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Comments on the dti's Draft Intellectual Property Policy of the Republic of South Africa, Phase I, 2017

Cape Town, 17 November 2017

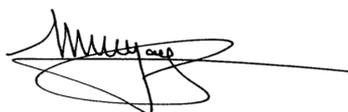
Dear sir/madam:

Please find attached the comments on the dti's Draft Intellectual Property Policy, Phase I 2017, prepared by UCT's IP Unit (faculty of law). We thank you for the opportunity to share our views on the draft policy and are available to elaborate on the submission if required.

Yours sincerely,



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*UCT's Intellectual Property Unit strives to add an African voice to the global debate on IP-related issues. Our focus is on examining the link between IP, innovation, development and public policy, taking into account the needs of society, rights owners and consumers. **Our vision is to be a leading voice in realising a continent where there is an open exchange about African ideas, creativity and innovation, in pursuit of sustainable development. We promote research, teaching, and learning in IP through holistic, balanced and open approaches, in order to stimulate innovation that drives development. Our core values are integrity, inclusiveness and relevance.** We believe that South Africa has a leadership role in defining IP challenges in emerging and developing countries. We develop our programs through dialogue, research, debate and capacity building*

**DRAFT INTELLECTUAL PROPERTY POLICY OF THE REPUBLIC OF SOUTH AFRICA
PHASE I
2017**

COMMENTS

17 November 2017

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Introductory Remarks

We welcome this opportunity to provide comments on the Draft Intellectual Property (IP) Policy of the Republic of South Africa, Phase I, 2017, and we would like to start off by commending the dti drafting team on creating a well-considered document which displays a high level of awareness and understanding concerning the pertinent issues in this policy space.

We strongly support the policymaker’s intention to link this effort in the area of IP to broader domestic imperatives and strategies, such as the National Development Plan and its emphasis on embracing the knowledge economy, as well as highlighting the Constitutional and Human Rights dimensions of many of the issues raised in this document. This approach helps preventing siloed thinking and aids holistic solutions.

By adopting a balanced, coordinated and development- and public interest-oriented approach the policy maker has in our view created a policy document that is context-specific and which addresses current tensions and inequalities, including those between IP owners on the one hand and users seeking equitable access to IP-protected goods on the other.

This submission is an outline document. In the next section, we comment on the broad issues of principle, and indicate where we find the draft policy desirable or undesirable. Thereafter, we provide a selection of more specific comments and make some suggestions in terms of what could still be added to the policy before it is finalised. All our comments have been developed through consultations with domestic and international IP experts and/or are based on our involvement in relevant national or

international research collaborations such as the Open African Innovation Research (Open AIR) network (www.openair.africa) or the African Scholars for Knowledge Justice (ASK Justice) project (www.askjustice.org).

At the outset, we would like to stress the importance of utilising research-based evidence in policy-making and we feel that the following three UCT IP Unit publications could be useful in the present context:

- De Beer, J.; Armstrong, C.; Oguamanam, C.; Schonwetter, T. (editors) *Innovation & Intellectual Property – Collaborative Dynamics in Africa*, UCT Press [2014],
available at: <http://www.openair.org.za/images/9781775821427.pdf>
- De Beer, J. *Evidence-based Intellectual Property Policymaking*, Open AIR Working Paper [2017], available at: <http://www.openair.org.za/wp-content/uploads/2017/05/WP-1-Evidence-based-IP-and-Policymaking.pdf>
- Baker, D.; Jayadev, A.; Stiglitz, J. *Innovation, Intellectual Property, and Development: A Better Set of Approaches for the 21st Century* [2017],
available at: <http://ip-unit.org/wp-content/uploads/2017/07/IP-for-21st-Century-EN.pdf>

The need for contextualised, balanced, flexible and sufficiently open IP frameworks emerges as one key thread in the above publications, combined with some cautioning against accepting, without reflection, the rhetoric of strong IP being the key driver for innovation and development in the developing country context.

Over and above our own comments in this submission, we wish to express our support for the very detailed submission by University of KwaZulu-Natal-Affiliated Academics

(<https://tinyurl.com/ycf6n2u>), with its focus on providing concrete recommendations for legislative and regulatory change.

We remain available to attend any consultations to elaborate on any of the issues raised in this document to support the finalisation of the draft policy. In closing, we wish to commend the DTI on a transparent and open stakeholder consultation process.

