NEWSLETTER

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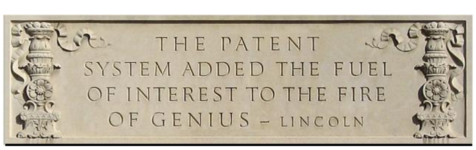

FROM THE EDITOR

Dr. MM Kleyn

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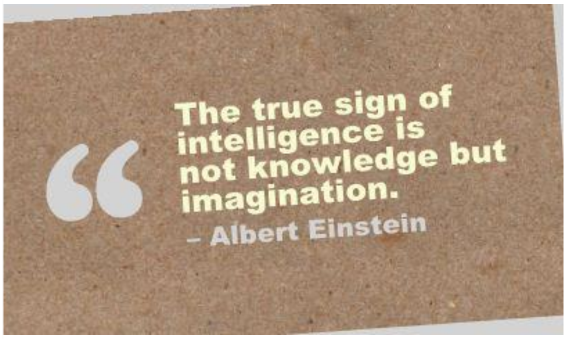
Quite some activity since our first newsletter was published in 2015!

The abuse of transfer pricing is of concern to governments worldwide and tax authorities around the globe continue to increase enforcement of transfer pricing issues, and therefore, compliance requirements on taxpayers. Arm's-length consideration for intangible asset transfers must be commensurate with the income attributable to the intangible. Opportunity for public comments on the Davis Tax Committee's first interim report published on 23 December 2014, addressing base erosion and profit shifting closed on 23 March 2015. In our next issue we include a brief overview of the implications for South African IP owners.

Since 2000, the member states of WIPO have been celebrating April 26 as designated World IP Day with the aim of increasing global IP awareness. This year the focus was on music and the arts as driving technological innovation. South Africa participated in the event through the Companies and Intellectual Property Commission (CIPC) in partnership with the Department of Trade and Industry (the dti), the National Intellectual Property Management Office (NIPMO) and the South African State Theatre at the State Theatre Precinct in Pretoria, on 24 April 2015 with the theme Get Up, Stand Up For Your Rights.

On the legislative front, we have seen various bill amendments in the past few months affecting rights of IP owners. The Traditional Knowledge bill, new Food law regulations, Promotion and protection of investment bill and the most recent the Copyright Amendment bill. Many, if not all, of these bills have lifted more than one IP professional proverbial brow. Please review and comment on the recently published Copyright amendment bill. Comments are due by 26 August 2015 and it is essential that our voices be heard!

BRAND MAKE-OVER



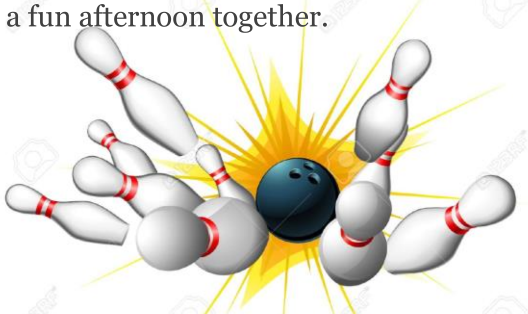
We feel a little invisible and need a brand make-over.

Some of our readers were not aware of the deadline for our "New Name" competition, and some were just not interested. So let's try this again....we hereby offer some excellent wine to the winner! Deadline for the new name competition is extended until the end of September 2015! Thank you to those who have submitted nominations. All entries will be duly considered.

EVENTS CALENDAR

The Functions committee kicked off this year with the first ever **Ten Pin Bowling** event at the Eco Boulevard, Centurion on 12 June 2015.

Over 70 members of the SA Institute of IP Law stepped away from their desks last Friday, 12 June 2015, to take part in this pleasant event which allowed members to spend a fun afternoon together.



The President, Mr Johnny Fiandeiro presented the trophies to the winners at the end of the event.

The winner of the men's competition was Matthew Russell from Adams & Adams whilst Noelle Pearson from Smit & van Wyk Attorneys walked away with the ladies trophy.

The ladies **event** held on 7 August 2015 took the form of a high tea at Belle's Patisserie in Pretoria. With 51 ladies in attendance, we enjoyed a relaxing afternoon of tasty treats, bubbly and mingling with our female colleagues. With a great mix of young and old(er), the ladies caught up and also forged new friendships.

A big thank you to Saronsberg for providing and sponsoring the alcoholic refreshments!"

Remaining events for 2015:

4 Sept – Golf day

7 November -Dinner

11 November – AGM

"Converting Copyright into Copywrong"

Prof. Owen Dean

Chair of Intellectual Property Law, Department of Mercantile Law, Faculty of Law, Stellenbosch University

A draft Copyright Amendment Bill has been published for comment in Government Gazette no. 39028 dated 27 July 2015. The public at large have been given a period of thirty days from publication to comment on this Bill, i.e. until 26 August 2015. By virtue of the far-reaching and controversial nature of the Bill, and its complexity, it is submitted that this period for comment is woefully inadequate and that it does not afford interested parties a fair opportunity to formulate and voice their opinions. A serious question mark must thus be raised as to whether this process constitutes proper consultation with the public regarding the Bill and its consequences and implications.

Space does not allow for commentary on the detail of the draft Bill.

Some general observations are, however, offered. It must regrettably be said that the Bill is extremely badly drafted and is very difficult, if not virtually impossible, to comprehend. The use of language and grammar is poor and it is riddled with editorial errors. It is full of contradictions and anomalies and it pays scant regard to many of the basic principles of copyright law (and indeed other laws). It is also at variance with the South African Constitution in many respects. With the greatest respect, it is ill-conceived and very badly executed. This makes the document a very poor basis for conducting a meaningful discourse on what the Bill is actually seeking to achieve. It is also a nigh impossible task to comment properly in specific terms on the contents of the document.
This situation is most unfortunate because certain of the topics addressed in the Bill are matters which are crying out for redress (which is long overdue) and the Bill does well to deal with them. Examples are provisions dealing with Digital Rights Management, expanded restricted acts to cater for use on the internet, broadened exemptions from infringement inter alia to cover use of works for purposes of parody, and making allowance for uses of works to meet the needs of the visually impaired. There is thus considerable value in principle to the Bill. The pity is, however, that the Bill is so fraught with blemishes that the potential good that it may do is lost. Moreover, such is the poor state of the Bill that it is not really capable of being repaired on a piecemeal basis. What is required is that it should be completely re-drafted to bring it up to an acceptable standard and thereafter it can provide the basis for useful discussions and debates which could lead to it developing into competent draft legislation suitable for submission to Parliament for its consideration and adoption.

If this Bill becomes law and the Copyright Act is amended accordingly it will do inestimable harm to our copyright law and will cause it to plunge into a freefall leading to decline.

For instance it seeks to provide for performer's protection in duplication of the Performers Protection Act, abrogates the principle of national treatment enshrined in the Berne Convention and the TRIPS Agreement by unashamedly disadvantaging foreign works, curtails the term of copyright assignments to twenty-five years across the board, introduces state control over licensing, and provides for the state to become the owner and licensor of "orphan works" the copyright in which will be perpetual (thus providing an endless stream of royalties flowing into the state's coffers). What was more or less right with our copyright law (albeit being somewhat superannuated) will go horribly wrong, to the detriment of users and rights holders alike. This cannot be allowed to happen and must be resisted at all costs.

Your country needs you!

PATENT PROSECUTION HIGHWAY

Madelein Kleyn

Madelein is a South African patent attorney and the Corporate Counsel and General Manager Legal and Intellectual property of Oro Agri International Ltd, a global company that manufactures and sells environmentally friendly agriculture products.

The main aim of the PPH programme is work sharing aimed at improving the efficiency in the patent application process.

The Patent Prosecution Highway (PPH) is a procedural mechanism whereby patent examination can be accelerated in countries participating in bilateral or multilateral international agreements. The programme is based on the sharing of search and examination results between offices participating in the PPH programme to allow applicants to obtain patents faster and more efficiently.

Specifically, an applicant having first filed an application with an Office of First Filing (OFF) for which at least one or more claims are determined to be patentable, may request an Office of Second Filing (OSF) for accelerated examination of a corresponding application. The PPH is not a mechanism of mutual recognition among countries for substantive issues, but merely a mutual use of work products as an accelerating mechanism for applicants to facilitate the examination process; the individual countries still have to go through the substantive examinations or other examination procedures (work products) on the patent applications pursuant to their respective patent laws.

There are various PPH pilot programmes that exist the most recent being the Global Patent Prosecution Highway (GPPH) and the IP5 PPH both launched on 6 January 2014.

The Global PPH and IP5 PPH pilot programmes run concurrently and are substantially identical, it differs only with regard to their respective participating offices. Under the IP5 PPH pilot programme a PPH request can be based either on the latest PCT work product (written opinion of the ISA (WO-ISA) or international preliminary examination report (IPER)) established by one of the IP5 Offices as ISA or IPEA; or on the national work product established during the processing of a national application or a PCT application that has entered the national phase before one of the IP5 Offices, where this work product determines one or more claims to be patentable/allowable.

