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SAIIPL

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FROM THE EDITOR

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We are halfway through 2022 and it has been an interesting six months in the world of IP.

The Copyright Amendment Bill is expected to be adopted by the National Assembly soon. SAIIPL has a resource for members who wish to participate in the Provincial hearings. For more details, please refer to page 2.

The South African Plant Breeders Rights Regulations have been published for public comments which are due by mid-July 2022.

On 17 June the South African and Indian proposal to waive patents on Covid-19 vaccines was approved by the World Trade Organisation (WTO) in its 12th Ministerial in Geneva. The waiver is in the form of a partial waiver of TRIPS Articles 31(b), A31(f) and A31(h). An eligible Member may apply the waiver provisions until 5 years from the date of the agreement. The draft decision can be read here: file.html (tralac.org).

There are different opinions on the value of the waiver especially in view of the fact that not all third world pharma companies may have the knowhow to manufacture medicines and vaccines. The decision excludes tests and costly therapeutic treatments against Covid which the WTO is to pronounce in the coming six months.

It would appear that after more than a decade, the European Unitary Patent System will finally be implemented. The Unitary Patent and the Unified Patent Court will significantly impact the patent system in Europe. This change is expected towards the end of 2022, early 2023. In this edition we explain some of the pros and cons of the UP system and the UPC.

Copyright Amendment Bill

The South African Institute of Intellectual Property Law has made submissions on the Bill in the public participation process of the National Assembly's Portfolio Committee since July 2021, following the President's referring it back for reservations about its constitutionality and compliance with international treaties.

Notwithstanding major concerns expressed by professional and industry associations about the Bill's economic impact and legal consequences, a version that contains only minor substantive revisions is on the verge of being passed by the National Assembly.

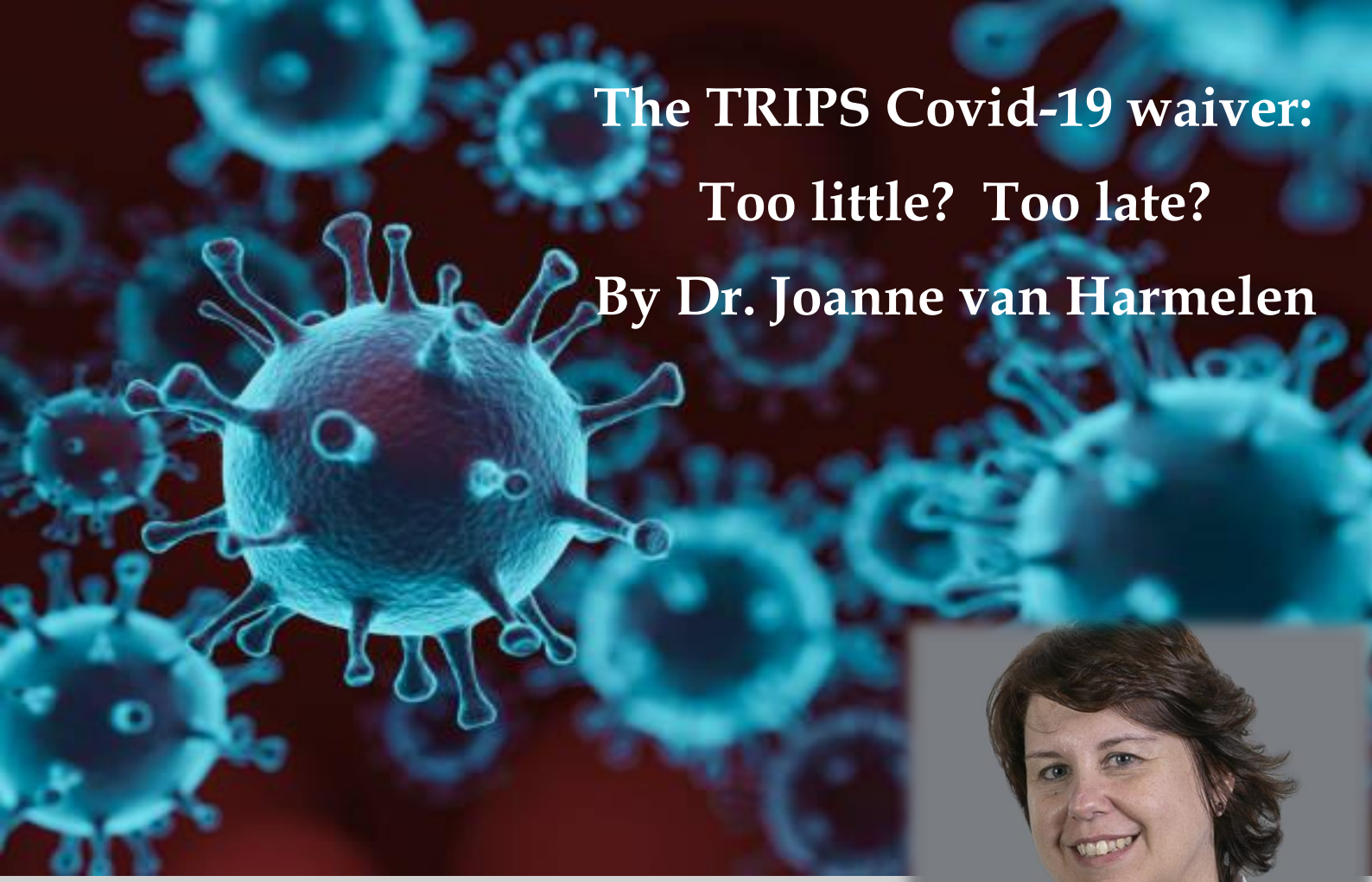
If passed by the National Assembly, both the Copyright Amendment and Performers Protection Amendment Bills will, in terms of Section 76 of the Constitution, be considered by the National Council of Provinces as well as each of the Provinces. The entirety of both Bills will be up for deliberation, not only the reservations raised by the President.

As a resource for members of the Institute who wish to participate in the provincial hearings, whether for clients or in their own right, all the Institute's submissions, sorted in chronological time periods with the respective then-current versions of the Bill, are available on its website.

This resource links from the "Copyright Amendment Bill" tab on the home page and is at https://saiipl.co.za/copyright-amendment-bill-documents/.

The TRIPS Covid-19 waiver: Too little? Too late?

By Dr. Joanne van Harmelen



Joanne leads the Biotechnology and Life Sciences Cluster in ENSafrica's Intellectual Property department. She is a qualified patent attorney specialising in patent filing and prosecution in the biotech and pharmaceuticals sectors. Joanne holds a PhD in medical microbiology and vaccine development. She has extensive experience in the field of biotechnology and life sciences, having prepared and filed patent applications locally and in foreign jurisdictions in the fields of microbiology, biochemistry, molecular medicine, agrobiology, bioremediation, bioprocessing, biopharmaceuticals, nutraceuticals, cosmetics, and food sciences. Joanne is also experienced in the preparation and filing of plant breeders' rights applications.

The Decision of the the World Trade Organization (WTO) to partially approve the patent waiver on Covid-19 vaccines proposal submitted by South Africa and India on 17 June 2022 seems not to have the practical impact that was originally envisaged.

The vaccine demand is not what it was at the time when the proposal was first made.

In 2021, Moderna delivered 807-million doses of vaccine, out of which more than one quarter went to low or middle-income countries, but Moderna has said that this share could have been higher if it hadn't been for issues such as a lack of refrigeration capacity, limited availability of health workers and vaccine hesitancy.

Despite this, the company has said that it is looking at increasing its manufacturing capacity in Kenya. Johnson & Johnson in turn, has indicated that it has provided 900-million doses at not-for-profit prices, and has licensed its Covid-19 technology to South Africa's Aspen Pharmacare.

According to John Nkengasong, the director of the Africa Centres for Disease Control and Prevention, it appears that Aspen may be forced to shut down its production of Johnson & Johnson's single-dose Covid-19 vaccines because African countries that were set to receive this vaccine have not placed orders.

This is a result of a combination of the increase in the supply of free Covid-19 vaccine doses donated by high-income countries and vaccine hesitancy in a number of African countries. Pfizer has also contributed to the provision of vaccine to developing countries, indicating that it is expanding production to four-billion doses in 2022, with a quarter going to "less well-off" countries, whereas those with the "lowest incomes" will get vaccines at cost price.

