

Assignment of invention affecting patent validity – South Africa

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Abstract

In a recent judgement by the Court of the Commissioner of Patents (Republic of South Africa) in the case *Regents of the University of California and Others v Eurolab (Pty) Ltd and Others* (2024-039643; 2023-108509) [2025] ZACCP 1 (25 February 2025)¹ the court found that the right for an applicant to apply for a patent where such right is as the consequence of an assignment by the inventor(s) to the applicant, must have been acquired from the inventor(s) before making the application for a patent. On the facts presented to the court, it was found that no assignment existed at the time of the application and the court revoked the patent on the grounds of not meeting the requirements of Section 27(1) of Patents Act 57 of 1978.

Introduction

Section 27 of the South African Patents Act 57 of 1978 sets out who may apply for a patent:

An application for a patent in respect of an invention may be made by the inventor or by any other person acquiring from him the right to apply or by both such inventor and such other person. In the absence of an agreement to the contrary, joint inventors may apply for a patent in equal undivided shares. Any other person acquiring from [the inventor] the right to apply

No formalities are specifically required other than that the assignment be in writing². This requirement is generally met if the relevant document of information is in the form of a data message and accessible in a manner usable for subsequent reference³. The subject matter of the assignment must be sufficiently apparent *ex facie* the document.

Regulation 22 of the South African Patent Regulations provides that: An application for a patent shall be made on form P1 and shall be accompanied by the following documents— Form P1, in duplicate, one copy of which shall be returned to the applicant as proof of lodging; form P2 in duplicate; a declaration and power of attorney on form P3; where the applicant has

¹ *Regents of the University of California and others V Eurolab (Pty) Ltd and others* (2024-039643; 2023-108509) [2025] ZACCP 1 (25 February 2025). Available at: <https://www.saflii.org/za/cases/ZACCP/2025/1.html> (Accessed: 14 April 2025).

² Section 60(1)(a) “an applicant for a patent or a patentee may in writing assign his rights in an application or patent to any other person.”

³ Burrell, T.D. (2016) *Burrell's South African Patent and design law*. Durban: LexisNexis Chapter 6.9, p 267

acquired a right to apply from the inventor, an assignment or other proof, to the satisfaction of the registrar, of the right of the applicant to apply.

Case assessment

The matter concerned the patent applicant The Regents of the University of California (UC) for a South African patent which was filed as a national validation of the PCT application PCT/US2006/011417, ZA 2007/10870. Although the case included a claim of infringement and a counterclaim on various grounds of invalidity, the Commissioner of Patents ruled that the only the question before it was whether UC, as the patentee, had been entitled to apply for the patent under as provided in Section 27 of the South African Patents Act 57 of 1978. Specifically, the Commissioner had to enquire whether UC was a ‘person acquiring from [the inventor] the right to apply’ for the patent.

The invention was a creation out of collaborative medical research between UC and Howard Hughes Medical Institute (HHMI). There were various agreements signed in an attempt to assign rights to inventions made under the collaborative research (See Table 1). According to agreements between UC and HHMI all patentable inventions were to be assigned to UC (HHMI and its employees). There are 8 inventors to the patent in question, *vis-à-vis* Sawyers, Tran, Wongvipat, Jung, Chen, Ouk, Welsbie and Yoo. The inventors are all employees of HHMI and UC respectively.

Although detailed heads of argument were presented referencing various agreements and documents to support the assignment, it does not appear (from the judgement itself) that evidence was considered from the US Patent prosecution file. The dispute was specific to at least three of the inventors that were not employed by UC, and allegedly assignment documents flawed in some aspect with the applicant arguing that there was no full assignment from all inventors to the applicant and therefore the applicant was not entitled to apply for the patent.