More recently (on 6 June 2015) the German Patent and Trade Mark Office (DPMA) and the Estonian Patent Office joined the GPPH pilot and on 30 June 2015 Brazil and the United States Patent and Trademark Office (USPTO) announced that the U.S. and Brazil signed a "Joint Statement on Patent Work Sharing".

Difference between GPHH and IP5PPH

The GPPH pilot programme includes 21 participating offices. Under the GPPH, you have the option of making a request to any or all of the participating offices based on the work products.

The IP5 PPH is a pilot programme for a period of three years ending on 5 January 2017 between the five patent offices of European Patent Office (EPO), Japan Patent Office (JPO), Korean Intellectual Property Office (KIPO), State Intellectual Property Office of the People's Republic of China (SIPO) and United States Patent and Trademark Office.

Advantages of using the PPH: Accelerated prosecution; Substantial time and cost savings : the sharing of work performed by a PPH-partner office will reduce the number of office actions that an applicant might have to address, resulting in substantial time and cost savings; and Improved quality search and examination results

Disadvantages of using the PPH: Not all pending patent applications qualify for PPH application, to qualify certain strict criteria must be met, most importantly the PPH application must be filed in the OSF before a first office action issues in the OSF; secondly the specification and claims of the application at the OSF must be sufficiently closely related to the specification and claims of the application of the OFF. Another more concerning drawback is that certain claim amendments allowed in the OFF may not be allowable in the OSF, or alternatively broader claims that are available in the OSF may have been narrowed down during prosecution in the OFF thus rendering narrower protection.

An example would be where the OFF is the USPTO and the OSF is the EPO: objections based on prior art under 35 USC §102(e) is not considered to be prior art under the EPC and obviousness objection based on combinations of permissible prior art references is treated differently by these two offices. PHH applications do not always result in the grant of a patent at the OSF and may even be rejected, which may potentially impact on the commercial value of the granted patent, especially in case of agreements, such as licenses, that may be associated with the patented technology.

Documents required for a PPH application generally are a PPH request form; copies with translation into the official language of the OSF of all office actions in the OFF; copies with translation of all claims allowed in the OFF; copies of prior art references cited during prosecution in the OFF (and potentially any prior art references in corresponding patent applications) and an explanation of the corresponding claims, or a list of corresponding claims.

As a South African business, although South Africa is not member to any of the PPH agreements due to the lack of substantive examination procedures, companies may still use the PPH programme for its foreign patent applications. By using the PPH, companies can get issued claims earlier, and use those as leverage in commercial arrangements such as patent licensing, cross-licensing negotiations, earlier enforcement of patent rights, earlier exclusivity in the market. It is an additional IP strategy to consider where faster grant of patents are of importance.

One factor to consider though before embarking on this route is the breadth of claim scope required so as to approach the PPH member offices in an appropriate manner.

This is a true strategic possibility for IP owners!

NIPMO – FIVE YEARS YOUNG!!!

Kerry Faul

Kerry Faul was appointed, as of 1 December 2013, as the Head of the National Intellectual Property Management Office (NIPMO), a specialised service delivery unit within the Department of Science and Technology.

The National Development Plan ("NDP") has identified science and technology as one of the key drivers of change and goes on to say that "*Innovation is the primary driver of technological growth and drives higher living standards*" with intellectual property ("IP") and the associated rights universally accepted as a critical aspect in innovation and subsequent economic growth. On 2 August 2015, the National Intellectual Property Management Office ("NIPMO") celebrated its "wood" anniversary with the passing of five years since publication of the Proclamation for the commencement of the Intellectual Property Rights from Publicly Financed Research and Development Act ("IPR Act") in the *Government Gazette*.

The high level objective of the IPR Act is to ensure that research and development ("R&D") conducted using public funds results, where appropriate, in products, services or processes that end up in the marketplace and which have an impact on the lives of the average South African. In this manner, NIPMO is expected to drive an increasing rate of knowledge utilisation from publicly funded R&D thereby contributing towards enhanced economic development in South Africa.

NIPMO has been established as a specialised service delivery unit ("SSDU") within the Department of Science and Technology ("Department"), the first such unit established by the South African Government, employing thirteen full time permanent employees. The SSDU's organisational form gives NIPMO the ability to perform its operational functions as set out in the IPR Act.

NIPMO operates through a combination of a *regulatory and enabling function* via the management of compliance with the requirements of the IPR Act which is leveraged through the provision of incentives (financial and non-financial).

In terms of the IPR Act, offices of technology transfer ("OTTs") had to be established at all research institutions within 12 months of the IPR Act coming into effect, i.e. by 2 August 2011. As institutions struggled to find the financial resources required to establish OTTs, NIPMO has provided financial support via the OTT Support Fund (just short of R65 million) to institutions (21 institutions and 2 regional offices) to employ human resources (including regional technology transfer ("TT") managers, IP Analysts, IP Officers, Legal Advisors, Licensing coordinators, Business Development Officer and IP Scouts) to perform the required OTT functions. *To date, 66 posts for highly skilled individuals (in law, finance, commerce and/or technical matters) have been created through NIPMO funding.*

NIPMO is further responsible for the approval of various IP transactions, including local and offshore assignment of publicly financed IP as well the approval of offshore exclusive licenses. Before a recipient of public funds can release publicly funded IP into the public domain (as it elects not to retain statutory protection or not to retain ownership), it has to apply to NIPMO for prior approval so that NIPMO can assess whether any benefit to the Republic can be realized.

It's not surprising that due to the stage of infancy of TT in South Africa and the IPR Act, advocacy and awareness as well as formal training initiatives form a major part of the change management and capacity development initiatives that NIPMO run. A number of strategic partnerships have been formed with amongst others, World Intellectual Property Organisation ("WIPO"), the Companies and Intellectual Property Commission ("CIPC"), and the Southern African Research and Innovation Management Association ("SARIMA") in an effort to dispel the "publish or perish" mantra at institutions that drives researchers to put their ideas in the public domain as quickly as possible, moving towards "innovate to thrive"!

One of the challenges identified in the IP protection process is the lack of financial resources at institutions to prosecute and maintain publicly financed IP. The IP Fund, established in terms of section 13 of the IPR Act, was established to provide financial support in the form of a rebate for IP protection and maintenance costs incurred by institutions. So far, following an assessment of allowable costs as set out in a NIPMO guideline, in excess of R61 million has been awarded to institutions for proactively seeking to protect the IP that has arisen from publicly funded R&D activities in their environment. This means that our institutions have incurred costs over R130 or so million – not an insignificant figure!

In execution of the regulatory function, NIPMO has provided a number of guidelines, practice notes and interpretation notes for assisting institutions in interpreting and applying the IPR Act in their environment.

By 30 June 2015, NIPMO has received 961 IP status and commercialisation reports (IP7 forms) for IP generated after 2 August 2010 following a R&D activity. In terms of the IPR Act, OTTs at institutions are required to submit these forms to NIPMO every six months. These IP reports disclose to NIPMO the type of IP generated and its commercialisation status (i.e. whether the IP is under evaluation, protected, licensed (with no revenue yet accruing to the institution) or commercialised (revenue is accruing to the organisation).

These disclosures provide NIPMO with an indication of the R&D projects that have potential for application for South Africa's economic benefit or the public good. Of the 961 disclosures reported, about 897 are still active (i.e. the IP disclosed has commercialisation potential and is worth protecting), of which 89 matured into patents, or other form of statutory protection, and 42 disclosures have been licensed and/or commercialized. These statistics are encouraging, considering that they represent IP generated after 2 August 2010, IP rights being acquired and licence agreements being concluded, products sold and revenue accruing to the institutions. If one considers that over the years of Bayh-Dole (USA), 82 institutions have reported an income of USD36.8 billion, and the creation of 15 741 jobs from start-up companies. The potential impact of this work for South Africa is worth noting.

It is clear that at five years young, a number of challenges still remain including demystification around the interpretation and application of the IPR Act, general compliance to the IPR Act (especially with recipients of public funds who are not institutions), and senior management support at a large number of institutions for this so called "third stream activity".

Watch this space!

AN OVERVIEW OF SOUTH AFRICAN EXCHANGE CONTROL CONSIDERATIONS

CHRIS BULL

Chris is a Director of ENSafrica and holds the degrees of BSc (Chemical Engineering) and LLB. Chris is a Patent Attorney (South African Institute of Intellectual Property Law) and a Certified Licensing Professional® (CLP). He is also admitted as an attorney and notary public of the High Court of South Africa

South African exchange control considerations are central to any South African company contemplating a cross border transaction involving intellectual property. This may be an intra-group transaction or an arm's length transaction with a third party.