There have always been more pertinent issues that are stalling access to Covid-19 vaccines in developing countries, such as the cost and availability of raw materials, the capacity and number of vaccine manufacturing facilities capable of producing the quantities of quality vaccine required for the global population, the logistical complexities of providing vaccines to remote or rural locations, particularly where the vaccine requires a cold chain to remain viable, and regulatory approvals that are required. Pfizer has in the past defended its refusal to transfer IP on the basis that vaccine production is "extraordinarily complex," involving as it does "280 ingredients from 86 suppliers in 19 countries". Given this complexity, the concern is that a transfer of IP without proper technical implementation may well result in risks to patients. The reality is that in most cases, even if there is significant hand-holding between an innovator company and a local manufacturer, regardless of the existence of a patent (and arguably a know-how) waiver, it can take many months to years for a local company to develop the processes and obtain the regulatory approval for a locally produced vaccine to be commercialised.

Until all of these issues can be addressed, it seems that there will be slow progress for vaccine manufacturing on the African continent, regardless of the willingness of big pharma to share their patents and know-how.

Clearing the smoke from *Open Horizon*

By Ryan Tucker

In this case[1] the appellant, Open Horizon Ltd, sought an order interdicting and restraining the respondent, Carnilinx (Pty) Ltd, from infringing its PACIFIC trade marks, by the appellant's use of the marks: ATLANTIC, ATLANTIC WAVE, ATLANTIC MENTHOL, ATLANTIC BREEZE, ATLANTIC BLUE, ATLANTIC CORAL, ATLANTIC APPLE CRUSH and ATLANTIC CHERRY CRUSH or any other marks so similar thereto, as would likely cause deception or confusion, in terms of s34(1)(a) of the Trade Marks Act 194 of 1993 (the "**Act**"). The specific range of trade marks used by Carnilinx are as follows:

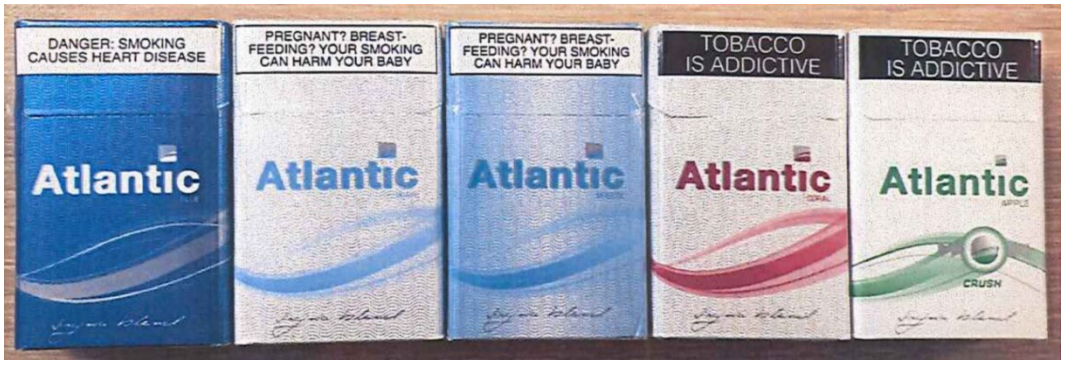


Figure 1 Atlantic trade mark use

The appellant is the registered proprietor of various PACIFIC trade marks, the earliest of which dates back to 5 November 2003. All of the trade marks are registered in class 34, which covers, amongst other goods, tobacco and cigarettes.

[1] From the case judgment: 3824-open-horizon-ltd-v-carnilinx-pty-ltd-case-no-225-2021-2022-zasca-75-26-may-2022 (supremecourtofappeal.org.za)

The respondent first applied to register the trade mark, ATLANTIC, in respect of class 34 goods on 26 June 2012 under application no. 2012/17521. On 6 September 2016, the respondent applied to register its ATLANTIC WAVE, ATLANTIC MENTHOL, ATLANTIC BREEZE, ATLANTIC BLUE and ATLANTIC CORAL trade marks and thereafter, on 31 August 2017, its ATLANTIC APPLE and ATLANTIC CHERRY trade marks.

Figure 2 Pacific trade mark series

The dispute in this case, insofar as it relates to s34(a) of the Act, was confined to whether the respondent's marks so nearly resemble the appellant's registered trade marks so as to be likely to deceive or cause confusion. That inquiry requires a comparison of the marks, in the circumstances in which they can be expected to be encountered in the marketplace, to determine whether they so nearly resemble one another that a substantial (or not insignificant) number of persons will probably be deceived into believing that the respondent's goods originate from or are connected in trade or commerce with the proprietor of the trade mark, the appellant, or at least be confused as to whether that is so.

On 26 May 2022, the South African Supreme Court of Appeal ("**SCA**") held the trade mark ATLANTIC does not infringe on the trade marks incorporating the word PACIFIC for identical goods.

The ultimate question before the SCA was whether there were sufficient conceptual similarities between the marks to cause a likelihood of confusion to the relevant average consumer; the appellant's having rightly conceded that there were no visual or phonetic similarities.

RYAN TUCKER

Ryan is a dual qualified (SA and Israel) lawyer based at the Tel Aviv offices of Pearl Cohen Zedek Latzer Baratz in Israel.

Ryan is part of the Life Sciences Practice Group with a focus on intellectual property, licensing, and commercial transactional matters in various technological fields, including Life Sciences and High Tech. .

Although the SCA noted that, upon comparing the marks (the dominant elements of which were ATLANTIC and PACIFIC), both marks referred to an ocean, trade marks (generally) cannot create conceptual monopolies. Referring to *Lucky Star*, *Sun International*, *La Chemise Lacoste*, *Cowbell*, and *Pear Technologies v EUIPO & Apple*, the SCA found similarities in the reasoning of the latter, asserting that although the words ATLANTIC and PACIFIC conjure up the idea of an ocean indirectly, they indeed relate to two different ocean bodies located in two different sites in the world - such that they are unlikely to cause deception or confusion amongst a substantial number of consumers of class 34 products.

The SCA refused to entertain the Appellant's cause of action based on unlawful competition for more technical reasons, based on the timing and foundation of its inclusion in the Appellant's claim.

The Appellant would have done better to base its cause of action on unlawful competition and passing off at the outset, instead of trying to belatedly amend its application, once it realized that its section 34 claim was unlikely to succeed. It also needed to bring evidence supporting such a claim. The court did not find sufficient evidence in the appellant's founding affidavit to sustain such a cause of action. In this regard, the court opined early on in its judgment (in paragraph [6]) that 'passing off might have been a better horse to ride than trade mark in this case…'.

The SCA conclude its judgment by reaffirming the cautions laid down by itself years earlier in *Blue Lion* and *Payen Components,* wherein it held that the requirement in passing off (a form of unlawful competition) that there be a likelihood of confusion or deception, amongst other restraints the common law places on the action, is important in preventing the creation of impermissible monopolies. Therefore, coming full circle on the SCA's refusing the Appellants appeal.

By Bernhard Pillep

New European Unitary Patent System

BERNHARD PILLEP

Bernhard is a Partner at Kador & Partner, Munich, Germany.
He is a German and European Patent and Trade Mark Attorney since 2003.

Bernhard studied general chemistry and chemical engineering at the Universities of Regensburg and Karlsruhe, where he obtained a graduate degree ("Diplom"). While working on his dissertation at Ludwig-Maximilians-University in Munich he spent several months at Lawrence Livermore National Laboratory in California (U.S.A). In 1999 he obtained his doctorate degree with "summa cum laude".

Bernhard focuses on patent, design and trademark prosecution and has particular expertise in opposition and appeal matters involving European patents. He also deals with FTO studies, validity and infringement opinions and matters involving the German Employees' Inventions Act.

Introduction

A new system for European Union (EU)-wide patent enforcement and invalidation will create the possibility for applicants to obtain *one patent for the whole EU* (or at least for most of the EU member states) after grant of a European patent (EP), obviating the need for nationalizing the granted patent in selected EU countries separately.

The "*European Patent with Unitary Effect*" (UP) is one of two pillars of the new system established by the member states of the EU[1]. The second pillar of the new system is the *European Unitary Patent Court* (UPC), having exclusive jurisdiction on UPs.