On the face of the judgement, it appears that the Court did not consider the inventions to have already been assigned to UC under the 1986 patent agreement in view of the employee status of some of the inventors which would by operation of law have been assigned to HHMI when employment agreements were signed. The agreement between UC and HHMI wherein an undertaking for employees to directly assign the inventions to UC, may not have been executed effectively, the documents on the USPTO prosecution file of the priority applications appears to have affected the inventor assignments already on application for priority. It is the view of the authors that assignment has taken place already before the application was filed at PCT and subsequently in South Africa the 4.17 declaration could be relied upon and the priority applications P1, P2 and P3 is deemed to have been assigned on the Declaration of inventorship (Rules 4.17(iv) and 51*bis*.1(a)(iv)) for the purposes of the designation of the United States of America on applying for the PCT application in the USA (and South Africa).

Considering the patent prosecution reality

Considering Table 1, the priority patent applications were filed on 13 May 2005 (P1), 15 December 2005 (P2) and 6 January 2006 (P3) respectively and completed as a single PCT application filed on 29 March 2006.

In accordance with US Patents Invents Act, any entity can file an application on behalf of an inventor who assigned, or is under an obligation to assign, the invention rights to the entity (or if the entity otherwise has financial interest in the invention), without seeking the inventor's execution of the application. However, any patent that issues belongs to the inventor, absent a written assignment from the inventor or inventor's estate to the entity.

Table 1 Time line of UC priority and patent application assignment

Document	Date	Relevant Party	Invention
Collaboration Agreement	Nov-86	UC and HHMI	Addressed in the Patent Agreement
Patent Agreement	Nov-86	UC and HHMI	All patentable inventions of HHMI
IP Statement of Agreement (IP assignment included)	02-Jan-03	Swayers, Tran and Wongvipat (HHMI employees) and HHMI	P1, P2, P3 and RD162
Assignment Agreement	27 July 2005 and 11 August 2005	Swayers, Jung, Chen, Ouk and Welsbie and UC	P1
Swayers Assignment	17-Aug-05	Swayers and HHMI	P1
Swayers Agency Appointment	31-Aug-05	Swayers and HHMI	P1
Priority Applications Filed (USA)	13 May 2005 (P1) 15 December 2005 (P2) 6 January 2006 (P3)	UC	RD162
Principal Assignment	24 May – 12 June 2006	Sawyers, Tran, Wongvipat, Jung, Chen, Ouk, Welsbie and Yoo and UC	P1, P2, P3 and RD162
Patent Application (also the PCT International filing date)	29-Mar-06	UC	RD162
PCT National Phase entry	13-Dec-07	UC	RD162
POA	23-Apr-08	UC	RD162
Assignment	07-Oct-08	Tran and HHMI	RD162
Assignment	14-Oct-08	Wongvipat and HHMI	RD162
Agent Assignment Agreement	29-Nov-09	Sawyers and UC	P1, P2, P3 and RD162

The US priority (Provisional applications) were filed in the name of the inventors and as is evident from the USPTO public records the assignment of P1, P2, P3 and RD162 was already on file on 29 August 2005 as is confirmed on the PCT application form Sawyers, Jung, Chen, Oak, Welsbie (employees of HHMI) assigned invention directly to UC during July and August 2005 and Tran, Wongvipat and Yoo assignment by law as employees of UC.

In the case of a national phase entry in South Africa of a PCT application, Rule 4.17 of the WIPO Rules provides as follows:

- 4.17 *Declarations Relating to National Requirements Referred to in Rule 51bis.1(a)(i) to (v)*
The request may, for the purposes of the national law applicable in one or more designated States, contain one or more of the following declarations, worded as prescribed by the Administrative Instructions:
- (i) a declaration as to the identity of the inventor, as referred to in Rule 51bis.1(a)(i);*
 - (ii) a declaration as to the applicant's entitlement, as at the international filing date, to apply for and be granted a patent, as referred to in Rule 51bis.1(a)(ii);*
 - (iii) a declaration as to the applicant's entitlement, as at the international filing date, to claim priority of the earlier application, as referred to in Rule 51bis.1(a)(iii);*

- (iv) a declaration of inventorship, as referred to in Rule 51bis.1(a)(iv), which shall be signed as prescribed by the Administrative Instructions;*
- (v) a declaration as to non-prejudicial disclosures or exceptions to lack of novelty, as referred to in Rule 51bis.1(a)(v).*

In South Africa, Practice Note 1 of 2023, published in the January 2023⁴ Patent Journal issued by the South African Companies and Intellectual Property Commission (CIPC), the formality requirements for assignments in patent applications were amended.