These considerations apply equally to sales and licences of intellectual property and to South African companies with international operations looking to establish an IP holding company, whether in South Africa or abroad. Often the assumption is made (incorrectly) that exchange control considerations don't apply to intra-group arrangements to share the use of brands and technology intellectual property assets, or that exchange control considerations don't relate to certain types of intellectual property transactions, such as licences.

South African Exchange Control Regulations

Debate has raged over many decades about the extent to which intellectual property is impacted by South African exchange control considerations. In fact, some of the recent enquiries by the South African tax authorities relate to approvals that were given on transactions dating back to the early 1990s. Without laying out a full history of this debate at a practical level the current position can best be explained by starting with the amendments that were gazetted to the South African Exchange Control Regulations on 8 June 2012. These amendments confirm in broad terms that cross-border transactions involving intellectual property are subject to exchange control regulations.

Debates continue about the constitutionality and legality of these regulations. Various academic arguments have also been put forward that the exchange control regulations as currently formulated may not apply to intellectual property registered in foreign countries in the name of South African companies. Some of these arguments have merit and other less so. What is clear is that the South African Reserve Bank is unambiguous about the way in which it is implementing these regulations in practice.

With time these academic debates will be resolved, but until then South African companies are prudent to adopt a cautious approach in the way in which they manage their international affairs relating to their intellectual property assets. Since June 2012 we have seen a number of intellectual property transactions fail and patent and trade mark infringement actions having to be settled as this issue was overlooked or clients chose to follow an interpretation given to the legislation which was inconsistent with the approach being adopted by the South African exchange control and tax authorities.

Taking a closer look at the regulations it will be noted that it doesn't only affect transactions where, for example, there is a sale of a patent or a trade mark from South African company to a foreign entity but also has significant implications for South African companies that have their intellectual property being used in other countries, whether under a formal licensing arrangement or informally. In many respects the less formal authorisation of the use of a brand or trade mark is more problematic.

The Oilwell Case - The changes to the exchange control regulations were made in response to the decision of the Supreme Court of Appeal during 2012 in the Oilwell case (Oilwell (Pty) Ltd v Protec International Ltd (295/10) [2011] ZASCA 29).

In the Oilwell case the Supreme Court of Appeal was asked to consider whether the sale of intellectual property between a South African resident and an offshore entity fell within the Exchange Control Regulations and thus required approval under the regulations. The Court found that intellectual property transactions of this sort did not fall within the ambit of the Regulations.

Many South African companies entering into cross-border transactions involving intellectual property continued to adopt a cautious approach and even after the Oilwell decision were still applying to the South African Reserve Bank for approval of their intellectual property transactions. Time has shown that this caution was justified in light of recent action taken by the South African exchange control and tax authorities.

Regulation 10(1)(c)- Prior to the amendment to the Exchange Control Regulations that came into effect on 8 June 2012 the relevant provisions of the Exchange Control Regulations (regulation 10(1)(c)) provided that:

"No person shall, except with permission granted by the Treasury and in accordance with such conditions as the Treasury may impose…..enter into any transaction whereby capital or any right to capital is directly or indirectly exported from the Republic"

In essence the debate prior to the Oilwell case was around whether the word "capital", as used in this regulation included intellectual property rights, and if so, which intellectual property rights – only those protected by registration, those protected by legislation or also those established by common law.

Regulation 10(4) - The amendment that was made to the regulations on 8 June 2012 was intended to bring clarity to these issues.

The amendment introduction a new regulation 10(4), which provides that:

"For the purposes of sub-regulation (1) (c)-

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

"export from the Republic" shall include, without derogating from the generality of the 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."

The amendment that was made to the Exchange Control Regulations confirmed the position that prior approval is required from the exchange control authorities for cross-border transactions involving intellectual property.

Interestingly the regulation covers both registered and unregistered intellectual property rights. In other words it is broader than patents, registered designs and trade marks and certainly includes copyright. Whether it includes know-how is not clear but once again a cautious approach is warranted particularly where the consequences of not obtaining the necessary approval are so severe. Here I am not referring to the criminal sanctions under the Act but rather that it brings into question the validity of the transaction. This may in turn bring in to question not only the ownership of intellectual property rights but also the validity of subsequent patent and trade mark filings.

What is also noteworthy about the amendment is that the Regulation now covers a wide variety of transactions including sales, assignments, security interests and more broadly a "transfer of any intellectual property right".

From an intellectual property law perspective the language that has been used in regulation 10(4) leaves some distinctly grey areas when it comes to interpretation of the scope of intellectual property covered by the regulations.

Exchange Control Approval Process

The Financial Surveillance Department ("FSD") of the South African Reserve Bank is the body that is responsible for handling applications for approval that are made under these regulations.

The FSD has provided the following guidance to its Authorised Dealers handling exchange control applications for cross-border transactions.

"Requests by South African resident individuals and/or corporates to sell, cede or transfer IP to unrelated third party non-residents for a fair and market related price – An exchange control application should be lodged via an Authorised Dealer with the Financial Surveillance Department ("FinSurv") of the South African Reserve Bank who would consider such requests provided the price to be paid is fair and market related.

Requests by South African resident individuals and/or corporates to sell, cede or transfer IP to related non-resident parties (i.e. family or a parent company, associate company or a subsidiary company for a fair and market related price - An exchange control application may be lodged via an Authorised Dealer with FinSurv but such applications are in most instances declined since it is contrary to the current exchange control policy in force.

Requests by South African resident individuals and/or corporates to license South African IP to unrelated third party non-residents for a fair and market related royalty - Such requests do not require the prior approval of FinSurv but if the Licensor submits an application via an Authorised Dealer, it will normally be approved for the term of the agreement. A condition of the approval is that all royalties received should be repatriated to South Africa and be converted to Rand within 30 days of such royalty having been paid.

Requests by South African resident individuals and/or corporates to license South African IP to related party non-residents for a fair and market *related royalty - Such requests do require the prior approval of FinSurv but will normally on application via an Authorised Dealer be approved for the term of the agreement. A condition of the approval is that all royalties received should be repatriated to South Africa and be converted to Rand within 30 days of such royalty having been paid.*

Requests by South African resident individuals and/or corporates to license South African IP to related and unrelated third party non-residents for no royalty or for a royalty which is below fair and market related value - An exchange control application should be lodged via an Authorised Dealer with FinSurv who would consider such requests on merit."

It is important to note that this guidance from the FSD is not binding on either the Authorised Dealers or the South African Reserve Bank. That having been said, it provides an insight into how the South African Reserve Bank is handling approvals for cross-border IP transactions. This together with the pattern of rulings and decisions by the FSD are insightful in advising clients on how best to structure a transaction so as not to trigger issues that are likely to be "red flag issues" in any application to the FSD.

Relaxation of Exchange Control restrictions on Intellectual Property Transfers for Venture Capital Sector

During February 2014 the Financial Surveillance Department issued guidance to its authorised dealers which impacts intellectual property ownership structures and transactions in the technology, media, telecommunications, exploration and research and development sectors.

By way of background to this guidance, one of challenges that private companies in South Africa have faced is their inability to access international venture capital markets. The main obstacle has been South African Exchange Control Regulations, particularly those relating to intellectual property assets.

The guidance issued by the Financial Surveillance Department relaxed exchange control restrictions on the transfer of intellectual property. The relaxation only applies to private companies operating in the technology, media, telecommunications, exploration and research and development sectors.

In essence the guidance provides that the South African Reserve Bank will allow private companies operating in the technology, media, telecommunications, exploration and research and development sectors to seek approval for a primary listing offshore or to raise capital and loans offshore on the back of their intellectual property assets. The new dispensation provided for under the guidance isn't available to companies listed in South Africa. Furthermore, companies wishing to take advantage of the new guidelines need to comply with certain strict criteria. Most notable amongst these criteria are that intellectual property can be transferred to a new offshore company, provided that the offshore company operates as a South African tax resident and is managed and controlled from South Africa. Based on a recent conversation with the head of the FSD it appears that no companies have taken advantage of this change in the regulations. This is understandable as the conditions that are imposed under the new regulation are so inhibiting on commercial activities that companies are better placed to seek a special dispensation under the old regulations, where the FSD has been accommodating where a business case can be laid out to the FSD (and avoiding any obvious "red flag issues".)

Implications for South African companies with international operations - In considering the way in which in general exchange control regulations impact on South African companies with international operations, consideration should be given to the following:

- is the South African company registering intellectual property rights in the form of patents or trade marks in the name of its off-shore operating or holding companies? If so, is this compliant with South African exchange control regulations?
- if the intellectual property (patents, trade marks etc.) is held in a South African company's name: are appropriate licensing arrangements in place with off-shore operating companies for the use of this intellectual property? Have these agreements have been approved under the exchange control regulations?
- If the South African company is part of an international group and as part of the group arrangements it is transferring ownership or rights of use of intellectual property created in South Africa to a foreign group company, is this arrangement an approved arrangement within the South African exchange control regulations?
- If the South African company is part of an international group and the international group engages people in the South African company or independent contractors to develop assets incorporating intellectual property (such as research and development, software development work etc.) and the international group company registers or takes ownership of these intellectual property assets, is that an approved arrangement within the South African exchange control regulations?
- Do the inter-group arrangements for the use of intellectual property meet the minimum requirements of enforceable contracts in law?