The new system will leave the application, examination and granting procedure for EPs at the European Patent Office (EPO), however, with the following post-grant differences:

- After grant of an EP, the proprietor may *request a UP within one month after publication of the mention of the grant* in the European Patent Bulletin. A UP will have *unitary effect in all member states of the new system* at the day of the grant of the patent.
- The separate traditional nationalization of an EP after grant in the countries participating in the new system will no longer be necessary. However, the patent holder may still nationalize a granted EP in one or more of the participating countries in the "traditional" way[2], i.e., separately in each of the desired countries, and not request a UP.
- For *all UPs the new UPC will have exclusive jurisdiction*, meaning that infringement and invalidation concerning these patents will exclusively be handled by the UPC in a unitary procedure.
- The UPC will automatically *have exclusive jurisdiction for all existing national parts* of traditional EP bundle patents (also for those which have been granted before the new system enters into force) in the countries participating in the new system, unless an "opt-out" was declared by the patent holder, thus leaving the competence for the traditional EP bundle with the national courts for the entire patent lifetime. Such an "opt-out" option or national court competence is not available for UPs.

[1]See EU regulations No. 1257/2012 and No. 1260/2012, and Agreement on a Unified Patent Court (16315/12)
[2] We adopt the word "traditional" to distinguish bundles of national parts of European patents (also

As the new system was established by the European Union (EU), *all non-EU member states of the European Patent Convention (EPC)*, including the UK *will not be participating*. Some EU members have chosen not to participate.

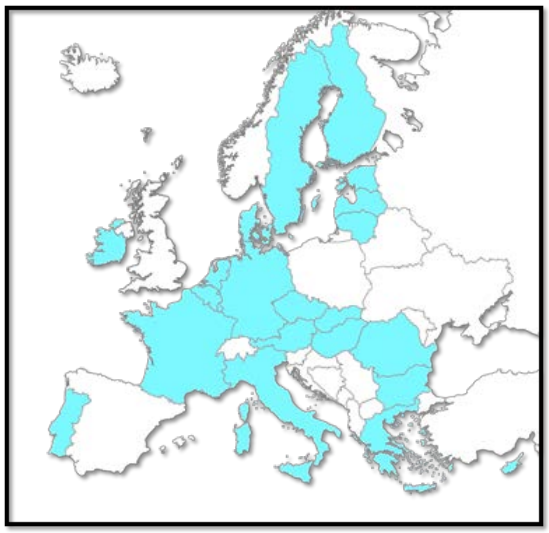


Figure 1 Geographical coverage provided by an UP once all 24 EU countries intending to participate have joined

As of March 2022, the following 17 EU member states of the EU will be participating as of the date the new system enters into force: Portugal, France, Belgium, Netherlands, Germany, Austria, Italy, Denmark, Sweden, Finland, Estonia, Latvia, Lithuania, Bulgaria, Malta, Luxembourg, and Slovenia.

EU countries in process of ratifying the UPC Agreement includes Cyprus, Czech Republic, Greece, Hungary, Ireland, Romania, and Slovakia.

Effective date and procedural arrangements

The new *European Unitary patent system is expected to enter into force early in 2023.*

Once effective applicants/proprietors of a granted European patent may request a UP *within one month after the mentioning of the grant* has been published[3]. This period is shorter than the period for "traditional" nationalization of an EP in separate countries (three months). Furthermore, the *one-month period is non-extendable*, and there is no regular legal remedy in case this term is missed. Existing EPs which have already been granted and nationalized in the traditional way cannot be converted into unitary patents. And even if a UP is requested, separate validation will in any case still be necessary for the EU countries that have not ratified the UPC agreement at the time of grant and, of course, for all non-EU countries if protection is desired in these countries.

Together with the request for a UP *a full translation of the EP* must be filed. Where the patent was granted in English, a full translation of the specification of the EP into one other official language of the EU must be filed. Since Germany is the largest economy amongst the UPC member states, translation into German may be of advantage. Where the patent was granted in French or German, a full translation of the specification of the EP must be filed into English.

In order for applicants to benefit from the new system even if the grant of the patent could regularly be expected to take place before its entry into force, the EPO has implemented the possibility of *requesting a delay in issuing the decision to grant the patent* in response to a communication under Rule 71(3) EPC[4].

Such requests for delayed grant may be filed as of the date of deposit of Germany's instrument of ratification of the UPC agreement (which will be approx. three months before the entry into force of the new system) and for all EP applications in respect of which the applicant has been informed of the text intended for grant by a communication under Rule 71(3) EPC but which were not yet granted.

[3] see Rule 6(1) UPR; Article 9(1)(g) Regulation (EU) No 1257/2012; Article 97(3) EPC

[4] for further detailed information see e.g., https://www.epo.org/law-practice/legal-texts/official-journal/2022/01/a5.html

As the date of deposit of Germany's instrument of ratification of the UPC agreement is expected to take place only in autumn 2022, applicants interested in obtaining a UP for pending applications *may in the meantime consider using further means* (such as extensions of terms etc.) *to slow down the proceedings* and hence to defer grant of the patent until the new system has entered into force. For example, where a communication under Rule 71(3) EPC has already been issued and will have to be answered before entry into force of the new system, a reply could be filed requesting minor amendments to the proposed text in order to trigger issuance of a further Rule 71(3) EPC communication. Alternatively, or in addition, the term for a reply to the communication under Rule 71(3) EPC may intentionally be missed and, in reply to a consequently issued communication indicating a loss of rights, further processing of the application be requested.

Even after the start of the UP/UPC system, *it will still be possible to use the "traditional" route of nationalizing the granted European patent* separately in some or all of the countries participating in the new system (i.e., obtaining a European bundle patent) as an alternative to requesting a UP. Which option to choose will involve an analysis of the costs and strategical aspects, which are discussed in detail below.

Upon entry into force of the European Unitary patent system, the UPC, will have exclusive jurisdiction to enforce and invalidate traditional European bundle patents with effect for any one of the participating member states. *Thus, the UPC will have competence for UPs but also for the national parts of an EP existing in one or more of the participating countries*, both for previously and newly nationalized EPs in the "traditional" way. Thus, it even applies for all national parts of EPs in the participating countries where the EP was *granted before the entry into force of the new system* (provided that it had a filing date of March 1, 2007, or later). However, for such traditional EPs, both granted before or after entry into force of the new system, *an "opt-out" from the exclusive jurisdiction of the UPC may be declared*, which is not possible for a UP (UPs are always subject to the jurisdiction of the UPC and cannot be opted-out).

For example, in case an EP granted in 2020 has been nationalized in France, Germany, Spain and the UK, the UPC will have exclusive jurisdiction over the French and German part as regards enforcement and invalidation upon entry into force of the new system and will handle such procedures for both the French and German national part in a common procedure, unless an "opt-out" is declared, in which case the old system with national court jurisdiction will apply. As both Spain and the UK are not participating, entry into force of the Unitary Patent system will not affect the separate national procedures for the Spanish and UK part of the EP.

To compensate for this change, holders of "traditional" European bundle patents which were granted before the new system comes into force, can make use of a *three-month "sunrise" period* prior to the date of entry into force, to opt-out of the UPC jurisdiction, if so desired.

For all EPs which were/are nationalized in the "traditional" way, regardless of whether granted before or after entry into force of the Unitary Patent system, *an "opt-out" may be declared at any time during the lifetime* of the national parts of the EP. However, declaration of an "opt-out" will no longer be possible as soon as an invalidation action against the patent has been brought before the UPC by a third party, or in case the patent is enforced at the UPC.

Further, note that an "opt-out" has to be declared for every EP individually, e.g., it will not be possible to declare an "opt-out" for all EPs of one patentee with a single declaration. However, the IT team of the UPC confirmed that the batch option to opt-out for more than one patent with the

same request will be possible with the Case Management System. There is also no need to notify opt-out separately for the relevant contracting member states. In case the patent holder after having opted-out changes his mind, he may "opt-in" again (i.e., withdraw the opt-out declaration). However, withdrawal of an "opt-out" is barred if an action relating to one of the national parts of the bundle patent has been brought before a national court. After having opted-in again, a second "opt-out" is not possible.

The EPO has compiled a guide on obtaining, maintaining, and managing the unitary patents[5].

Cost Aspects

The costs for filing and prosecuting of an EP up to grant will remain the same, as the Unitary Patent system will not change the existing application, examination, and grant procedures. However, by requesting a UP instead of performing a separate nationalization in the participating countries after grant of an EP, *a (very) significant cost reduction can be obtained*, depending on the selection of countries, where protection is desired.

For example, nationalization of a granted European patent in the "traditional" way separately in all 17 member states participating in the new UP system from the start may amount to costs in the order of EURO 20,000 to 40,000 for an average case (including typical IP agency fees, official fees, and translation costs, which may vary considerably depending on the length of the text).

Obtaining a *UP instead of a traditional nationalization* in all the participating countries for the same average case may cost only about EURO 2,000 to 4,000 (including IP agency and translation costs) so that a huge cost reduction through the UP will be achieved in this scenario, which will even be larger when all 24 participating countries (see above) have joined the new system.