Previously, where an International PCT application claims priority from an earlier filed application in a Convention country, assignments were not required for filing in the South African PCT national phase application if the applicant in the international PCT application is identical to the applicant in the priority application. This exemption no longer applies, and assignments are to be filed unless suitable PCT 4.17 (ii) and (iii) declarations have been filed in the international PCT application, and a PCT IB306 published in the international PCT application exists that shows suitable chain of transfer.

The notice included, an added an exemption, that for all patent applications, assignments will not be required where a transfer of rights has occurred by operation of law, in which instance the name of the applicable legislation and section thereof will need to be included in a declaration contained in patent Form P.3.

It is clear from the judgment that the court did not consider the relevant evidence with regards to the assignment of inventors' rights to the Applicant at the time the PCT International Application was filed i.e. the deemed filing date of the South African patent application, and in our view this judgement should be appealed even on this ground alone. If we are to assume that the judgment is correct in interpreting the law that an assignment is required before an application is made, then on the facts of the case, the judge has erred, as the title to the invention was already assigned in 2005 before the filing date of the PCT International Application and thus the deemed filing date of the South African patent application. Some questions remain regarding the facts of the case and judgment:

- (1) Is the interpretation of the court correct in this instance on the meaning of acquiring, i.e. that the process of acquiring must be complete before the application, or is the correct interpretation that the assignment must be completed before the acceptance of the patent?
- (2) Which evidence is conclusive in determining the factual assignment? The documents lodged with the patent office by the applicant and inventors, or external evidence available and potentially contradicting the documents submitted to the patent office?
- (3) Even if the Court was correct in its finding that assignment had not taken place, should the Court not then have directed that the patent be granted in the name of the inventors rather than revoking the patent? ⁵

⁴ Patent E- Journal, 25 January 2023, Part II, Page 341 available here: [E_Journal_January 2023 Part 2.pdf](#)

⁵ Section 63 of the Patents Act provides that : After revocation on ground of fraud inventor may obtain patent in certain circumstances. Where a patent is revoked on the ground of fraud, or a patent fraudulently obtained has been surrendered and revoked, the commissioner may, on the application of the inventor of the relevant invention or his assignee or legal representative, made in accordance with the provisions of this Act, direct the grant to him of a patent for the whole or any part of the invention, bearing the same date as the patent so revoked.

Considerations for applicants and inventors

From a practical experience the following scenarios need to be considered if the judgement is not appealed or is upheld on appeal.

1. Provisional Application

a. Single inventor non-employee

A provisional application can be filed directly by the applicant/inventor, or by a patent attorney. In the event a provisional application is filed, it serves as the priority application. Where the applicant/inventor is not employed, there cannot be an assignment of the invention to an employer or other entity as it may not be possible to identify a future applicant at any date before applying for the patent. As this priority application is the base right to which a complete and/or convention application claims priority, is the absence of an assignment at the date of filing the complete or convention application in an assignee's name, rendering the priority claim, and thus the complete/convention application invalid?