The Future

It is difficult to predict how the legislative and regulatory framework in the field of exchange control considerations in relation to intellectual property will develop in the next few years. That having been said, we are anticipating a tightening of the regulations in this area as South Africa brings itself into line with international best practice.

In our next issue: look out for the article on **Transfer Pricing.**

Ownership of Copyright in logos

Darren Olivier

Ask just about any IP lawyer and they will probably tell you that if you sub contract the development of your logo, you will not own the copyright in the logo. You will not even have the exclusive right to use it. This is because of the general rule that, subject to a list of exceptions, the creator of an artistic work, such as a logo, is the first owner of the copyright in and to that logo and that ownership is not transferred to you, even if you pay for it. This is, unless you have agreed to have it transferred to you in writing. If you are interested in the exact wording of the South African position take a look at Section 21 and 22 (read with sections 1,3 and 4) of the Copyright Act 98/1978.

New Decision: Atelier Eighty Two Limited v Kilnworx Climbing Centre CIC & Others [2015] EWHC 2291 (IPEC]

S21 Ownership of Copyright

(a) Subject to the provisions of this section [which makes exceptions for only certain commissioned works], the ownership of any copyright conferred by section 3 or 4 [setting out "Copyright by virtue of nationality, domicile or residence, and duration of copyright." and "Copyright by reference to country of origin"] on any work shall vest in the author or, in the case of a work of joint authorship, in the co-authors of the work.

An "author" is defined in Section 1 as meaning, in relation to— (a) a literary, musical or artistic work, the person who first makes or creates the work.

22. Assignment and licences in respect of copyright.

... (2) No assignment of copyright and no exclusive licence to do an act which is subject to copyright shall have effect unless it is in writing signed by or on behalf of the assignor, the licenser or, in the case of an exclusive sub-licence, the exclusive sub-licenser, as the case may be

The effect of this position goes beyond logos and raises a flag in every situation a copyrighted work is created outside of a business e.g. computer programs (where there are different but similar rules), transcripts, contracts, architectural drawings etc. Indeed, for the copyright lawyer, it's often a wonderful occasion to horrify corporate lawyers, clients and potential clients and in doing so, remind them of just how important it is to have IP counsel. Of course it is important. On the other hand, for the affected client the position can just seem ludicrous - how can it be that I have paid for my logo, computer program etc. and I do not own the copyright! In many cases the situation is realised too late, often to the detriment of the person or business that paid to have the work done. But need it be so? Could it be that there is actually an implied term when you contract out the development of a logo (in particular), for the copyright to be assigned to you on request?

Aaron Wood, a well known IP lawyer in the UK, went about arguing that position on behalf of his client recently in the case of Atelier v Kilnworx (*Atelier Eighty Two Limited v Kilnworx Climbing Centre CIC & Others* [2015] EWHC 2291 (IPEC)). In short, Aaron's client successfully argued that the commissioner of the logo, obtained an equitable interest in the copyright in the logo and was entitled to the assignment of the legal interest in that copyright.

Summary of Judgement

29. "In my judgment, in August 2011 Kilnworx through Mr Bunting and Purple Penguin through Mr Kirk entered into an agreement for the creation of the Logos as described above. There was an implied term in the contract. It was a term of the usual nature to be implied into a contract for the creation of a logo, namely that Kilnworx would own the copyrights in the Logos."

The facts are quite specific and necessary to analyse to understand when this situation would occur although the writer suggests (as the above quote from the case at para 29 explains) that in most cases such an implied term would exist in the ordinary contract between designer and commissioner.

Principles as summarised in the case

22. *In the case of any agreement by which the design of a logo is commissioned, the starting point will be the one identified by the deputy judge in Griggs, expressly approved by the Court of Appeal (at [16]): where a designer is commissioned to create a logo for a client, in order to give business efficacy to the contract of commission there will in the normal course be a presumption that the client has the right to prevent others from using the logo. I would add that it is, after all, the client's logo, intended to signal to the world that the goods or services supplied under that logo come from the client and no one else. This will mean either that the client retains ownership of the copyright or alternatively that he has the benefit of an exclusive licence. As Jacob LJ also said (at [19]), it is normally to be expected that the designer will have no conceivable further interest in the work. By way of obvious expansion on this, I would point out that any use of the logo except by the client is liable to be unlawful because it would give rise to a justified allegation of passing off. It would be very unusual for the parties to be unaware of this, at least in broad terms.*

23. *Jacob LJ stated (at [21]) that on certain facts it may be that the designer is entitled to retain rights in the work pending further payment. Plainly it cannot be ruled out as an impossibility. But it seems to me that the facts would have to point very clearly to such an arrangement having been agreed by the parties. For obvious reasons it would be unusual and commercially dangerous for the client to have his use of his logo made subject to the approval of someone else. Far less is the client likely to agree (or the designer likely to contemplate) that the designer will in certain circumstances be free to sell off the logo, possibly to a competitor of the client, and thereby give the competitor both the right to use the logo and to prevent others, including the client, from using it. There would have to be very clear evidence to support the existence of an agreement along such lines.*

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The view of the author

The question then is whether the same would be so, under South African law. This is because English contract law distinguishes between equitable rights to property (a right based essentially on principles of fairness) and legal rights, something which is not that apparent (at least not directly) in South African law.

The writer is of the view that under South African law, the situation should be no different because rules for determining the existence of tacit and/or implied terms are essentially based on the unarticulated intentions of the parties. These intentions would be no different to those set out in paras 22 and 23 of the judgement. For instance, it would be extraordinary for a logo designer to explain that his intention would be to own copyright in a logo, once he had been paid for it, for use by himself or others or to preclude (by virtue of his ownership) the commissioner from enforcing rights in copyright against third parties.

Consequently, this writer is of the view that when you commission the development of a logo in an ordinary everyday situation there would be an implied or tacit term that ownership of the copyright in that logo would be yours to request, at no additional charge.

The Law Reports by Dr. Tim Burrell

PHARMA DYNAMICS (PTY) LTD v BAYER PHARMA AG AND ANOTHER - THE SUPREME COURT OF APPEAL OF SOUTH AFRICA (19 September 2014)

An appeal against the grant of an interdict by the Commissioner in an action to restrain the infringement of patent 2004/4083 covering a pharmaceutical product comprising drospirenone and ethinylestradiol as active ingredients and sold by the respondent as YASMIN and by the appellant as RUBY –

Counter-application by the appellant for revocation of the patent on the grounds of obviousness and lack of novelty dismissed – Patent qualifying as a true divisional application – Appeal dismissed.

Patents Act 57 of 1978, ss 25(1), 25(5), 25(10), 37, 61(c) and 65(f)(ii)

In an appeal against the grant of an interdict by the Pretorius J, sitting as the Commissioner of Patents, in an action to restrain the infringement of patent 2004/4083, which had been divided out of patent application 2002/1668, Pretorius J had found that the 2004 patent ise a valid divisional out of the 2002 patent application. In his judgment, reported as 2013 BIP 1 (CP), the learned judge had also dismissed the appellant's counterclaim for the revocation of the patent on the grounds of lack of novelty and obviousness. In an appeal to the Supreme Court of Appeal, the appellant relied on the same grounds of attack as in the court *a quo*. In the Supreme Court of Appeal, Brand AJ, writing for that court and having set out the principles of interpretation of patent specifications.

Held, that the appellant's product fell within the compass of claim 1 of the 2004 patent and consequently infringed that patent.

Held, further, that, in the light of the evidence, the court *a quo*'s conclusion that the appellant had failed to establish its attack on the patent in suit based on obviousness was correct.

Held, further, that the respondent's first answer to the appellant's attack on the ground of lack of novelty of the 2004 patent, namely that the appellant's remedy was to have sought the setting aside of the decision by the Registrar of Patents to grant the 2004 patent as a divisional patent, was correct. The appellant's remedy was to have sought the setting aside of the Registrar's decision in a review application which the appellant never did.

Held, further, that the appellant's attack fell down on the merits as well. The 2004 patent was a true divisional patent and had the advantages of and requirements for divisional patents as explained with remarkable clarity by Jacob LJ in *Napp Pharmaceutical Holdings Ltd v Ratiopharm GmbH* and *Napp Pharmaceutical Holdings Ltd v Sandoz Ltd* [2009] EWCA Civ 252 paras 7-15.

Held, further, that the appellant's arguments as to why the 2004 patent was not a divisional patent as contemplated in section 37 could not be sustained.