Yours sincerely,



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General Comments

Subject to our more specific comments below, we feel that the Draft Intellectual Property Policy, Phase 1, generally succeeds in striking a balance between (a) providing high level context and general strategic direction for future lawmaking in the relevant areas of IP, and (b) proposing, in more detail, measures to achieve the key goals as set out in the policy.

At the same time, we wish to re-emphasise that while we concur with the policymaker's objective of engaging with 'highly technical, important, and contentious issues' with the requisite level of diligence, we are of the opinion that IP law and policy reform processes in South Africa have already taken too long; especially in light of the critical public health and public interest issues at stake. We thus urge the policymaker, once again, to finalise this policy as a matter of urgency.

Against this backdrop, we support the policymaker's decision to utilise a phased approach and categorise pertinent issues into immediate, medium, and monitoring & evaluation. However, this approach comes with the risk of tackling intertwined issues in siloes and we urge the policymaker to always approach all issues holistically and comprehensively, and not lose sight "of the bigger picture".

Crucially, the information and knowledge contained in intellectual assets, intellectual capital, and intellectual property are commodities which form a basis of wealth creation in the knowledge economy. Determining optimal patenting or open innovation levels for national innovation is a challenge, but a developing country like South Africa should pursue a context-specific, inclusive, flexible and multifaceted system of innovation, with

patenting being only one component in promoting national innovation. The patent system as a part of the greater innovation system should ensure that private reward is commensurate with the public disclosure of the invention, and that overall progress in science in technology is promoted in favour of negative monopolistic practices.

Public interest concerns in the patent system include gaining access to technical knowledge disclosed in the patent document and ensuring delivery of valid patents. Patent law should be interpreted to the benefit of the producers and the users of technology in line with the Constitution, and practicing patents should not hamper innovation. Information disclosure and diffusion should be facilitated by the state in order to promote innovation and allow other inventors access to the patent applicant's best methods disclosed in which to recreate or experiment.

Sub-optimal uses of patent monopolies can hamper access to R&D technology pathways in important technological areas, and the failure to make optimal use of patent monopolies potentially blocks innovation in science and technology much to the detriment of the country. Patenting and open source and collaborative strategies should thus be pursued in tandem to promote the progress of science and technology in South Africa. National patent policy for the patent system need not be designed with an unwieldy focus on maximising inventor/ investor return, especially if patents can be viewed as a mixed system of private rights and semicommons / patent right and public disclosure - which generate incentives and externalities, including innovation driving spillovers which facilitate learning and disclosure of technical information and knowledge as the patent owner sharing with the public how to make and use the invention.

In sum, we strongly support the policymaker's initiative to modernise patent law and policy in South Africa, and we welcome in particular the efforts to better leverage and implement the available flexibilities under the TRIPS Agreement that allow countries to construct their patent systems in a way that enhances and encourages local innovation, including implementing flexibilities related to registration, substantive examination, patent opposition processes, disclosure, the scope of patent protection, research, experimental and fair use exceptions, patent safe harbour for disclosed publications, breeders rights and saved seeds, cross licensing, and compulsory licensing. We are, however, somewhat puzzled to not find the pertinent issue of Open Science addressed anywhere in the policy document.

We wish to conclude our general comments with a list of what we believe to be some of the key policy considerations in the area of patents:

- Patent registrations should be used to encourage innovation and must mutually benefit the producers and the users of technology (patent law's social contract theory).
- Patent law and policy is subject to Constitutional and human rights concerns.
- Practicing patents should not block research in technology.
- We must safeguard fair use for research and experimentation, and provide adequate means for licensing and utilisation of essential patented technology.
- We must encourage real disclosure and adequate access to technical information in patent applications and registrations.
- Researchers must be provided with a 'safe harbour' mechanism (grace period) to preserve patent novelty when publishing prior to patenting.
- Publicly funded IP (patent rights) should be managed with a view of maximising public use and commercialisation.

- IP data capture and IP auditing must be improved to enhance (open) access to research and innovation.
- We should encourage patent pooling and patent value funds to facilitate collaboration.

Specific Comments

In this section, we comment on the policy document's key proposals. Key policy proposals include instituting a substantive search and examination system, patent law mechanisms relating to compulsory and voluntary licensing, (research) exceptions in addition to the Bolar-type exception already offered in South Africa, as well as considering international exhaustion of patent rights and parallel importation of internationally exhausted patented products.