Furthermore, a single inventor could be engaged as an independent consultant or could be the employee of a third party entity engaged for delivery of a service or related commercial transaction to the non-employer party. In this instance consulting/contracting agreements with non-employer clients should be concluded prior to any inventions conceived and include a clear and precise assignment of inventions from the potential inventor identifying the subject matter that is assigned with a specific right to the non-employer client with regards to application for patents resulting from the engagement. It is advisable that these agreements include a warrantee and indemnity that no earlier assignment to the same subject matter, or entitlement to claim ownership of any inventions made by the inventor to a third party, exists, and to the extent that it does, recall all earlier assignments⁶. If the invention is the result of collaboration between parties and the applicant is the non-employer, of the inventor, the necessary assignment between the applicant entities are to be addressed. Such an assignment should be cognisant of the operation of law that automatically assigns ownership of an invention, such as the Intellectual Property Rights Act of Publicly funded research institutions Act 2008 of 2010⁷ (the "IPR Act") where it is assumed that the IP so created belongs to the research institution and an assignment is a mere confirmation of the operation of law upon application for a patent.

b. Multiple inventors, non-employees

Section 27(2) of the Patents Act states that, in the absence of an agreement to the contrary, joint inventors may apply for a patent in equal undivided shares. The same challenges as discussed in a. above apply here. In the case of multiple inventors the additional complexity arise that there are different aspects of the invention as claimed that could have been created by the different inventors. The case may also arise that one of the inventors may not be interested in, or unwilling to participate in the application of the patent, refusing to sign an assignment document for example. Section 28(2) of the Patents Act state that

⁶ Unilateral contract revocation is enforceable where there is a legitimate ground, such that the earlier contract is no longer valid, or contained misrepresentation and fraudulent undertakings. It is essential to manage contracts and be fully aware of their contents and implications and not simply sign agreements without proper understanding of the limitations that may affect freedom to contract in any particular case.

⁷ *Intellectual property rights from publicly financed research and development act 51 of 2008* (no date) *Intellectual Property Rights from Publicly Financed Research and Development Act 51 of 2008* | South African Government. Available at: <https://www.gov.za/documents/acts/intellectual-property-rights-publicly-financed-research-and-development-act-51-2008> (Accessed: 13 April 2025).

if the commissioner is satisfied that a person, not being obliged thereto, is unable or unwilling to exercise his right to participate in an application for a patent, the commissioner may order that person to execute an assignment, in order that the application may be made without such participation: Provided that where it appears to the commissioner to be just and equitable, he may order the payment of compensation to the non-participating person. Section 28(3) provides that in any order declaring that a person has a right to the exclusion of any other person to apply for a patent, the commissioner may direct that such other person execute any deed of assignment that may be required and that such deed of assignment extend to countries outside the Republic. On a literal interpretation of clause 28, it appears that this assignment is required **before** the application for a patent is made. On a practical interpretation of clause, to not miss a priority date, it is possible that the intent of this provision is to address such dispute after the application has been made. It would make no sense to interpret it any differently. If however the interpretation as viewed by the court in the present case, patent applicants that rely on an assignment of rights from multiple inventors would have to seek written assignment from all inventors before any application of a provisional application may be brought.

c. Inventors who are publicly funded research institutions employees

As mentioned earlier, the IPR Act provides that any Publicly financed research and development undertaken and resulting in IP, by using any funds allocated for R&D by a funding agency, be it State, a state agency or an organ of State but excluding funds allocated for scholarships and bursaries, such IP is owned by the recipient of said funding. The IPR Act further applies to any Higher Education Institution, any Science Councils, any institution identified as such by the Minister of the Department of Science and Technology.

If a recipient does not wish to retain ownership of its IP may, after notifying NIPMO⁸ of its decision and furnishing full reasons therefor, afford the IP creator an opportunity to own the IP unless NIPMO elects to own and seek statutory protection of the IP. Where a private entity has co-financed the R&D, such private entity shall first be offered such opportunity to own the IP. A private entity may become a co-owner of the IP if it contributed to the resources, such as relevant background IP; if jointly created the IP; if appropriate arrangements are in place for IP benefit sharing with IP creators; and if the institution and the private entity conclude an agreement for the commercialisation of the IP.