In this report

PATENT CASES

BAYER PHARMA AG (FORMERLY BAYER SCHERING PHARMA AG) PHARMA DYNAMICS (PTY) LTD - THE SUPREME COURT OF APPEAL OF SOUTH AFRICA (28 November 2014)

An appeal against a judgment of the Commissioner of Patents dismissing an application to amend the claims of a patent on the ground that claim 1, as amended, would lack clarity – Appeal upheld – Application to amend granted.

Patents Act 57 of 1978, ss 51(1) and 51(3)(b)

In an appeal against a judgment and order of Potterill J, sitting as the Commissioner of Patents, which is reported at 2013 BIP 79 (CP), in which the learned judge had dismissed an application to amend the claims of patent 2002/1968 on the ground that claim 1, as amended, would lack clarity, initially the appellant's opposition to the amendment was based on various grounds but those remaining on appeal were limited to the following three contentions: (a) first, that claim 1 of patent 2002/1968 would, after amendment, be invalid for lack of clarity as contemplated in section 61(1)(f)(i) of the Patents Act 57 of 1978; (b) secondly, that there had been culpable delay on the part of the patentee in bringing the amendment application; and (c) thirdly, that the appellant had been guilty of 'reprehensible conduct' prior to the application to amend.

The Court of Appeal

Held, in regard to lack of clarity that the principle is well established that any ground for revocation of a patent may be advanced in opposition to a proposed amendment and that one such ground is 'that the claims of the complete specification concerned are not clear'. In determining whether or not a claim is sufficiently clear for the purposes of this provision, the court found guidance in a number of principles which the court set out in paragraph [9] of the judgment.

Held, further, that the reasoning of the court that the proposed addition of a phrase 'in rapid dissolution form' to claim 1 gave rise to the question of whether the micronised drospirenone in issue was a result of the rapid dissolution form or whether a further step had to be taken to render the drospirenone 'in rapid dissolution form' and what the steps would be, was wrong. The question whether 'further steps' had to be taken in the process of manufacturing the product of claim 1 was of no consequence. All that required consideration were the constituent elements and properties of the allegedly infringing product in its final form. If the product fell within the ambit of the claim and infringement had been established, otherwise it had not. *Cadit quaestio*.

Held, further, that the forbidden field of claim 1, as sought to be amended (even if found to be tautologous) was clearly defined. All infringers would know exactly what they may and may not do.

Held, further, that the court did not agree with the court *a quo*'s conclusion that the proposed amendment would render claim 1 of the patent unclear from which it followed that the refusal of the amendment on that basis could not be sustained.

Held, further, that that was not the end of the matter in that it is settled law that, although an amendment may satisfy all substantive requirements, the commissioner nonetheless has a discretion to refuse it and the appellant had advanced two grounds as to why the commissioner should have exercised that discretion adversely to the appellant, namely that the appellant was guilty of 'culpable delay' and 'reprehensible conduct'.

Held, further, and in regard to the discretionary ground of 'culpable delay' that the objection based thereon could, on the evidence, not be sustained.

Held, further, and in regard to the ground of 'reprehensible conduct', that that ground too could not be sustained on the evidence.

Held, further, and in regard to the issue of costs, that considerations underlying the approach to applications for amendment of pleadings could not be transposed without qualification to the amendment of patents, especially where the amendments are aimed in the main at limiting the claims of the patent, it is in the public interest that a patentee should not be discouraged through apprehension of an adverse costs order to seek those amendments.

The appeal was, accordingly, upheld with costs, including the costs of two counsel and the order of the Commissioner of Patents was set aside and the following order substituted: '(a) The amendment to South African Patent 2002/1968 applied for by the applicant is granted. (b) The respondent is ordered to pay the applicant's costs, including the costs of two counsel.'

ROODEZANDT KO-OPERATIEWE WYNMAKERY LTD v ROBERTSON WINERY (PTY) LTD AND ANOTHER - THE SUPREME COURT OF APPEAL OF SOUTH AFRICA (19 November 2014)

An appeal against the expungement from the register of trade marks of the registration of the trade mark ROBERTSON HILLS, which had been applied for by the proprietor of the registrations of the trade marks ROBERTSON WINERY LABEL, ROBERTSON VINEYARDS and ROBERTSONER, by Mavundla, J in the NGP – Competing marks, if used in the market place in relation to wine, would be likely to cause deception or confusion – Six principles of comparison which have become crystallized listed – Relevance of the fact that Robertson is a geographical area – Appeal upheld and expungement ordered from the date of the application therefore.

Trade Marks Act 194 of 1993, ss 10, 10(12), 10(14), 24(1) and 29(1)

In an appeal against the expungement from the register of trade marks of the registration of the trade mark ROBERTSON HILLS, which had been applied for by the proprietor of the registrations of the trade marks ROBERTSON WINERY LABEL, ROBERTSON VINEYARDS and ROBERTSONER, by Mavundla, J, whose judgment if reported in 2013 BIP 246 (GNP), the Court of Appeal

Held, that application for the registration of the trade mark ROBERTSON HILLS had been made on the 25 February 2008. In terms of section 29(1) of the Trade Marks Act 194 of 1993 that date was deemed to be the date of registration. For the purpose of deciding whether or not the entry of that trade mark was wrongly made, the court had to look at the factual position prevailing at that date, irrespective of when the certificate of registration was issued.

Held, further, that it was common cause that whether sub-sections 10(12) or 10(14) was relief upon, the outcome of the appeal hinged on a comparison of the appellant's trade mark with the marks relied upon by the respondent for similarity, so as to establish whether the former is likely to deceive or cause confusion. "Deception" would result, so it had been held, when the similarity was to cause members of the purchasing public to assume that the goods bearing the two competing trade marks came from the same source. "Confusion" on the other hand would occur if these members of the public would be caused to wonder if the goods had a common origin.

Held, further, that the fundamental enquiry was therefore whether the appellant's mark so resembled the respondent's marks incorporating the term 'Robertson' that, if the competing marks were all used in relation wine, such use would be likely to cause deception or confusion. Considerations that could assist in the exercise of this value judgment have been proposed in numerous decided cases and the court then, in paragraphs [5] and [6] of the court's judgment, set out a summary of some such crystallized principles of comparison.

Held, further, that, having regard to the crystallized principles of comparison the appellant's trade mark seemed to create the likelihood of deception or confusion.

Held, further, that the answer to the appellant's contention, that it was not open to the respondent to arrogate for itself the exclusive use of an ordinary geographical terms 'Robertson' in the trade mark sense, was that, although Robertson is not a constructed or invented word, but the name of a town, that did not necessarily mean that it could never acquire distinctiveness with reference to wine. The appellant had used the name ROBERTSON exclusively as a badge of origin of the producer and, because the appellant was doing the same, there was a likelihood of deception and confusion.

Held, further, that the court agreed that the Registrar of Trade Marks should be ordered to be rectified by the removal of the appellant's trade mark registration ROBERTSON HILLS in class 33 but not that the removal should be "deemed to be with effect from the date of entry of the relevant registration" as ordered by the court *a quo* but rather with effect from the date of application for the removal of the trade mark registration. This would be in accordance with the Oudekraal principle (after the decision in *Oudekraal Estates (Pty) Ltd v Cape Town & Others* 2004 (6) 222 (SCA) para 31).

The appeal was, accordingly, dismissed with costs and the removal of the registration of the trade mark ROBERTSON HILLS was ordered to be made with effect from the date of application for its removal on 19 January 2012.

FUCHS PETROLUB AG v CASTROL LIMITED AND ANOTHER - NORTH GAUTENG HIGH COURT, PRETORIA (16 November 2014)

An opposition, by Fuchs, as the proprietor of the trade mark TITAN, to the grant of an application for the registration of the trade mark TITANIUM FLUID STRENGTH TECHNOLOGY by Castrol – Marks in relation to the same goods and in an identical class – No reasonable likelihood of confusion or deception between the two marks – Opposition dismissed – Trade mark application permitted to proceed to registration.

Trade Marks Act 194 of 1993, ss 10(12), 10(13). 10(14) and 59(2)

In an opposition by Fuchs, as the proprietor of the registered trade mark TITAN, to the grant of an application for the registration of the trade mark TITANIUM FLUID STRENGTH TECHNOLOGY by Castrol, the two marks were in relation to the same goods and were in identical classes and the Court

Held, in regard to Fuchs' objection based on sections 10(12) and 10(14) of the Act, that:

the correct basis for comparison was between the marks TITAN and TITANIUM FLUID STRENGTH TECHNOLOGY;

Castrol's composite mark had to be considered in its entirety for purposes of this comparison;

the comparison fell not be made on the basis that the mark's dominant element was TITANIUM; and

there was no reasonable likelihood of confusion or deception between the two marks on that basis.