Furthermore, we provide some suggestions as to what could still be added to the final policy. Among other things, we submit that the policy document should be expanded to incorporate additional exceptions to patent protection and we propose the introduction of a grace period in South Africa for publications prior to patenting.

Introduction / Problem Statement / Purpose / Strategy / IMCIP

The introduction, problem statement, purpose and strategy sections of draft policy are well-crafted and show a high level of awareness of the pertinent issues and discussions in the field.

As mentioned earlier, we strongly support the policymaker's intention to link this effort in the area of IP to broader domestic imperatives and strategies, such as the National Development Plan and its emphasis on embracing the knowledge economy, as well as highlighting the Constitutional and Human Rights dimensions of many of the issues raised in this document. By adopting a balanced, coordinated and development- and public interest-oriented approach the policy maker has in our view created a policy

document that is context-specific and which addresses current tensions and inequalities, including those between IP owners on the one hand and users seeking equitable access to IP-protected goods on the other.

We strongly support the establishment of the Inter-Ministerial Committee on Intellectual Property (IMCIP) to facilitate inter-departmental coordination in the cross-cutting domain of intellectual property. The IMCIP will continue to have a shaping role going forward in the development of the IP system and IP infrastructure of the country.

Phase 1

IP and Public Health

The pharmaceutical industry in South Africa utilises strong intellectual property, particularly patents and trademarks, to protect their markets in the country. Access to health care and essential medicines remains a priority within South Africa and there is a common need to ensure access to medicines for the population, particularly to the segment which lives under the poverty line.¹ With this policy, the dti, as the custodian

¹ See Republic of South Africa National Department of Health Essential Drugs Programme 'Adult Standard Treatment Guidelines and Essential Medicines List Fourth Edition' (2015) chapter 10. Adults and children living with HIV remain an extremely vulnerable segment of South African society, and negotiating nationally affordable prices or licenses for the full spectrum of medicines required for best possible ARV treatment is a priority. See South Centre Research Paper (41) *Pharmaceutical innovation, incremental patenting and compulsory licensing* (2011) 7. The extent and prevalence of pharmaceutical industry specific patenting has not been extensively undertaken locally, with access to technical and other patent information constrained in South Africa. Studies as to the extent of the state of pharmaceutical requires comprehensive patent mapping to be carried out regularly and on a continuous basis for government to evaluate and monitor potentially problematic patents in need of revocation. In a pharmaceutical patent study comparison undertaken comparing Argentina, Brazil, Colombia, India and South Africa, 2442 pharmaceutical specific patents were determined to have been registered at the South African

of patent legislation, seeks to confront the South African health burden through a process of patent reform in line with South Africa’s Constitutional and international obligations, including human rights, and health policy.²

Substantive Search and Examination

We fully support the policymaker’s proposal to finally introduce a (phased) substantive search and examination (SSE) system for patents in South Africa in order to facilitate the award of strong, reliable and deserving patents, and to do away with the significant disadvantages associated with the current depository system.

Recent patent grant statistics strongly suggest that South Africa’s depository system is being abused. While, for example, India and Brazil -- two countries in the Global South with SSE systems -- grant only 19% and 14% of all patent applications, respectively, 50-60% of the patent applications in South Africa are successful. Thus, there is a likelihood that ‘inventions’ which do not deserve patent protection are nevertheless being patented in South African, to the detriment of South African society in terms of monopoly pricing and blocking innovation potential. Clogging the system with undeserving patents hampers the market entry of newcomers with real or genuine innovations, and thereby stifles the broader innovation ecosystem.

We recognise the costs associated with implementing an SSE system in South Africa, especially in light of some of South Africa’s capacity constraints. However, the social costs of maintaining the status quo, especially concerning monopoly pricing, access to

patent and trademark registration office (CIPC) in 2008. Correa compared the 2442 South African pharmaceutical patent registrations with 951 pharmaceutical patents granted in 2000-2007 in Argentina, 278 pharmaceutical patents granted between 2003-2008 in Brazil, and 439 pharmaceuticals patents were granted during 2004-2008 in Colombia.