In the case where a private entity fund such R&D on a full cost basis, as defined in regulations to the IPR Act, the IP is not deemed to be publicly financed R&D and the Act does not apply.

Patent applicants that wish to own the IP emanating from Publicly funded research should include full cost provisions in the R&D agreements and clearly address the assignment of IP in the R&D contracts including the full assignment of the inventor researchers. This is especially so where researchers are not necessarily employed by the institution contracted with. Care should be taken on visiting researchers that may be subject to their institution's IP policies regarding IP assignment, or even more complex from another country where legislation to automatic IP rights exists, or IP laws that has specific requirements for a

⁸ The National Intellectual Property Management Office

valid assignment for inventors from the country⁹. R&D contracts with entities that are subject to the application of the IPR Act should include provisions for

d. Inventors with employment contract

There is no explicit provision in the South African Patents Act that an invention created by an employee necessarily belongs to the Employer. There is however a deemed provision in view of Section 59:

- (1) *Subject to the provisions of section 39 (7)¹⁰, the rights vested in a patentee or an applicant for a patent shall be capable of assignment and of devolution by operation of law.*
- (2) *Any condition in a contract of employment which— (a) requires an employee to assign to his employer an invention made by him otherwise than within the course and scope of his employment; or restricts the right of an employee in an invention made by him more than one year after the termination of the contract of employment, shall be null and void.*

The approach of the legislature is that an invention made by an employee within the course and scope of employment would rightfully be the property of the employer. According to Burrell¹¹ the inquiry is two-fold: (1) was the invention made by the employee in the course and scope of employment; and (2) is there a contractual relationship between the employee and the employer entitling the employee to any rights in respect of the invention. The contract need not be in writing, it can be an oral agreement.

Employers should thus be very clear on any entitlement that an employee may have or retain in the event of a patent application. Although not required, it is advisable to have the IP assignment and full title transfer addressed in the agreement and specifically consider including clear definitions of what is considered or deemed to be in course and scope of employment. No other assignment is required and any invention made in course and scope of employment is deemed to have been assigned by operation of law. Assignment documents filed at the South African patent office should reflect a “confirmation” of assignment and should clearly indicate in the assignment confirmation that the right of assignment was acquired before the application date as a consequence of employment.

2. Complete Application

a. Claims priority from Provisional application

Section 31(1) of the Patents Act provides that:

An application accompanied by a complete specification may claim priority from— (a) the date of the lodging of a prior application relating to the same subject-matter, accompanied by a provisional specification; or ... (c) the date of an application in a convention country relating to the same subject-matter, provided— (iv) the applicant in the application claiming priority is the proprietor of the prior application referred to in paragraph (a) ... or of the application in the convention country referred to in paragraph (c), or the applicant has acquired the right to claim priority in the Republic.

⁹ Some countries such as Italy requires a foreign patent license where a national inventor assigns rights to a non-Italian applicant **prior** to an application being filed; other jurisdictions requires an application to be filed in the country of nationality of the inventor with waivers to be requested **prior** to any such “foreign” application being made.

¹⁰¹⁰ A patent for a main invention and its patent of addition shall not be capable of assignment apart from one another.

¹¹ Burrell, T.D. (2016) *Burrell's South African Patent and design law*. Durban: LexisNexis Chapter 6.22, p 277

Following the judgment a quo, if the assignment is flawed at the provisional stage it holds that the application on completion will not comply with the requirement of an assignment before the application is made and therefore the applicant would not be able to claim priority. It is thus essential that applicants ensure that inventions are properly assigned **before** application of the complete application, or that the priority right is assigned to the applicant prior to application for a completed application.

b. Convention Application (in another jurisdiction - their laws of IP ownership)

According to the Patents Act, a Convention Application

means an application for a patent made in the Republic which claims priority from a relevant application in a convention country;” and

convention country”, in relation to any provision of this Act, means any country, including any group of countries and any territory for whose international relations another country is responsible, which the President has with a view to the fulfilment of any treaty, convention, arrangement or engagement, by proclamation in the Gazette declared to be a convention country for the purposes of such provision; and the expressions “convention aircraft”, “convention land vehicle” and “convention vessel” have corresponding meanings.

