments

NIPMO will inform all institutions of under-payments or over-payments made in the previous financial period. NIPMO will then reimburse or deduct the

⁶ See definition in Appendix A: Glossary of Terms

relevant amount along with the rebates paid out in the following financial period. If the institution does not apply for rebate in two consecutive years then the amount due will be settled in the review period in which an application is submitted.

Please do not hesitate to contact NIPMO (info@nipmo.org.za; 012 844 0222) should you have any questions with regards to any matter in these guidelines.

A handwritten signature in black ink, appearing to read 'Kerry Faul', with a stylized flourish at the end.

DR KERRY FAUL

HEAD: NIPMO

DATE: 31 March 2015

APPENDIX A

GLOSSARY OF TERMS

“benefits”	This term is defined to mean “contribution to the socio-economic needs of the Republic and includes capacity development, technology transfer, job creation, enterprise development, social upliftment and products, or processes or services that embody or use the intellectual property.”
“Claim period”	The financial period during which the application for a rebate from the IP Fund is submitted to NIPMO, for example, the claim period is the 2013/14 financial period for a review period of 1 April 2012 to 31 March 2013. “Claiming period” shall have the same meaning.
“Commercialisation”	This is defined in section 1 of the IPR Act to refer to “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; and commercialise(d) shall have a corresponding meaning”.
“IP”	Intellectual Property.
“IPF1 Form”	This term refers to the IP Fund application form, which is populated by claimants when applying.
“Pre-IPR Act”	This term refers to all IP generated, following a research and development activity conducted using public funds, prior to 2 August 2010.
“Post-IPR Act”	This term refers to all IP generated, following a research and development activity conducted using public funds, after 2 August 2010.
“NIPMO”	National Intellectual Property Management Office.
“not exhaustive”	This term is used to indicate that the list of examples

	provided is not a complete list and further examples may exist that are equally applicable.
“OTT”	Office of Technology Transfer.
“R&D”	Research and Development.
“research and development using public funds”	This is defined in section 1 of the IPR Act to refer to “research and development undertaken using funds allocated by a funding agency but excludes funds allocated for scholarships and bursaries.”
“Review period”	The period during which IP protection and maintenance costs are incurred, for which a rebate will be requested in the next financial period (i.e. the claim period). For example, the review period would be 1 April 2012 to 31 March 2013 and the corresponding claim period 2013/14.
the “IPR Act”	Refers to the Intellectual Property Rights from Publicly Financed Research and Development Act, Act No 51 of 2008. The “Act” shall have the same meaning.
“ZAR”	South African Rand

APPENDIX B

CHECKLIST FOR COMPLETION BEFORE SUBMITTING YOUR APPLICATION FOR A REBATE FROM THE IP FUND

NO.	REQUIREMENT	SUBMITTED (TICK)
1	Application form in hard and soft copy; each page of the hard copy signed off by the CFO or similar executive	
2	A copy of each invoice for which a claim is being made	
3	Supplier payment history report	
4	Report of the benefits for society of publicly financed research	
5	Report of acknowledgement of support received from NIPMO	