Held, further in the alternative and even if the court was incorrect in rejecting Fuchs' submissions, that: the correct basis for comparison was between the marks TITAN and TITANIUM, or the dominant element of the mark TITANIUM FLUID STRENGTH TECHNOLOGY was TITANIUM, there was still no reasonable likelihood of confusion or deception between the two marks.

Held, further that the registration of Castrol's TITANIUM FLUID STRENGTH TECHNOLOGY trade mark would not constitute an infringement of sections 10(12) and 10(14) of the Act and that Fuchs' objection on that basis could not be upheld.

Held, further, and in relation to the case made out by Fuchs under section 10(13) of the Act, that Fuchs' case in that regard was really no different to that undertaken in respect of sections 10(12) and 10(14) of the Act from which it followed that Castrol's use of the mark would not result in a likelihood of confusion. For that reason, Fuchs' objection on the basis of section 10(13) could not be upheld.

The application was, accordingly, dismissed with costs and Castrol's trade mark application was permitted to proceed to registration.

SOCIÉTÉ DES PRODUITS NESTLÉ SA AND ANOTHER v INTERNATIONAL FOODSTUFFS CO AND OTHERS - THE SUPREME COURT OF APPEAL OF SOUTH AFRICA (27 November 2014)

An appeal against a judgment of Louw J in the NGP in which the learned judge had dismissed with costs (1) an application to restrain the alleged infringement of the appellants' (Nestlé's) registered FOUR-FINGER WAFER SHAPE trade marks, TWO-FINGER WAFER SHAPE trade marks and also four word trade marks, being HAVE A BREAK ... HAVE A KIT KAT; HAVE A BREAK; HAVE A BREAK, HAVE A KIT KAT; and TAKE A BREAK, all in respect of chocolates, by the respondents (Iffco) selling a get-up including the word 'BREAK' chocolate coated wafer finger products; (2) an application to restrain the alleged passing-off by Iffco; (3) an additional application to expunge Iffco's registered trade marks QUANTA BREAK and TIFFANY BREAK; (4) a counterclaim by Iffco for the expungement of the applicants' FINGER WAFER SHAPE trade mark registrations; and (5) a second review application by Iffco – Appeal by Nestlé succeeding with costs and a cross-appeal by Iffco dismissed with costs.

Trade Marks Act 194 of 1993, ss 2(1) "mark", 10(4), 10(5), 16(5), 24(1), 25, 27(1)(a), 27(1)(b), 29(1), 34(1)(a), 34(1)(c), 34(2)(b) and 46(1)
Trade Mark Regulations 1993, reg 13(1)

In an appeal by the appellants (Nestlé) and a counter-appeal by the respondents (Iffco) against orders, made by Louw, J *a quo* and reported as 2013 BIP 320(GNP), dismissing (a) an application to restrain the alleged infringement of Nestlés' FOUR-FINGER WAFER SHAPE trade marks, TWO-FINGER WAFER SHAPE trade marks and also four word trade marks, being *HAVE A BREAK … HAVE A KIT KAT; HAVE A BREAK; HAVE A BREAK, HAVE A KIT KAT; and TAKE A BREAK,* all in respect of chocolates, by the respondents (Iffco) selling a get-up including the word 'BREAK' chocolate coated wafer finger products; (2) an application to restrain the alleged passing-off by Iffco of Nestlé's products; (3) an additional application to expunge Iffco's registered trade marks QUANTA BREAK and TIFFANY BREAK; (4) a counterclaim for the expungement of Nestlé's FINGER WAFER SHAPE trade mark; and (5) a second review application by Iffco, the Court of Appeal

Held, that, because the validity of the shape trade marks held by Nestlé, which it sought to enforce against Iffco, formed the principle basis for the relief sought by Iffco in its counter and review applications it was necessary first to deal with Iffco's appeal against the dismissal of those applications. This was so because, if successful, Nestlé's shape trade mark registrations would have been rendered invalid and unenforceable.

Held, further, and in regard to Iffco's review application, that at the heart of that application lay the contention that what had been initially sought to be registered as trade marks were pictorial devices to be placed on packaging consisting of depictions of products and not the three-dimensional shapes of the chocolates bars themselves.

Held, further, that, on the facts, the representations of the marks as contained in the applications by Nestlé for registration as trade marks, viewed objectively through the eyes of the notional ordinary customary, would be perceived as two-dimensional depictions of three-dimensional shapes and not two-dimensional devices.

Held, further, that the allowance by the Registrar of Nestlé's application for an endorsement to be entered against the wafer shape trade mark registration reading "the mark consists of the distinctive shape or appearance of the goods", was within the unlimited discretion on the part of the Registrar to make amendments to pending applications within the meaning of section 16(5) of the Trade Marks Act 194 of 1993.

Held, further, that the Registrar's practice directive as well as the views of certain practitioners of the relevance of the provisions of section 25 to applications brought in terms of section 16 of the act are irrelevant to an interpretation of its provisions.

Held, further, that Iffco's appeal against the refusal by the court *a quo* to review the Registrar's decision on the grounds aforesaid failed.

Held, further, and in regard to Iffco's counter-application for the expungement of Nestlé's FINGER WAFER SHAPE trade mark registrations, that the corner stone of Iffco's challenge was that the trapezoidal shape of Nestlé's FINGER WAFER SHAPE trade mark registrations was entirely a technical requirement. There were in fact a number of features of Nestlé's FINGER WAFTER SHAPE trade marks which were distinctive and not attributable only to a technical result.

Held, further, that the conclusion of the court *a quo* that Nestlé's FINGER WAFER SHAPE trade marks were not solely shapes of goods which incorporated a technical solution and that Iffco's appeal against the court *a quo*'s refusal to expunge Nestlé's FINGER WAFER SHAPE trade marks from the register accordingly had to fail.

Held, further, and in regard to Nestlé's application for interdictory relief based upon Iffco's alleged use as trade marks of the FOUR-FINGER WAFER SHAPE and TWO-FINGER WAFER SHAPE trade marks, that the issue was whether there was a likelihood of confusion or deception between the chocolate bars. In addition, Nestlé had to establish that Iffco was using the FINGER WAFER SHAPE's themselves, or on the packaging of their chocolate bars "BREAK", as a badge of origin and not simply in a descriptive manner. The issue, in short, was whether the public would perceive the FINGER WAFER SHAPE to perform the function of a source identifier and for that purpose the FINGER WAFER SHAPE had to be considered in context and not in isolation.

Held, further, when viewed through the eyes of the ordinary customer, side by side and apart, as a matter of global first impression there existed a likelihood of deception or confusion.

Held, further, that the use by Iffco of the shape as depicted in its packaging and its three-dimensional form would be perceived by the consumer as a source identifier, that is as a badge of origin of the goods as emanating from Nestlé. The court *a quo* had accordingly erred in concluding that Nestlé had failed to prove an infringement of the registered FINGER WAFER SHAPE trade marks in terms of section 34(1)(a) of the Act.

Held, further, and in regard to Nestlé's application for interdictory relief based upon Iffco's use of the "BREAK" trade marks in contravention of Nestlé's word trade marks, that the comparison to be made was one between the respective word marks of Nestlé and Iffco and not between the respective word marks viewed in conjunction with the shape of the products which they named. On this basis, the requisite likelihood of confusion among consumers confronted by the respective trade marks had not been established by Nestlé. What was required was evidence to prove the "blurring" of Nestlé's word marks in the respects alleged. This had not been provided. Nestlé's appeal against the finding of the court in this respect had, accordingly, to fail.

Held, further, and in regard to Nestlé's application to expunge Iffco's QUANTA BREAK and TIFFANY BREAK trade mark registrations, in the light of the court's conclusion that Iffco's relevant trade mark registrations were not confusingly similar to Nestlé's trade marks and their use did not lead to the dilution of Nestlé's BREAK trade marks by blurring, there was no basis for ordering that Iffco's trade marks fell to be expunged from the register. Nestlé's appeal against the court *a quo*'s refusal to grant such an order accordingly had to fail.

Held, further, and in regard to Nestlé's claim in terms of section 35(3) of the Act and for passing-off, that counsel for Iffco had conceded that, if Nestlé was successful in obtaining interdictory relief either in terms of section 34(1)(a) or (c) of the Act, there would be no need to deal with these claims.

Held, further, and in regard to Iffco's special defences based upon acquiescence, waiver and estoppel, at the hearing counsel for Iffco quite correctly abandoned reliance upon the defence of acquiescence which does not form part of our law.

Held, further, that the conduct of Nestlé had never unequivocally indicated a waiver of the rights it held in the contested trade marks, nor did it amount to a representation that action would not be taken against Iffco to enforce those rights. The relevant defences had not been dealt with by the court *a quo* and that the defences had to fail.

Held, further, that Nestlé was, accordingly, entitled to the interdictory relief which it claimed.