Section 31 (1) (c) of the Patents Act states that:

*An application accompanied by a complete specification may claim priority from the date of an application in a convention country relating to the same subject-matter, provided—in the case of an application claiming priority in terms of paragraph (a) or (b) the prior application was lodged not earlier than one year before or, on payment of the prescribed fee, not earlier than 15 months before, the date of the application claiming priority; and in the case of an application claiming priority in terms of paragraph (c) the application in the convention country was lodged not earlier than one year before the convention application and was the first application in any convention country in respect of the relevant invention; **and** the applicant in the application claiming priority is the proprietor of the prior application referred to in paragraph (a) or (b) or of the application in the convention country referred to in paragraph (c), or the applicant has acquired the right to claim priority in the Republic.*

Although there is continuous attempts to harmonise patent laws internationally, countries patent laws do vary and particularly requirements for assignment, including whether assignment of right to ownership of an invention is by operation of law, required to be in writing, timing of assignment before or after filing of an application and the provisions for employer-employee relationship with regards to assignment of inventions differ from country to country.

Where the legal requirements for the assignment of rights are different in the priority country the application is at risk if it does not meet the South African requirements. This is even more so if the inventors are from different countries with different laws to South Africa. The requirement of assignment and clear entitlement to ownership of the invention before application for a patent will have severe legal and commercial impact, which could not have been the intent of the law.

c. Other aspects to consider:

(1) Added inventors

Where inventors are added due to added matter since the priority patent application has been filed, a specific assignment of the added matter by the inventor creating the added matter must be obtained before the complete application, or patent of addition is filed.

(2) PCT Application National Phase

A PCT national phase application is a one-time submission to apply for a patent through member states of the Patent Cooperation Treaty (PCT). This streamlined process provides patent protection while adhering to each nation's individual requirements. A South African patent application which is a PCT national phase application is deemed to have as its filing date, despite the actual date of lodging of National Phase entry documents being later, the date of the PCT application filing date.

As mentioned earlier, in terms of South African patent law, assignment of an invention is not required where a transfer of rights has occurred by operation of law, in which instance the name of the applicable legislation and section thereof will need to be included in a declaration contained in the Form P.3 or where under PCT 4.17 (ii) and (iii) declarations have been filed in the international PCT application, and a PCT IB306 published in the international PCT application exists that shows suitable chain of transfer.

(3) Same applicant as priority application

Where the applicant is the same applicant for the complete application as for the priority application, and provided that the applicant has acquired its rights by assignment of the priority application, no additional proof of entitlement should be required.

(4) Different applicant than priority application

Where the applicant differs from the priority application, evidence of the assignment of the priority rights and entitlement to the invention **prior** to application for a complete application should be in place.

(5) Same applicant as PCT application

Where the applicant is the same applicant as for the PCT application no additional proof of entitlement should be required provided that the PCT 4.17 (ii) and (iii) declarations have been filed in the PCT application.

(6) Different applicant from PCT applicant i.e. assignment during international Phase

Where the applicant in the national phase application differs from the applicant of the PCT application, evidence of the assignment of the rights and entitlement to the invention as filed under the PCT

application **prior** to application for a national validation in South Africa should be in place.