If, on the other hand, for a granted EP protection is desired (only) in the UK, DE and FR and Spain then the patent will have to be nationalized in the "traditional" way in the UK and Spain anyway (as these countries are not participating in the new system) so that there are no costs savings possible through requesting a UP. Secondly, the costs for "traditional" nationalization in DE and FR may be around or even below EURO 1,000 (as no translation has to be filed), whereas applying for a UP (which covers, i.a., DE and FR) may amount to EURO 2,000 to 4,000 for an average case, due to the necessary translation costs.

As a rule of thumb, it can be said that wherever *protection in at least 4 countries participating in the UP system is desired*, obtaining a Unitary patent (which then will extend protection to all 17 participating states, or even 24 in the future) will be more cost effective than a separate nationalization in those countries in the "traditional" way. Of course, the cost advantage will be higher, the more UPC-participating countries there are, for which protection is desired.

A further important cost aspect are the maintenance fees. Contrary to the national parts of a traditional EP, for which maintenance fees have to be paid to each of the national patent offices separately, *only a single annual renewal fee must be paid centrally to the EPO* for a UP. This, apart from possible savings in official fees, also facilitates monitoring of the maintenance fee deadlines and payment procedures which usually also entail costs.

The amount of the official renewal fees for a European Unitary patent has been fixed to the sum

[5] https://www.epo.org/law-practice/unitary/unitary-patent/unitary-patent-guide.html

of the maintenance fees payable to the national offices of the four EU countries in which most of the EPs were traditionally nationalized (DE, UK, FR, NL). At the date of fixation of the fees, the UK was still amongst these four countries, but the amounts fixed were maintained after Brexit. Accordingly, the official maintenance fees for a UP range from e.g., EURO 475 in year 6 to 4855 in year 20[6].

The total fees payable to the national offices of the 17 countries participating from the start of the new system (or even the 24 participating countries once the system is fully extended) for a "traditional" European bundle patent, assuming that the patent is to be maintained in all of these countries, is much higher. It has been calculated by the EPO to be EURO 3,250 for the 6th year to EURO 19,227 for 25 countries. The calculations of the EPO still include the UK, but even on subtracting the UK maintenance fee, it is clear that *the renewal fees for an UP will be much lower than the sum of the fees for the separate countries covered by an UP*.

There will be additional IP agency costs for monitoring and paying of maintenance fees, which will, of course, become due only once for a UP, whereas these costs will have to be multiplied by the number of countries for a traditional European bundle patent.

However, similar to the nationalization costs, the potential cost advantage regarding maintenance fees of an UP *strongly depends on the number and nature of the countries in which the patent is to be maintained*. If, for example, an EP is to be maintained only in DE, FR, UK and Spain, there will, firstly, be the national maintenance fees in the UK and Spain which are not affected by the new system and will therefore have to be paid anyway. Secondly, there will be the fees payable for Germany and France, which for a European bundle patent nationalized only in DE and FR, will have to be paid separately to the national offices, or in case of a UP (which, i.a. covers DE and FR) to the EPO.

The sum of the national maintenance fees for DE and FR, e.g., for year 6 is EURO 206 and for year 20 is EURO 2740, whereas year 6 and year 20 fees for a UP amount to EURO 475 and EURO 4855, respectively. Even if further fees for monitoring and paying the renewals are considered (which will be about twice as high for the DE/FR bundle patent vs. the UP), it is clear that *in this scenario the national maintenance costs are significantly lower than the maintenance fees for the UP*.

Consequently, as far as the renewal fees are concerned, a comparison of the costs for paying maintenance fees to the national offices for a European bundle patent with the costs for UP renewals reveals that, wherever it is *desired to maintain the European patent in at least 3 or 4 countries participating in the Unitary patent system, maintaining an UP will be more cost effective* than maintaining a European bundle patent in the same countries nationally. The cost advantage will of course increase the higher the number of participating countries is in which maintenance of the EP is desired. Finally, however, if an UP is chosen, the patent holder cannot selectively let states lapse during the patent lifetime to reduce renewal costs.

The Unitary Patent Court

The UPC is the second pillar of the new European Unitary Patent system and was established by the Agreement on the UPC[7]. It will be an international court common to the participating member states and will have *exclusive jurisdiction as regards infringement and invalidation* over UPs, and in principle, also over

[6] A list of the UP annuity fees for all years is given at: https://www.epo.org/law-practice/unitary/unitary-patent/cost.html

[7] Agreement on a Unified Patent Court of 19 February 2013 (UPCA); see e.g., https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf

national parts of "traditional" European bundle patents valid in the participating member states.

However, during a transitional period of 7 years (which may be prolonged for another 7 years), it will be *possible for patent holders to "opt-out" of the UPC's jurisdiction for traditional European bundle patents*, as discussed above. For example, if an EP has been nationalized "traditionally" in Germany, France, Spain, and the UK, the UPC will have exclusive jurisdiction over the German and French part, and for both infringement and invalidation there will only be one common procedure, unless an "opt-out" is declared by the patent holder. This can be done at any time during the transitional period and, for traditional EPs which have been granted before entry into force of the UP system, also during the "sunrise" period of about 3 months before the UP system enters into force.

Wherever the UPC has exclusive jurisdiction over an EP, a decision by the UPC *will have unitary effect in all participating member states* where the relevant UP or "traditional" bundle EP is in force.

Moreover, during a transitional period of 7 years after the date of entry into force of the new UP system, an infringement action based on a "traditional" European bundle patent or an invalidation action against such a patent may still be brought before national courts or other competent national authorities, even if no "opt-out" of the new system has been declared by the patent holder, and if an opt-out has been requested, the national courts will continue to have competence for bundle EPs throughout their remaining lifetime.

The *first instance of the UPC will include several local and regional divisions* spread over the participating member states and will encompass a central division located in Paris and Munich. Generally, the local and regional divisions will deal with infringement actions while the central division will have exclusive jurisdiction over declarations of non-infringement and invalidation actions. The *second instance („court of appeals")* will be located in Luxembourg.

The local jurisdiction of the UPC will be divided as follows:

- Infringement actions can be brought in local/regional divisions where the infringement occurs or in the local/regional division where the defendant has its residence, or principal place of business, or in the absence of residence or principal place of business, its place of business.
- Invalidation actions must be brought before the central division unless brought as a counterclaim when they can be heard with the infringement action or transferred to the central division by the panel hearing the infringement action.
- Declarations of non-infringement must be brought before the central division.

The UPC invalidation action is a procedure which for the first time allows *requests for revocation of an entire European patent* (for all of the Unitary patent participating countries) *at any time during the lifetime of the patent*. At present, central revocation of an EP is only possible via the EPO opposition procedure (but then for all parts of the EP, including all UPC-participating countries and non-UPC countries). However, this procedure must be initiated within nine months of grant of the patent. After expiry of the opposition period, to date the only procedure available to attack an EP is to initiate separate national revocation actions against the bundle parts. However, these are only effective for one country, and usually are time-consuming and expensive if several revocation actions are to be run in different countries.

Compared to multiple national invalidation actions, the UPC invalidation procedure may be initiated with comparatively moderate costs. Also, in the case of an unsuccessful attack, the reimbursement amount of the patent holder's legal costs is capped, albeit at a relatively high level. Accordingly, *it will be easier and more attractive for other parties to attack a European patent* if the opposition period has been missed or if an opposition at the EPO was unsuccessful.

The UPC must base its decisions on the law of the EU, the UPC Agreement, the EPC, other applicable international agreements binding on all member states, and the national law of the participating countries. It is to be expected that the *UPC in invalidation actions will closely adhere to the Case Law developed by the Boards of Appeal of the European Patent Office* as far as the formal and substantial issues of patentability are concerned.

Decisions of the UPC regarding infringement actions will certainly consider and be oriented at existing national case law (such as the established German national case law). As infringement case law varies to a certain extent between the countries which will participate in the UP system, *the UPC will have to find ways to harmonize the existing case law of the participating countries* so that it may take some time until clarity is reached on the UPC's exact path in infringement matters.

Furthermore, the *UPC must co-operate with the Court of Justice of the European Union (CJEU)*. In particular, it can file requests with the CJEU to give preliminary
rulings on the interpretation of EU treaties and the validity and interpretation of acts of Union institutions, bodies, offices, or agencies. Decisions of the CJEU are binding on the UPC.