The appeal by Nestlé against the order of the court *a quo* dismissing the applicants' application with costs, succeeded with costs to the extent further reflected in the order of the appeal court. The cross-appeal by Iffco against the dismissal of the respondents' counter-application and the second review application were dismissed with costs.

LUCKY STAR LTD v LUCKY BRANDS (PTY) LTD AND OTHERS - WESTERN CAPE HIGH COURT, CAPE TOWN (18 December 2014)

An application for an interdict by the proprietor of the trade marks LUCKY STAR and device in respect of canned fish to restrain the alleged infringement by the respondents' use of the trade marks LUCKY FISH and LUCKY FISH & CHIPS in relation to a restaurant and takeaway establishment – No likelihood of deception or confusion in the market place established – Equally so in notional use – No dilution of the applicant's trade marks found – No violation by the corporate respondents in their use of the names of their companies in terms of the Companies Act – Application dismissed with costs.

Trade Marks Act 194 of 1993, ss 34(1)(a), 34(1)(b) and 34(1)(c)
Companies Act 61 of 2008, ss 11(2)(b) and 11(2)(c)

In an application for an interdict by the proprietor of the trade marks LUCKY STAR and device in respect of canned fish to restrain the alleged infringement by the respondents of the trade marks LUCKY FISH and LUCKY FISH & CHIPS in relation to a restaurant and takeaway establishment, the applicant also relied upon the alleged dilution of the applicant's trade marks and upon the alleged violation by the corporate respondents in their use of the names of their companies in terms of the Companies Act and the Court

Held, that, having regard to the differences in the marks and in the products and services to which they were applied, there was no likelihood or deception or confusion of the marks when used in the market place.

Held, further, and in regard to the notional use of the trade marks, there was again no likelihood of deception or confusion.

Held, further, and insofar as the applicant relied on section 34(1)(c) of the Trade Marks Act, that the respondents' use of their marks would not give rise over time to blurring and thus be detrimental to the distinctive character of the applicant's marks. There was not a sufficient degree of similarity in the competing marks to make that a plausible case.

Held, further, and insofar as the applicant's reliance on section 11(2)(b) and (c) was concerned, that there was no likelihood of confusion and deception by the corporate respondents' use of their names.

The application was, accordingly, dismissed with costs.

KANSAI PLASCON (PTY) LTD v DURAM (PTY) LTD - HIGH COURT OF SOUTH AFRICA, GAUTENG DIVISION, PRETORIA

An opposition to the grant of an application for the registration of the trade mark DTM in respect of an all in one metal paint – Respondent intending to make use of the abbreviation "DTM" in relation to paint which acted as a primer, undercoat, anti-rust coating and top coat falling within the metal coating category – Respondent not entitled to the generic term "DTM" – Opposition succeeding.

Trade Marks Act 194 of 1993, ss 9(1), 9(2), 10(1), 10(2), 10(3), 10(4), 10(5) and 59(2)

In an opposition to the grant of an application for the registration of the trade mark "DTM" in class 2 in respect *inter alia* of an all in one metal product, it appeared that the respondent intended to make use of the abbreviation "DTM" in relation to a paint which acted as a primer, undercoat, anti-rust coating and top coat falling within the metal coating category, the opponent demonstrated instances of the use of the term "DTM" which established that the public perceived the term "DTM" as a type of paint and that the abbreviation had been used by both the opponent and the respondent. The court

Held, that the term "DTM" is an abbreviation of a generic range of paints which could not be monopolised by any trader, including the respondent.

The opposition succeeded and the application for registration was refused.

ROTHMANS OF PALL MALL, LONDON, LIMITED v MUL CHAND MALU - HIGH COURT OF SOUTH AFRICA, GAUTENG DIVISION, PRETORIA

An opposition to the grant of an application for the registration of the trade mark SIR LABEL in respect of cigarettes by the proprietors of the trade marks ROTHMANS LABEL and NUDE LABEL – Applicant failing to show that the competing marks would not cause confusion – Opposition upheld with costs.

Trade Marks Act 194 of 1993, ss 10(12), 10(14) and 59(2)
Tobacco Products Control Act 83 of 1993, s 3(9)(b)

In an opposition to the grant of an application for the registration of the trade mark SIR LABEL in respect of cigarettes by the proprietors of the trade marks ROTHMANS LABEL and NUDE LABEL, the court

Held, that what the court had to consider was how the marks could be used, having regard to the terms upon which the registered marks have been registered and the terms upon which the proposed SIR LABEL would be registered if registration were to be ordered.

Held, further, that the question was not what the trade mark applicant says it intends doing, but what it would be permitted to do were its mark to be allowed to proceed to registration.

Held, further, that confusion need not be lasting for it to disqualify a mark from registration. It is sufficient if it is confusing only for a short time, sufficient to attract initial interest, albeit that the confusion might later be cleared up.

Held, further, that the court's conclusion was that the trade mark applicant had failed to show that the competing marks would not cause confusion for a short time.

The opposition was, accordingly, upheld and the application for the registration of the trade mark SIR LABEL was refused.

TPN GROUP (PTY) LTD v EBAY INC - HIGH COURT OF SOUTH AFRICA, GAUTENG DIVISION, PRETORIA

An opposition to the grant of an application for the registration of the trade mark RENTBAY, in classes 35 and 36 in respect of business and financial services, by the proprietor of the trademark EBAY, in a special form and colour, in class 35 in respect of on-line trading services – The fact that competing marks are in different classes not a prima *facie indication that the goods or services are not similar – Some 40 trade mark registrations in the relevant classes in which the word BAY had been used as part of the mark – Marks in issue not sufficiently similar for the purposes of section 10(14) of the Trade Marks Act 194 of 1993 – Use of RENTBAY not likely to cause confusion as contemplated in section 10(12) – Objections based on ss 10(17) and 10(6) also not successful – Opposition dismissed with costs.*

Trade Marks Act 194 of 1993, ss 10(6), 10(12), 10(14) and 10(17)
Repealed Trade Marks Act 62 of 1963, s 34(1)(c)

In an opposition to the grant of an application for the registration of the trade mark RENTBAY, in classes 35 and 36 in respect of business and financial services, by the proprietor of the trademark EBAY, in a special form and colour, in class 35 in respect of on-line trading services, the court

Held, that, insofar as the opponent's reliance on section 10(14) of the Trade Marks Act 194 of 1993 was concerned, that the fact that goods or services are in different classes was not a *prima facie* indication that the goods or services are similar. Where the goods or services are similar must be determined objectively with reference to all factors.

Held, further, that the evidence of the applicant showed that there were some 40 trade mark registrations in classes 35 and 36 in which the word 'Bay' was used as part of the mark.

Held, further, that the average user of the relevant services would not be confused or deceived into believing that the word RENTBAY had a connection in the course of trade with EBAY.

Held, further, that it followed that the objection based on section 10(14) could not succeed.

Held, further, and insofar as the opponent's reliance on section 10(12) was concerned that it was incumbent upon the applicant to show that it had, at the time of the filing of the opponent's applications, acquired a reputation in the Republic. If it did have such a reputation, the onus would be on the opponent to negate the reasonable possibility of deception or confusion.

Held, further, that the court's finding in relation to section 10(14) that deception or confusion was unlikely, that finding applied equally to section 10(12) the objection in terms of section 10(12) accordingly also fell to fail.

Held, further, and in regard to section 10(17) that the use by the applicant of its RENTBAY mark would not be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the opponent's registered marks. The objection based on section 10(17) could therefore also not succeed.

Held, further, and in regard to section 10(6), that that objection too could not succeed for the simple reason that the RENTBAY mark did not constitute a reproduction, limitation or translation of the EBAY registered marks and nor did the essential part thereof constitute a reproduction, imitation or transfer thereof. Having found that the RENTBAY and EBAY marks both consist of two equally significant features or parts, the word 'BAY' was therefore not an essential part of the RENTBAY mark.

The opponent's opposition to the registration of the RENTBAY mark in both classes 35 and 36 was, accordingly, dismissed with costs and the applications directed to proceed to grant.

LOTTO CONFECTIONARY CO LTD v ORION CORPORATION - HIGH COURT OF SOUTH AFRICA, GAUTENG DIVISION, PRETORIA

An application for the expungement from the register of the trade mark CHOCOPIE registered in class 30 by a company manufacturing a chocolate-coated biscuit sandwich pie, under the name LOTTE CHOCOPIE, which it planned imminently to export to South Africa, on the grounds that the registration was an entry wrongly made or wrongly remaining on the register within the meaning of section 10(2)(a) and 10(2)(b) of the Trade Marks Act 194 of 1993 at the effective date of the registration – Evidence presented by the respondent not reaching back to the date as contemplated in section 24(1) – Respondent's trade mark held to have lost its distinctiveness – Application granted.