3. Commercial matters for consideration

In addition to the patent application itself, other factors that are to be considered in the assignment of inventions from inventors to applicants are:

a. IP Policies

Many companies and research institutions have implemented IP Policies that defines the ownership of IP Rights. Often these policies provide for IP to automatically reside with the company or institution, whether employed or not. By accepting the terms and conditions of engagement, these policies are accepted and no further IP assignment is required. The mere acceptance of these policies is an assignment of any IP created by an inventor engaged under the standard terms. IP Policies will have to be carefully drafted to ensure that an opt out or opt in completes the assignment.

b. Assignment documents with an “effective date”

Many Deeds of Assignment and Assignments of Invention have a clause or statement that the effective date thereof is prior to the signing thereof. Where this “effective date” predates that filing date of the patent application (whether a PCT National Phase, a Convention Application, or a First Instance Application) it remains to be seen whether this will be held to satisfy the requirement that the rights are to be assigned before the application is filed, should the position in the present judgement under discussion be final.

c. Commercial contractual arrangements between business partners with respect to IP assignment and patent prosecution in particular.

Assignments are perfectly valid and legally enforceable without being recorded at the PTO. It is however crucial that inter partes the assignment is executed. A patent assignment document must comprise certain crucial elements to effectively convey the intent to transfer patent rights, including a clear description of the patent rights being assigned, the identities and capacities of the assignor and assignee, and the terms and conditions governing the assignment. The document should accurately identify the parties involved, specifying their capacities and designations, and describe the patent rights being transferred, including the patent number, title, and relevant details. It is necessary to include the effective date of the assignment and the consideration, if any, exchanged for the transfer of rights. Leveraging standardized assignment templates can help guarantee that all necessary elements are included. Additionally, the use of electronic signatures can facilitate the execution of the assignment document, providing a secure and efficient means of authentication. The assignment document should be drafted in a clear and concise manner, avoiding ambiguity and certifying that the parties' intentions are accurately reflected. By including these crucial elements, the patent assignment document can effectively convey the transfer of patent rights, providing a clear and binding agreement between the parties involved.

Recording the assignment at the patent office is not a legal requirement and does not affect the validity of the patent but it does provide public notice of the change in patent ownership.

As these rights come into effect generally after patent application, the case a quo should have no bearing on assignments between owners post application.

d. Exchange Control – South African Reserve bank (SARB)

Exchange control refers to government-imposed restrictions on the movement of currency and capital across national borders. In South Africa, exchange control is regulated by the South African Reserve Bank (SARB) and administered by the Financial Surveillance Department (FinSurv).

In terms of the Exchange Control Act and Exchange Control Regulations of 1961¹² read together with the Currency and Exchanges Manual for Authorised Dealers (Authorised Dealer Manual), which contains, inter alia, the permissions and conditions applicable to transactions in foreign exchange that may be undertaken by Authorised Dealers and/or on behalf of their clients.

Exchange Control Regulation 10(1)(c) restricts the export of capital or any right to capital from the Republic. No person is allowed to enter into any transaction that directly or indirectly exports capital or any right to capital from the Republic without permission granted by the Treasury and in accordance with such conditions as the Treasury may impose.

Since the *Oilwell (Pty) Ltd v Protec International Ltd and Others* (2011 (4) SA 394 (SCA)) [2011] ZASCA 29; 295/10 (18 March 2011)¹³ an amendment to the Exchange Control Regulations¹⁴ dated 8 June 2012 were implemented.

Originally Regulation 10(1)(c) read:

“10.(1) No person shall, except with permission granted by the Treasury and in accordance with such conditions as the Treasury may impose –

...

(c) enter into any transaction whereby capital or any right to capital is directly or indirectly exported from the Republic.”

The amendment added the following sub-regulations:

For the purposes of sub-regulation (1)(c) [of Regulation 10]-

¹² *South African Exchange control regulations, 1961*. Available at: <https://www.resbank.co.za/content/dam/sarb/what-we-do/financial-surveillance/financial-surveillance-documents/Exchange%20Control%20Regulations,%201961.pdf> (Accessed: 14 April 2025).

¹³ *Oilwell (Pty)Ltd v Protec International Ltd and others* (2011 (4) SA 394 (SCA)) [2011] ZASCA 29; 295/10 (18 March 2011). Available at: <http://www.saflii.org/za/cases/ZASCA/2011/29.html> (Accessed: 14 April 2025).