² The Constitution of the Republic of South Africa Act, 1996.

essential technology, and impact on innovation should not be underestimated. Arguments against the implementation of an SSE system in South Africa and for the maintenance of the status quo in the country include the justification that “our current system appears to work just fine”. This is in our opinion wrong-headed, and conveys an incomplete understanding of modern innovation dynamics in a developing country like South Africa. Equally, we reject entirely the notion that South Africa is not capable of introducing and maintaining an SSE system, and instead we remain encouraged that the implementation of an SSE in South Africa, which involves the training of qualified patent examiners in a number of important technological areas, is important and essential in developing our national system of patent protection and national innovation. While we generally believe in the skills and aptitude of South Africans to run a system that already exists in other developing countries, we also wish to emphasise that there are numerous opportunities for technical assistance during the transition process from other countries and international organisations such as WIPO, ARIPO, as well as national and regional patent offices. The aims of SSE implementation can ultimately transcend South African borders, and South Africa may soon be in a position to offer SSE services to other countries in Africa and beyond. That said, we believe that the dti’s approach of phasing in the SSE system by limiting it, at first, to a range of strategic sectors is sensible and in compliance with Art. 27(1) of the TRIPS Agreement in that it legitimately *differentiates* between (not: *discriminates* against) different fields of technology. The training of national patent examiners will also serve to raise the overall level of technical know-how in the country and an SSE carried out by the South African patent office (CIPC) will add utility and prestige to the South African patent system.

The requirement of disclosure and access to that information disclosure

We support the policymaker's proposal to require patent applicants in the future to provide information regarding the status of similar and related applications filed in other international jurisdictions.

We wish, however, to raise a more general practical concern here. The technical and other information disclosed *in return for patent protection* ("social contract", quid pro quo principle) is a treasure trove of knowledge with the potential of becoming a key driver for innovation and technology transfer in the South African knowledge economy.

Access to this technical information in South Africa is desired for intellectual property management planning, mapping and charting clusters of patented technology, specifically patents which might pertain to national health and safety constitutional concerns. Moreover, patent information gleaned from patent disclosures stored in patent repositories are valuable sources of information, and help aid in mapping out rivals and competitors in the market, determining licensing possibilities, accessing infringement risks and rewards, determining patent strategies and structuring IP portfolios.³ Hence, facilitating adequate access to such information, especially in digital form, should equally be a key priority. We submit that free and open access to the full body of patent information is of crucial importance in planning or reacting to a number of private and public technological concerns and goals in developing and developed countries. The technical information of the invention and the other technical information contained in the patent document are also of great use in facilitating technology transfer in South Africa, and are also of necessity when raising the standard of national innovation in order to help invent and innovate around problematic or important patents which could or do block access to technology. The CIPC is in the middle of

³ J. Philpott, *Searching IP Databases*, p 45. A Handbook of Intellectual Property Management, Jolly and Philpott, Kogan and Page, 2004, p 45 – 46

migrating to a fully searchable electronic patent database, but more needs to be done still to effectively facilitate knowledge and technology transfer in South Africa and fully realise patent law's social contract of disclosure and reward between the inventor and society.

Exhaustion of patent rights / parallel importation

The draft policy correctly states that under Art. 6 of the TRIPS Agreement Member States such as South Africa have the flexibility to decide upon their approach to exhaustion of IPRs – whether it be national, regional or international -- and thus the legality of parallel importation (in the case of international exhaustion).

Broadly, we support the policymaker's goal to explore and facilitate parallel importation as a legal mechanism in an attempt to address the urgent need for innovative solutions to the health burdens facing the country. This will, however, require clarifications and simplifications of the existing legal frameworks in both the Patents Act (s45) and the Medicines and Related Substances Act. We submit that South Africa can learn from recent experiences in other countries with similar interests, such as India and Kenya.

Exceptions

We strongly concur with the policymaker's statement that "[a]n environment of scientific inquiry and growth can be fostered by allowing researchers in all sectors of the economy to explore and experiment with products protected by patents" and we submit that this is best facilitated through robust and enabling educational as well as non-commercial and commercial research and experimental use exceptions. Moreover, we suggest a comprehensive enquiry concerning the introduction of additional exceptions to patent

protection, with a view of, among other things, maximising competition and innovation in South Africa.

Licensing

We agree with the general policy statement at the beginning of section 7.1.9. In particular, we support the introduction of guidelines in this area, and we also welcome efforts concerning the exportation of IP goods to other African countries. We suggest, however, that the policymaker revisits the sections concerning licensing with a view of providing more detail (e.g., how could the simplest TRIPS compliant procedure for granting compulsory licences look like) and referring to other jurisdictions that could serve as an example (e.g., the government use licence under U.S. law).