The *cost structure for proceedings at the UPC* has been modeled closely after German infringement/invalidation proceedings.

To initiate infringement proceedings at the UPC, a court fee must be paid to the UPC which is calculated by taking a fixed portion (EUR 11,000) plus a variable portion depending on the so-called *value in dispute* (VID) of the proceedings, which lies between EUR 0 (VID up to EUR 500,000) and EUR 325,000 (VID about EUR 50 Mill.).

For an average patent at the German Federal Patent Court the VID may be estimated to be between EUR 500,000 and 1 Mill. so that, given that the UPC will usually decide on infringement for more than one country, the VID before the UPC may be estimated to be higher, e.g., between EUR 1 Mill. and 4 Mill. for an average case. This would bring the variable portion of the court fees to lie between EUR 4,000 (VID 1 Mill.) and EUR 26,000 (VID 4 Mill.) and, accordingly, the total of the *court fees to EUR 15,000 to 37,000 for average infringement cases*. For invalidation proceedings only a fixed or maximum amount (EUR 11,000 for an action for invalidation and max. EUR 20,000 for a counterclaim for invalidation) will have to be paid as court fees without an VID based portion.

Similar to the German system, also *in UPC proceedings, the successful party is entitled to a refund of its costs* (court fees and costs relating to representation, such as attorney's fees). For the representation costs, there is a maximum recoverable amount depending on the VIP. However, this maximum limit is still quite high (for example the limit for a VID of EUR 1 Mill. is EUR 112.000 and for a VID of EUR 4 Mill. EUR is 400.000) so that usually the representation costs of a party should be well covered.

The figures given for both the court fees and the representation costs apply for one instance.

More detailed information on aspects of the UPC is available on https://www.unified-patent-court.org/[8].

Pros and Cons of the European Unitary Patent System

The most important considerations in view of the new UP system are:

- For EPs granted before the date of entry into force of the UP system (and hence having been nationalized in the "traditional" way): *Should an "opt-out" of the new system be declared* and hence exclusive jurisdiction of the UPC be avoided?
- For EPs granted as of the date of entry into force of the UP system:
    - *Should a UP be requested,* or should the patent rather be nationalized in selected participating member states "traditionally"?
    - If the patent is nationalized in selected participating member states: *should an "opt-out" of the UP system be declared*?
- For EP applications pending to be granted soon:
    - Should the *grant be postponed* in order to benefit from the UP system?

The answers to these questions involve costs aspects and strategic considerations.

The costs aspects concern mainly the question whether, as soon as available, a *UP should be obtained rather than a "traditional" European bundle patent*, i.e., rather than a nationalization of the EP separately in selected member states of the EPC.

For deciding the question on whether or not to "opt-out" of the UPC-system (which anyway is possible only for a "traditional" European bundle patent and not for a UP) cost aspects should not play a large role because *opting-out can be declared by a simple declaration for which no official fee will fall due*.

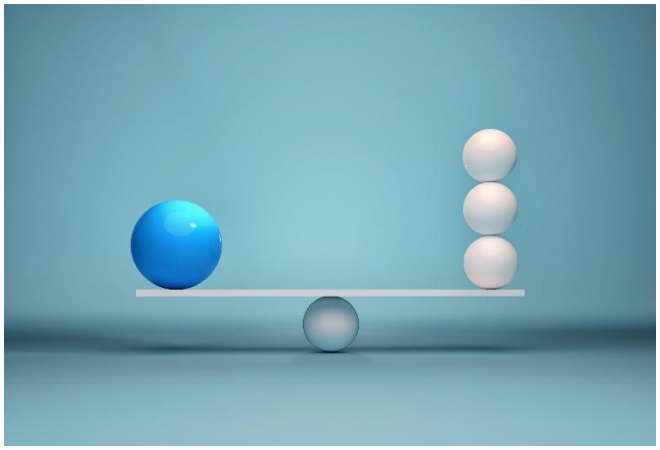
The costs aspects have been discussed in detail above and include both the costs for obtaining the unitary patent/bundle patent and the maintenance fees. In brief, both as regards the costs for obtaining protection and for the maintenance fees, a UP will be less expensive if protection is desired in at least 3 to 4 of the UPC-participating countries.

The strategic considerations mainly concern the question *whether or not exclusive jurisdiction of the UPC is desirable for a EP*. As discussed above, for all non "opted-out" traditionally nationalized EPs and, of course, for all UPs, the UPC will have exclusive jurisdiction both as regards infringement and invalidation proceedings. For patent holders, the first is probably more of an advantage because if an infringement occurs there is no need to initiate separate infringement proceedings in each of the national countries concerned (which is certainly costly and laborious), but rather infringement can be stopped and damages recovered in all UPC-participating countries "in one go", provided, of course, that the proceedings are successful.

This advantage for patent holders in UPC infringement proceedings is of course of higher importance in industry fields where infringement proceedings are rather common, such as in the fields of engineering or electronics, and may be less of an advantage where such proceedings are less common, as e.g., in the chemical industry.

[8] For example, as regards the costs aspects see: https://www.unified-patent-court.org/sites/default/files/agreed_and_final_r370_subject_to_legal_scrubbing_to_secretariat.pdf

As regards *invalidation proceedings, the exclusive jurisdiction of the UPC may be more of a disadvantage for patent holders*, because other parties can attack the patent in all UPC-participating countries in one single action (one-shot invalidation with unitary effect). This was hitherto only possible in opposition proceedings against an EP (but then for all countries potentially covered by an EP including, e.g., the UK). Such an attack at the UPC is possible at any time during the lifetime of the patent and even after an opposition procedure has successfully been terminated. Thus, especially where individual patents have become highly valuable, the UPC invalidation procedure is an attractive tool which can be expected to be used by competitors.



`Figure 2 Where would the balance be ?[9]

A further consideration may be the *"strength" of the patent* concerned. Where it is known from prosecution or other parallel family patents that no relevant prior art exists against a patent, this will speak for using the new UPC system as then the advantages of the UPC infringement proceedings will outweigh the potential disadvantages in the invalidation action.

Finally, whereas in most UPC-participating countries a body of case law for both infringement and invalidation proceedings has been established, this is, of course, not yet the case for UPC proceedings. Although it can be expected that the *UPC case law as regards invalidation will closely adhere to the case law of the EPO*, there is some uncertainty on how it will develop in infringement proceedings, and it remains to be seen whether it will be "patent holder friendly" as it traditionally is, for example, in Germany.

A thorough weighing-up of the mentioned cost aspects and strategic considerations will be necessary to reach a conclusion on whether the new UPC system should be used for an EP or whether it should rather be avoided by refraining from requesting unitary protection and by opting-out for a granted EP.

[9] *Source: Free Stock Images*

BUDDING BREEDERS: CANNABIS AND INTELLECTUAL PROPERTY RIGHTS

LOUIS VAN DER WALT & RAMON PEREIRA

In 2018 the Constitutional Court of South Africa ruled that personal and medical marijuana use in South Africa was deemed to be legal, with the Court directing the South African government to put in place the necessary legal framework to give effect to the Court's decision within 24 months of the judgement. Unfortunately, the government has been slow to implement the necessary legal framework, which was naturally placed on the back burner whilst managing the recent worldwide coronavirus pandemic. As we slowly return to normal life the topic has been placed back on the table for discussion and action. Currently, however, South Africa is in legal limbo as far as commercial cannabis exploitation for the personal use of cannabis is concerned despite companies already having invested heavily in the eventual implementation of the legal framework.

Interestingly, companies like Holy Basil (https://holybasil.co.za) have begun implementing collective growing strategies which they believe are compliant with the Constitutional Court ruling as they are within the legal quota but still allow for the distribution of cannabis products to members (consumers) for personal use.

Recently, other companies with a similar strategy have come under fire from local authorities which has also spurred several cases seeking to clarify whether the Constitutional Court judgement would allow companies to grow cannabis on behalf of individuals for their personal use.

In September 2020 parliament published the Cannabis for Private Purposes Bill, which has subsequently been updated and is currently receiving submissions in

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relation thereto. In addition, the President of South Africa mentioned the "huge potential for investment and job creation" offered by the cannabis industry in his state of the nation address in 2022.

These smoke signals appear to indicate that the four-twentieth hour has arrived, and that the government is poised to take advantage of the tax revenue windfall that comes with an emerging industry brought in from the foggy wasteland of the illicit marketplace.

The potential tax revenue numbers are not insignificant. Recently, the state of Massachusetts in the United States indicated that the tax revenue obtained from cannabis exceeded tax revenue from alcohol, joining other US states where cannabis has been legalised, with California seemingly topping that list with over US $1 billion dollars in cannabis tax revenue in 2020.