¹⁴ South African Government Notice, Notice Number 35430, (8 June 2012). Available at: https://www.gov.za/sites/default/files/gcis_document/201409/35672rg9824gon733.pdf (Accessed: 13 April 2025).

(a) "capital" shall include, without derogating from the generality of that term, any intellectual property right, whether registered or unregistered; and

(b) "exported from the Republic" shall include, without derogating from the generality of that term, the cession of, the creation of a hypothec or other form of security over, or the assignment or transfer of any intellectual property right, to or in favour of a person who is not resident in the Republic.

This change brought about that any IP transferred from a South African entity (or individual) to a foreign entity requires SARB approval failing which the transaction would be considered void.

In March 2017 the SARB proposed certain new exemptions relating to the sale and licensing of Intellectual Property (IP) from South African residents to foreign entities. These exemptions are well received and indeed a relaxation toward stringent exchange. These requirement were relaxed through Exchange Control Circular no. 7 of 2017 and no. 8 of March 2017 consequently issued FinSurv providing that:

Authorised dealers may, however approve the outright sale, transference and assignment of intellectual property by a South African resident, excluding mandated state owned companies as defined in schedule 2 of the Public Finance Management Act, 1999 (Act no. 1 of 1999) to unrelated non-resident parties at an arms' length and a fair and market related price, provided that authorised dealers view the sale, transfer or assignment agreement and the provision of an auditor's letter or intellectual property valuation certificate confirming the basis of calculating the sale price. The abovementioned dispensation excludes sale and lease back agreements.

In many instances the assignment of IP rights are addressed and formalised after the filing of a patent application pending the outcome of the authorised dealer's decision on the IP assignment and thus not practical for an assignment to be effective until the required authorisation has been obtained.

As the application to SARB, or its authorised dealer, requires the existence and identification of the relevant IP before any assignment will be considered, the judgment has the consequence that any patent application which entails a foreign assignment will be invalid as in most cases prior assignment won't be practical due to the SARB approval process requirements. Surely this cannot be the intent.

4. What is acceptable evidence of assignment of rights by an inventor or the automatic right to the invention of an employee (or in case of a consultant)

The Patent Act is explicit on the requirements to be met on application for a patent. Section 30(4) states that:

"Any person other than the inventor making or joining in an application for a patent shall in the prescribed manner furnish such proof of his title or authority to apply for a patent as may be prescribed."

Regulation 22 (d) prescribes that where the applicant has acquired a right to apply from the inventor, the requirements are to furnish an assignment or other proof, to the satisfaction of the registrar, of the right of the applicant to apply;

Regulation 23 defines that for a convention application, if not made by the applicant in the convention country, shall also contain an assignment or other C, of the applicant's right to claim priority.

Regulation 24 defines that an application claiming priority under the Act from any prior application to the patent office shall contain a copy, in duplicate, on form P 2 of such prior application as well as the specification lodged in support of such prior application.

Regulation 58 that addresses Title to and interest in inventions, patent applications and patents, requires that an application for the recording of an assignment, to be made in duplicate on form P 16 accompanied by proof of title of such assignment.

It is apparent that the evidence required is the evidence submitted by the applicant in support of the assignment to the patent office. What constitutes "proof, to the satisfaction of the registrar, of the right of the applicant to apply" should be based on acceptable and current practice at the patent office.

Advice to clients is that care should be taken that contradictory assignments, or multiple assignments of the same subject matter does not exist and where it does to address such discrepancies by a confirmation of assignment of the earlier assignment, rather than a fresh assignment.

In conclusion

Requirements differ by jurisdiction and what is acceptable practice in one may not be acceptable in another jurisdiction. It is thus important to understand the laws and practice where there is an intention to file a patent application before it is filed.

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