We agree with the policy maker that while voluntary licences are preferable, there are situations where adequate supply of essential goods can only be facilitated and abuse be prevented through a compulsory licence scheme. Article 31 of the TRIPS Agreement, as clarified by the Doha Declaration, provides Member States with considerable leeway when it comes to the granting of compulsory licences but South Africa has in our view yet to fully utilise this mechanism to limit the rights of patent holders in the interests of broader public interest considerations. We recommend that the reasons and processes for issuing compulsory licences in ss55 and 56 of the Patents Act are reviewed with the aim of making compulsory licensing a much more practical and readily available tool for balancing private and public interests and mitigating excessive pricing, undersupply, abuse etc.

We submit that the following issues could also be addressed in this section of the policy:

- Open licensing as a strategy, and the role government could play to take the lead in or encourage such open licensing strategies, including for unused or basic technologies which are subject to valid government held patents.
- Patent pooling, incl. the medical patent pools South Africa is already a part of.
- Cross licensing, e.g., as a mechanism for use in medicine, plant breeding and biotechnology.

Patent grace period

We recommend that the policymaker considers the introduction of a patent grace period against novelty destroying disclosures in South Africa for the following reasons:

In terms of the Intellectual Property Rights from Publicly Financed Research and Development Act (IPRPFRD Act), South African publicly financed research and development carried out within publicly funded research institutions like science council and universities form the basis of technical knowledge in South Africa. The IPRPFRD Act requires that recipients of public funding protect their R&D (inventions) by way of IP (patent) protection when applicable. However, since South Africa's patent law prescribes an absolute novelty requirement, a conflict exists between patenting and publications in the public research sector. In other words, the IPRPFRD Act has impacted the ability of researchers in South Africa to publish research in cases where such research is also potentially subject to a patent application.

In terms of the absolute novelty requirement, any disclosures, written, oral, secret or the like, made anywhere in the world, before a patent is applied for, destroys the novelty of

that invention (subject to limited exceptions relating to practicing your invention for test purposes and cases of bad faith disclosures).

South African patent policy has yet to deal with the issue of introducing a grace period or safe harbour against novelty destroying disclosures in South Africa. The introduction of a grace period into South African patent law would aid researchers in meeting the requirements of the IPRPFRD Act, whilst also continuing to conduct and publish essential academic work and research results with greater freedom in light of the requirement to patent inventions spinning out of publicly funded R&D in terms of the IPRPFRD Act, and novelty destroying publicly available disclosure requirements in terms of South African patent law. Introducing a grace period would be welcomed by many researchers in South Africa and it would also better facilitate the application of the IPRPFRD Act in South African scientific and technical research and development.

Many countries already allow for a grace period for novelty destroying disclosures like publishing and exhibitions, by providing safe harbour grace periods ranging between 6 to 12 months. In the USA, e.g., there is a one-year grace period⁴ which only applies for US patents, where the inventor can freely publish his invention without losing patent rights. In contrast, were these events to occur in South Africa, an inventor would lose all potential patent rights in South Africa.⁵ In terms of the TRIPS flexibilities, South Africa has yet to take advantage of introducing a grace period and South African researchers have thus been prejudiced.

⁴ See 35 US Code section 102

⁵ Further see <http://www.iusmentis.com/patents/uspto-epodiff/>

IP and Competition Law

We support the policymaker’s recommendation to clarify the intersection between competition law and IP. We submit that this effort should include an analysis of the recommendations of the UNDP report "Using Competition Law to Promote Access to Medicines."⁶

International IP Cooperation

We feel that Prof. Stiglitz’s quote in section 7.2 of the draft policy aptly summarises the relevance of IP for the global knowledge economy, and we strongly support the policymaker’s statement that South Africa must “play a leading role in this global discourse”, especially as a champion for Global South pro-development and pro-innovation concerns.

In-Built Agenda

We agree with the in-built agenda as set out in section 8 of the draft policy, subject to our earlier comments concerning the avoidance of siloed approaches when addressing interrelated issues in different phases as well as our remarks about the undue general delay in addressing pressing issues in the IP policy sphere.

Conclusion

We agree with the consultative and coordinated process for concluding this policy as described in section 9 of the draft policy.

⁶ <http://www.undp.org/content/undp/en/home/librarypage/hiv-aids/using-competition-law-to-promote-access-to-medicine.html>