Tax revenue should, however, not be the sole basis for legalising cannabis as it will prove more difficult for a nascent legal industry to compete with an already thriving illegal industry where prices will naturally be lower without taxes. With this in mind, it will be important for those in the legal industry to unlock value elsewhere and arguably this can be obtained from leveraging intellectual property protection to establish South Africa as a dominant player in the market.

In terms of South African patent law, plants obtained through a micro-biological process, for example, transgenic manipulation of a plant genome, can be protected. Plants produced using biological means, for example, crossbreeding, are, however, specifically excluded from patent protection.

Plants generated from traditional biological means can still be protected using a lesser-known branch of intellectual property law rights, aptly referred to as plant breeders' rights, which provide for certain monopoly rights to the breeders of new plant varieties.

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In terms of the Plant Breeders' Rights Act No 15 of 1976 protection may be obtained in South Africa in respect of a new, distinct, uniform and stable variety of any kind of plant that is prescribed. In order to be registerable, a plant must thus be prescribed, i.e. named in

the list of "kinds of plant" which is set out in Table 1 of the Regulations under the Act. This list is varied from time to time. Examples of kinds of plants that are currently registerable are:

- Agricultural crops, such as rooibos tea or tobacco.
- Vegetable crops, such as spanspek (sweet melon).
- Fruit crops, such as granadilla (passion fruit).
- Ornamental crops, such as proteas.
- Trees, such as milkwood.
- Grasses, such as blue buffalo grass.

It may also, depending on the kind of plant, be necessary to apply for varietal listing under the Plant Improvement Act, simultaneously with applying for Plant Breeders' Rights, in order to exploit a new variety commercially in South Africa.

When a plant breeders' right is granted, any person intending to undertake the production or reproduction, conditioning for the purpose of propagation, sale or any other form of marketing, importing, exporting, or stocking for any of these purposes of propagating material or harvested material (including plants) obtained through unauthorized use of propagating material of the variety protected, must obtain authority by way of a license from the holder of the plant breeders' right. The holder of a plant breeder's right thus has the sole right in South Africa to produce, sell, import, export, etc. the propagating or harvested material. The duration of a plant breeder's right is 25 years for vines and trees, and 20 years for all other cases, calculated from the date of issuance of the registration certificate.

An application in another country can claim convention priority from a basic South African plant breeders' rights application if the country is a UPOV Convention Country or a so-called Agreement Country, and provided the foreign application is filed within one year of the basic South African application. In practice, this Convention period is seldom relied upon. Interestingly, plant breeders' rights in the USA can only be obtained for sexually produced plants obtained from seeds. Plants obtained asexually by grafting can only be protected by a plant patent in the USA.

For an applicant validly to file a plant breeders' rights application in South Africa for a cannabis variety, the Minister of Agriculture, Land Reform and Rural Development must amend the Regulations of the current Plant Breeders' Rights Act to include cannabis as a "kind of plant" able to be afforded protection in terms of the Act. This is in line with the 1978 UPOV Act but different to some other countries which have legalised cannabis use but, in line with the 1991 UPOV Act, do not necessarily require a plant to be listed in order for a plant breeders' right to apply. For example, Canada, which is party to the 1991 UPOV Act, has a broadly inclusive list where plant breeders' rights are afforded to all plants.

Although the Cannabis for Private Purposes Bill is unfortunately silent on the topic, the Minister of Agriculture, Land Reform and Rural Development did, on 20 May 2022 by publication in the Government Gazette, amend Table 1 of the Regulations of the Plant Breeders' Rights Act to include *Cannabis L.* as a kind of plant that is prescribed. Table 1

is however currently limited to hemp varieties.

The Minister of Agriculture, Land Reform and Rural Development also published amendments to the Regulations issued in terms of the Plant Improvement Act No 53 of 1976, in the Government Gazette of 8 October 2021, declaring hemp an agricultural product subject to the provisions of the Plant Improvement Act. The amended Regulations allow the holder of a valid, untransferable Hemp Permit, issued by the Registrar of the Plant Improvement Act upon payment of an official fee and valid for two years, *inter alia* to import hemp plants or propagating material for breeding, research or cultivation, to propagate plants for purposes of developing new hemp varieties, to sell hemp seed, seedlings, plants or cuttings, to cultivate hemp, and to export hemp plants and propagating material for cultivation purposes.

Hemp and marijuana are not distinct species but rather two of many different names for cannabis, a type of flowering plant in the *Cannabaceae* family. Legally, the difference is the concentration of (-)-transdelta-9-tetrahydrocannabinol (THC) in the leaves and flowering heads of *Cannabis sativa* L. Interestingly, in terms of the amended Regulations issued for the Plant Improvement Act, "hemp" means low THC plants or parts of plants of *Cannabis sativa* L. cultivated for agricultural or industrial purposes, of which the leaves and flowering heads do not contain more than 0.2% THC (presumably this is percentage by weight), whereas in the Agricultural Improvement Act of 2018 and other laws in the USA, a limit of 0.3% on a dry weight basis is used.

It is believed that although it is now possible to file a plant breeders' rights application in South Africa for a new cannabis variety, such a plant breeders' rights application will however have to be accompanied by a certificate stating that the THC content of the leaves and flowering heads does not exceed 0.2%. It is not yet clear who can issue such a certificate.

An excellent example in the cannabis community of the opportunity which could have been afforded to a budding entrepreneurial South African breeder, had the possibility existed earlier to obtain plant breeders' rights, is the internationally recognized strain referred to as "Durban Poison" which is a South African landrace variety. This hypothetical South African entrepreneur could have realised the value in the South African strain but noted its low comparative yield and decided to rather crossbreed the South African variety with another higher yield variety (such as the "Skunk" cannabis variety), which would have resulted in a higher commercial yield (this is apparently what was done by a breeder in Amsterdam). This hypothetical entrepreneur could then have registered the new variety using the Plant Breeders' Rights Act (assuming the new variety complied with the requirements of the Act) and subsequently filed corresponding applications in other international markets where cannabis has also been legalised.

In closing, it is worth mentioning that a complete intellectual property strategy for cannabis companies looking to take advantage of intellectual property rights would necessitate trade mark considerations.

For example, the above hypothetical entrepreneur would register the plant breeders' rights with a specific varietal name or denomination complying with the requirements of the Plant Breeders' Rights Act whilst simultaneously filing a trade mark application for the new variety (e.g. "Durban Skunk"), to protect the brand name they would be using to sell the particular strain. The denomination of the variety as registered would then have to be included with the packaging in which seed of the new strain is sold, but which can also include the brand name. The advantage of registering a trade mark is that it provides a perpetual monopoly over the brand name, provided the trade mark registration is renewed as prescribed. So, once the plant breeders' right has expired (after 20 years) the brand identity, "Durban Skunk", associated with the particular strain would already have been established with consumers and the entrepreneur could continue to reap the benefit through that brand loyalty.

Interestingly, trade mark protection in some countries has also been extended to scents, which form a large part of the sensory experience related to the purchase of cannabis. It is unclear, however, how this may play out in the cannabis industry but as strains are known to have distinct scent profiles this form of protection may become more important as the industry develops further.

As more and more countries proceed to legalise cannabis so the global industry will continue to expand, bringing with it new opportunities for budding entrepreneurs. There is a natural push for larger players in the market to seek the protection afforded through traditional patents as these rights are viewed as strong. With this emphasis in place these larger players are focusing on the extracts, isolates and transgenic forms of cannabis, all of which form suitable subject matter for patent applications, potentially leaving a gap for smaller traditional breeders to obtain monopoly rights in new varieties by means of plant breeders' rights.

Plant Breeders Rights Act

Notice was published in Government Gazette 46543 of 10 June 2022 which included the draft regulations in terms of the Plant Breeders' Rights Act 2018.

Public comments are invited by no later than 13 July 2022.

Plant Breeders' Rights Act: Regulations: Comments invited | South African Government (www.gov.za)

Taking your ideas to market – practical considerations for SME's on the IP Journey

First Published for WIPO: World IP Day 2021

By Audrey Yap

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Small Medium Enterprises (SMEs) evolving, adapting and innovating to embrace intellectual property (IP) and all it represents, will be key to the economic future of many industries and countries.

In these times, we cannot talk about the economy without at least touching on the impact of the Covid 19 pandemic around the world. Many companies have been impacted and SMEs hardest hit, particularly in sectors that involve touch, travel and physical interaction. Given SMEs contribute to the economy significantly in most countries, representing 90% of business and more than 50% employment worldwide, understanding and supporting SMEs, is critical.