Trade Marks Act 194 of 1993, ss 9(1), 10(2)(a),10(2)(b),10(12), 24(1) and 51

In an application for the expungement from the register of the trade mark CHOCOPIE registered in class 30 the applicant was a Korean company and a manufacturer of confectionary, candy biscuits, chocolates, snacks and ice-cream and also manufactured a chocolate-coated biscuit sandwich pie which is marketed under the name LOTTE CHOCOPIE and which it planned imminently to export to South Africa. The respondent was also a Korean company and also a manufacturer of confectionary, candy, biscuits, chocolates, snacks and ice-cream and was the proprietor of the trade mark registration for CHOCOPIE in class 30. The applicant sought, in terms of section 24(1) of the act, the expungement of the mark CHOCOPIE from the register on the grounds that it was an entry wrongly made in or wrongly remaining on the register because it was contrary to the provisions of section 10(2)(a) and (b) as well as section 10(12) of the act. The court

Held, that the relevant date for the purposes of deciding whether or not the entry of CHOCOPIE was the effective date of the registration, namely 1996.

Held, further, that, in the absence of sufficient evidence to justify such a conclusion and having regard to the provisions of section 51, the court had to accept that the registrar was satisfied with the respondent's application for registration on the relevant date, i.e. 1996. The evidence presented by the respondent did not reach back to that date.

Held, further, that it followed that the applicant had failed to make out a case that the registration of the respondent's trade mark was an entry wrongly made in terms of section 24(1).

Held, further, and for the purposes of section 10(2) of the act, the relevant date for determining the validity of such an entry is the date of application for removal and that date of application was 8 October 2009.

Held, further, that, on the evidence, the respondent's trade mark had lost its distinctiveness for mainly two reasons: First there was sufficient evidence to show the wide spread and extensive use of the abbreviation 'CHOCO' within everyday descriptions and, secondly, that others traders were, in the ordinary course of their business and probably without any improper motive, using the trade mark in connection with their own goods.

Held, further, that in the result the court had to conclude that the respondent's trade mark CHOCOPIE was no longer capable of distinguishing as required by section 10(1) read with section 10(2)(a) of the act.

Held, further, that in view of this conclusion, it was not necessary for the court to consider whether the mark was also inherently deceptive.

The trade mark registration for CHOCOPIE was, accordingly, expunged from the register in terms of section 24(1) of the Act.

CHANTELLE v DESIGNER GROUP (PTY) LTD - HIGH COURT OF SOUTH AFRICA, GAUTENG DIVISION, PRETORIA

An appeal against the dismissal by the Registrar of Trade Marks of the opposition by the appellant, as the registered proprietor of the trade mark CHANTELLE in class 25, to the grant of the application for the registration by the respondent of the trade mark CHANTELLE in class 3 – The circumstances and findings in casu *the same as in* Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales & Promotions (Pty) Ltd and another 1991 4 SA 850 (AD) – *Registrar failing to apply the relevant principles relating to onus or at all – Respondent had failed to discharge the onus of proving that there had been no reasonable possibility of confusion or deception – Had he done so, the Registrar would have been left in no doubt as to the issue of the likelihood of deception.*

Trade Marks Act 194 of 1993, ss 10(12), 10(14), 10(17) and 53
Trade Marks Act 62 of 1963, s 17(1)

In an appeal against the dismissal by the Registrar of Trade Marks of the opposition by the appellant, as the registered proprietor of the trade mark CHANTELLE in class 25 in respect of "girdles, brassiers, articles of underclothing and swim-suits (being articles of clothing), all being knitted or made wholly or principally of knitted materials; and stockings", to the grant of an application for the registration by the respondent of the trade mark CHANTELLE in class 3 in respect of "soaps, perfumery, essential oils, cosmetics, fragrances, deodorants and deodorizers, anti-perspirants and body care products", the appellant relied on the principles laid down in *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales & Promotions (Pty) Ltd and another 1991 4 SA 850 (AD)* ("Danco") and the court

Held, that the court was not persuaded that the argument offered by the respondent, and adopted by the Registrar of Trade Marks, was correct for a number of reasons: first, and inasmuch as it may be relevant, which the court did not consider to be the case, there was no compelling support on the evidence that the appellant had not made out a case that its CHANTELLE trade mark was well known; secondly, the argument offered on behalf of the respondent had failed to take the doctrine of notional user into account, either properly or at all; thirdly, the wording of section 10(14) does not require any party to prove extensive use; fourthly, that the principles laid down in "Danco" were not distinguishable from the present case.

Held, further, that it was not necessary that deception or confusion created by the similarity of marks be more than momentary. Proof of the likelihood of initial confusion, even though it is capable of being cleared up, is sufficient.

Held, further, that, despite the specification of goods of the appellant's trade mark as registered in class 25 the registrar's finding that the relevant goods were "not clothing" was a clear misdirection on the part of the registrar.

Held, further, that it was likely that the average observant consumer of the appellant's goods, stumbling upon the respondent's cosmetics bearing the identical mark, notionally in the same shop and notionally a few counters away, would be confused and deceived into believing, albeit perhaps momentarily, that the cosmetics of the respondent originated from the same source as the clothing of the appellant. The fact that the appellant's products consisted of lingerie and swim-wear, as opposed to "outer" garments, would, make no difference to this incidence of confusion and deception.

Held, further, and on the important issue of onus, that the registrar had failed to apply the relevant principles relating thereto at all. His or her conclusionary finding that "the opponent (read appellant) failed to prove that the applicant's (read respondent's) application was in breach of section 10(14) of the act" was clearly wrong. This was another material misdirection on the part of the learned registrar.

Held, further, that the respondent had in fact failed to discharge the onus of proving that there was no reasonable probability of confusion or deception and that, in the light thereof, the registrar, on a proper consideration of the case, had the duty to refuse the registration.

The appeal was, accordingly, upheld with costs.

ETRACTION (PTY) LTD v TYRECOR (PTY) LTD -
THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

An appeal against a judgment of Salie-Samuels AJ in the court a quo *refusing an application brought by the proprietor of the trade mark INFINITY, registered in class 12 in respect* inter alia *of "tires", to restrain the respondent from infringing the trade mark registration by selling tyres under the trade mark INFINITY -*

Appeal also against the grant of a counter-application by the court a quo *directing the expungement of tyres from the specification of goods of the registered trade mark – No evidence that the appellant had even made use of the mark INFINITY in relation to tyres – Against that, the respondent and its predecessor, had made* bona fide *and continuous use of INFINITY in relation to tyres – No* bona fide *intention by the appellant to use the mark INFINITY in respect of tyres – Appeal dismissed with costs and the registration of the trade mark INFINITY amended by a clear disclaimer that the specification did not include tyres.*

Trade Marks Act 194 of 1993, ss 24(1), 27(1), 36(1), 62(1) and 62(2)
Labour Relations Act 66 of 1995, s 197

In an appeal against a judgment of Salie-Samuels AJ, which is reported as 2014 BIP 127 (WCC), refusing an application brought by the proprietor of the trade mark INFINITY, registered in class 12 in respect of "vehicle components and accessories; wheels, tires, rims" to restrain the respondent from infringing the trade mark registration by selling tyres under the trade mark INFINITY and in a further appeal against the grant of a counter-application by the court *a quo* directing the expungement of tyres from the specification of goods of the registered trade mark, the Court of Appeal

Held, that there was no evidence that the appellant had ever made use of the mark INFINITY in relation to tyres and, against that, the mark INFINITY had been used in relation to tyres in South African since at least 2006, initially by the respondent's predecessor in title, Falck, and latterly by the appellant itself.

Held, further, that the underlying purpose of section 36(1) of the Trade Marks Act 194 of 1993 was to prevent a proprietor of a trade mark from exercising rights merely on the basis of priority of registration and it preserves whatever common law rights there may be antecedent to the rights of the registered proprietor.

Held, further, that the respondent had to show that it, or its predecessor in title, had made continuous and *bona fide* use of the trade mark INFINITY from a date prior to 15 April 2008, being the date of registration of the appellant's trade mark. This the respondent had succeeded in establishing.

Held, further, that the appeal against the dismissal of the appellant's infringement claim fell to be dismissed.

Held, further, and in regard to the appeal against the partial expungement order, that it was impossible to come to any conclusion other than that the appellant's purpose in seeking registration of the INFINITY mark in respect of tyres was to stultify the respondent's business. There was no evidence to suggest that it genuinely intended at any stage to trade in tyres under the INFINITY mark. Accordingly the court *a quo* was correct to grant the order for the expungement from the appellant's registration of the word "tires" but to put the matter beyond doubt, the terms of the registration of the trade mark should be further amended by the insertion of a clear disclaimer that the registered mark did not include tyres.

The appeals were, accordingly, dismissed with costs, including the costs consequent upon the employment of two counsel where two counsel were employed, and the registrar was directed, not only to expunge the word "tires" from the appellant's trade mark registration but also to amend the registration to read "vehicle components and accessories; wheels and rims, but not including tyres".