In a recent survey conducted by Ocean Tomo, published in our LESI publication *les Nouvelles December 2020 edition*, Covid 19 has accelerated the digitization of the global economy, allowing telemedicine, telework and online education during the lockdown of many countries. Online shopping grew exponentially and work from home (WFH) is now the new normal rather than the exception with escalating demand for Zoom, Skype, WebEx, WeChat, DingTalk and Microsoft Teams to name a few. All this underscores the importance of IP in the Post Covid world as IP remains resilient given that business will need to prioritise investment in the above described models. The article concludes that all this will accelerate the economic inversion for countries to move from tangible to intangible economics.

It is therefore timely that the World IP Organisation has chosen the theme "**IP & SMEs: Taking your ideas to market**" for the World IP Day launching on April 26th, 2021. We all recognise that SMEs when nurtured, when facilitated in their journey to translate products and services to useful applications and contributions in the marketplace, can emerge stronger and more resilient.

Commercialisation of IP has been the business of LES globally for over 50 years! Training and education, sharing of best practices and in particular growing IP deals is what has progressed this association of which I am proud to serve as President of LES International, an umbrella organisation of 33 chapters covering 90 countries.

There are a myriad of aspects that can be discussed in this article as it is indeed acknowledged that getting products and IP to the marketplace requires an appropriate and well-oiled ecosystem as well, one WIPO is well placed to influence through its policies and programmes. LESI is happy to partner with WIPO in moving towards that goal.

However for the purpose of this article I would like to focus on two key points:

(1) The need for SMEs to seriously start focusing on its IP.
(2) Commercialisation means you need to know how to be "IP attractive".

Why IP?

It may appear trite but whilst SMEs are creative and innovative, many forget to think about building their IP to protect those very ideas that help them generate revenue and wealth.

IP is not one single thing but a bundle of different categories in law that protect different aspects – for example, patents cover technology and innovations whilst trademarks help protect reputation, goodwill and the identity of the producer (source of goods or services) and help ensure quality (assuring to the consumer). SMEs need to understand what IP does and how it can help them.

Here I pause to add whilst IP is the ultimate fruit, there are necessary seeds to be planted and trees to be grown in order for this to happen.

In this regard a term that has been used to help SMEs understand this better is the bigger group called intellectual assets (IA), of which intellectual property is a subset.

Whilst IP is very legally driven, as IP does not operate without a strong legal ecosystem and infrastructure at national and regional level, IA is arguably people driven as it covers all products of the mind.

There are those who would submit that the potential value of technology and intellectual assets can only be fully realised if it is accompanied by people-centric perspectives (see "People as Enablers", article by Thomas Bereute et al, *les Nouvelles June Edition 2020*). This management of the human factor is what will achieve value realisation through business transactions that are innovation and IP driven because the business owners and decision makers together with IP managers support and complement each other throughout the process.

Accordingly the important considerations here in summary are:

(a) Know what IP is, what IP you may have and what IA drives that.
(b) Get your people involved early and preferably in an integrated fashion.
(c) Protect your IP to get a strong foundation to transact with.

Becoming IP attractive

I love the quote by Douglas C Engelbart:

"Stanford Research Institute patented the mouse but they really had no idea for its value. Some years later I learned that they had licensed it to Apple for something like $40,000".

This quote is helpful in reminding enterprises that it isn't enough to invent great breakthroughs or useful products but it is equally important to understand the value of what you have, how to sell the idea and, in that, how to price it. It also requires understanding the marketplace and delivery of that product to where it is needed. Interestingly, the main way to be able to get support towards all this is if you already have an IP portfolio in place. Why? Because if there is no IP to begin with, you are unlikely to even attract investors needing assurance their investment can make a return, nor licensees who are savvy enough to ask why they should pay for something they can just copy or reproduce for free?

The above is only intended to tease out thought, as the solution is not a one line answer or a simplistic "just file IP". It recognises that surely commercialising IP goes beyond just having a patent or trademark. This why the formulation of cohesive IP strategies, putting in place IP management systems and even, where needed, valuing your IP portfolio are important concepts to understand.

One thing that comes across as critical is that this journey is best not set out alone. The immense market opportunities out there mean often you cannot resolve all technical problems in-house – there will be innovation gaps that you will encounter which need a more integrated approach. Collaboration and cross licensing become significant tools to be deployed. Some may query the value of open innovation in this conversation but it too has its role in the emerging IP ecosystem that SMEs and enterprises need to work and play in if they want to grow, globally. Here I would say, how open innovation is harnessed, is part of a strategic IP plan for any business taking ideas to market.

Entrepreneurs are often up at night because they worry about the need for "speed to market" but are desperate for quick development of products and services. Also access to technology which is converging at breakneck speed emphasises this requirement.

Developing a more sophisticated appreciation of this innovation need will help SMEs begin a more integrated approach to obtaining the technology and therefore remain in the market, if not excel. Here considering the option to acquire IP or technology by licensing-in, either for further development of in-house products, or for monetisation of existing IP is strategically. Large companies like Apple, Facebook or Google do so, why not SMEs? Owners of SMEs need to start asking those questions too.

Recognise though that this is just the beginning, as SMES work with tight budget constraints. So being focused, by clearly understanding the tech licensed or acquired and its qualifications or characteristics are crucial.

What is remarkable is that the Covid 19 global challenge has caused governments around the world, especially these with limited R&D capabilities, to start encouraging the sourcing for technology transfer for their local companies – these countries are seriously looking into what is needed to be licensed to create local capabilities.

The definition by Pedro Roffe, *"Transfer of Technology" UNCTAD's Code of Conduct is instructive (International Lawyer Vol 19. No. pp 689-707):*

"The transfer of systematic knowledge for the manufacture of a product, for the application of a process or for the rendering of a service. Transactions involving the mere sale or the mere lease of goods are specifically excluded". (emphasis mine)

Indeed the work of WIPO to continue to engage IP offices around the world to support this is to be applauded.

In Singapore, where I am based and have served as board member of the IP Office of Singapore (IPOS) since 2015, this emphasis has been included in the masterplan to be an IP hub as the need to raise innovation capabilities is acutely felt as an industrialised economy which is very open. Singapore has consistently ranked high in various independent innovation indexes including WIPO's Global Innovation Index ranking and Bloomberg's annual equivalent.

The co-relation between technological change and economic impact is clearly underscored.

Nevertheless there are challenges such as asymmetry of capability to absorb or understand and digest complex aspects of technology transfer and so the efforts must continue, policies specially customised to address these issues.

Zooming back down to the companies within these economies, SMEs can help themselves by working with professionals who understand how to do so cost effectively or be plugged in to a network, such as with publicly funded research institutes, universities or other SMEs of similar interest or joining a group at its forefront (like LESI!) engaged in the business of education and training in advancing the business of IP globally.

Conclusion

Building strong core local companies especially SMEs is crucial to all countries. Helping SMEs understand the underlying value of the IP they create and valuing protection of the same, and dealing with assets effectively, including learning to embrace technology transfer and / or transacting with their own IP is an important work that should continue globally.

The interconnect between Competition Law and Intellectual Property

Unpacking the Competition Tribunal's Decision in Makarenge Electrical Industries (Pty) Ltd t/a Wilec v Allbro (Pty) Ltd and Competition Commission of South Africa[1]

Disclaimer: The authors of this paper were part of the Primerio legal team who advised Wilec in this litigation. At the time of writing, the Competition Tribunal's decision has been appealed to the Competition Appeal Court. The views expressed in this article are the authors' own and not attributable to Primerio or Wilec. The authors are also constrained from commenting on certain aspects of the case in light of the on-going appeal proceedings

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On 29 April 2022, the Competition Tribunal ("**Tribunal**") handed down its reasons for its decision in granting *Makarenge Electrical Industries (Pty) Ltd t/a Wilec* ("**Applicant**") interim relief against a competitor, Allbro (Pty) Ltd ("**Respondent**"). At the heart of the dispute is the interplay between competition law and copyright.

This article summarises the Tribunal's decision and approach, in particular, between the interplay between competition law and intellectual property. In addition, the Tribunal set out concisely the requirements that must be met in order to succeed with an interim relief application.[1]

The facts briefly are as follows. The Applicant is a 100% black-owned supplier of transformer bushings – a component used to transmit electrical power into or out of a transformer. The Applicant competes, *inter alia,* with the Respondent, who is overwhelmingly dominant in the market for the supply of transformer bushings. The Applicant and Respondent supply bushings to transformer manufacturers who, in turn, sell their products to end users.

The Applicant complained that the Respondent had, *inter alia*, induced customers not to purchase bushings from competitors in contravention of section 8(1)(d)(i) of the Competition Act, 89 of 1998 (the "**Competition Act**") in particular, by threatening customers that if they deal with the Respondent's competitors, they (the customer) will be at risk of civil and criminal liability.

The Respondent's threats were premised on an ostensible copyright infringement surrounding the specific bushings which the Applicant (and another competitor, Ukusa) were selling in the market. At the time of the Tribunal hearing, the Respondent's copyright claims had not yet been established and were still pending before the High Court. The Respondent's copyright claims were also seriously disputed, both by the Applicant and by Ukusa.

In determining whether to grant interim relief, the Tribunal first assessed whether it had jurisdiction. The Respondent contended that the Tribunal has no jurisdiction because the relief sought would constitute a suspension of the Respondent exercising its intellectual property rights, those being rights that the Tribunal may not pronounce upon.

The Tribunal found that the Competition Act does apply to intellectual property rights. For that finding, the Tribunal invoked to two provisions in the Competition Act: sections 3(1) and 10(4). Section 3(1) states that the Competition Act "*applies to all economic activity within or having effect within the Republic*" and further provides for specific exclusions, which do not include intellectual property. Section 10(4) deals specifically with intellectual property rights, and provides that a firm may apply to the South African Competition Commission ("**SACC**") to have an agreement or practice exempted from Chapter 2 of the Competition Act (Chapter 2 regulates prohibited practices) if such agreement or practice "*relates to the exercise of intellectual property rights*".

. The Tribunal referred to the Competition Appeal Court ("**CAC**") decision in BCX[1] where it was held: "*The evidence of a prohibited practice is not concerned with the rights of the applicant but the competitive position of competitors in the market, judged against the regulatory criteria of the prohibited practices defined in chapter 2 of the Act*". The Tribunal held that "*while Allbro may enjoy a copyright which it is entitled to protect, its right under the Copyright Act is not a trump card dispensing with the application of the Act*."[1]

The Tribunal held that the provisions of the Competition Act make it clear that the regulatory competence to determine whether a prohibited practice has occurred falls squarely within its jurisdiction, regardless of whether the defence by a respondent involves the exercise of a right under another legislation.[1] In addition to its reliance on specific statutory provisions, the Tribunal confirmed that in applications for interim relief, it is tasked with determining whether an alleged prohibited practice has occurred and not to assess, in this case, the merits of the Respondent's copyright claim. Further, it is clear that the High Court does not have jurisdiction to consider an alleged infringement of the Competition Act. In other words, competition law disputes are reserved for the exclusive jurisdiction of the competition authorities.

Accordingly, the Tribunal held that it has jurisdiction and that the exercise of intellectual property rights may constitute a contravention of the Competition Act, provided all other elements of a prohibited practice are established.

It is important to note that the Tribunal's approach to interim relief is assessed on a case-by-case basis. The Tribunal noted that intellectual property is "*neither particularly free from scrutiny under competition law, nor particularly suspect under competition law*".[1] The Tribunal's decision does not undermine intellectual property rights. It reaffirms what has been well established not only in South Africa, but also in other leading jurisdictions (including those with robust intellectual property laws), namely that intellectual property rights may be subject to competition law scrutiny in certain circumstances.

Finally, the Tribunal assessed whether the irreparable harm and balance of convenience justified granting the relief. In this regard, the Tribunal set out the conceptual framework and guiding principles to follow but noted that granting interim relief does not nullify the Respondent's intellectual property rights and the copyright litigation before the High Court could progress unhindered. The limited duration of the interim order, the severe prejudice to the Applicant's competitive position in the market should the interim relief not be granted, and the lack of any material prejudice to the Respondent should the relief be granted, swayed the Tribunal to conclude that, on balance, the Applicant should succeed.

In summary, the Tribunal found, on a *prima facie* basis, that:

1. the Respondent was overwhelmingly dominant in the market;
2. the Respondent's conduct induced customers not to deal with the Applicant;
3. the Applicant had made out a case of foreclosure and consumer harm;[1]
4. the Respondent had not discharged its onus of demonstrating that the conduct was justified by technological, efficiency or pro-competitive gains; and
5. upon balancing the prejudice that the Respondent would suffer if the interim relief is granted versus the prejudice that the Applicant would suffer if interim relief is not granted, the harm to the Applicant would be significantly more deleterious in the circumstances.

Having satisfied each of the requirements in order to succeed with an interim relief application, the Tribunal found in favour of the Applicant.

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From the Juta Law Reports

The following judgments were reported March – May 2022

Competition — Passing off — Advertising — Powers of Advertising Regulatory Board (ARB) — ARB ruling that packing of Bliss Brands' SECUREX soap exploiting the advertising goodwill and imitating the packaging architecture of Colgate's PROTEX soap — Supreme Court of Appeal, having ruled that ARB may lawfully consider complaints against non-members such as Bliss, pointing out that ARB operates consensually and is not permitted to determine issues such as whether packaging or get-up of a particular product constituting passing off or breach of copyright, only whether its code was breached. *Advertising Regulatory Board NPC and Others v Bliss Brands (Pty) Ltd* Supreme Court of Appeal case No 786/21, 2022 JDR 769, Petse DP, Schippers JA, Plasket JA, Hughes JA and Matojane AJA, 12 April 2022, 20 pages

Patent — Infringement — Commissioner of Patents granting interim interdict prohibiting use of product pending final determination of infringement action — Application for leave to appeal against — Whether judgment appealable despite its interim nature — Applicant arguing that since it would be precluded from relying on obviousness in pending revocation application and trial, order final in effect and therefore appealable — Commissioner pointing out that her findings on obviousness were stated to be *prima facie*, not final — Commissioner also emphasising that she had expressly anticipated that issue of obviousness was not dead for purposes of further proceedings and that it would be traversed at trial — Applicant not precluded from relying on it later — Interim interdict appealed against therefore not final in effect — Commissioner refusing application for leave to appeal against it. *Bayer Intellectual Property GmbH and Others v Dr Reddy's Laboratories (Pty) Ltd* Commissioner of Patents (Pretoria) case No 22237/21, 2022 JDR 536 (CP), Keightley J, 1 March 2022, 10 pages

Trademark — Expungement — Mark which, as result of manner of its use, likely to cause deception or confusion — Test — Requiring determination whether mark *itself* likely to cause deception or confusion — Not contemplating passing-off type deceptiveness or use of mark based on mark of different trader — Therefore, manner of use of trader's own mark to be considered, not likelihood deception or confusing arising from similarity to mark of other trader— Stable Brands applying under s 24 of the Trade Marks Act for cancellation of LA Group's 46 POLO marks on ground that they were unregistrable because their manner of use was 'likely to cause deception or confusion' as intended in s 10(13) of Trade Marks Act — Supreme Court of Appeal finding that LA Group's marks in fact capable of distinguishing and that Stable Brands' arguments for their cancellation should fail on both facts and law (as set out above) — Trade Marks Act 194 of 1993, s 10(13). *LA Group (Pty) Ltd v Stable Brands (Pty) Ltd and Another* Supreme Court of Appeal case No 650/2020, 2022 JDR 434, Ponnan JA, Makgoka JA, Schippers JA, Plasket JA and Phatshoane AJA, 22 February 2022, 70 pages

From the Juta Law Reports

Trademark — Expungement — Alleged non user — Whether applicant 'interested person' with *locus standi* to apply for removal of respondent's TSHIMA mark — High Court emphasising that [illegible] conceptualise TSHIMA marks — Facts showing that respondent (SABC) registered TSHIMA mark as part of policy to protect ownership of intellectual property associated with its TV awards shows — But applicant contending that it used mark in course of negotiations with SABC to broadcast awards show for Tshivenda-speaking community and that it applied for its registration — Applicant failing to file copies of alleged applications for registration — Not having established status as 'interested person' — Pretoria High Court upholding SABC's *in limine* objection to applicant's *locus standi* and dismissing application for expungement — Trade Marks Act 194 of 1993, ss 10(3), 10(4), 24, 26, 27. *3rd Level Marketing and Media Group (Pty) Ltd v South African Broadcasting Corporation Ltd* Gauteng Division, Pretoria case No 47204/2021, 2022 JDR 472, Baqwa J, 2 March 2022, 5 pages

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