

# IP BRIEFS®

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The logo for SAIPL, featuring the letters 'SAIPL' in a bold, black, sans-serif font. The letter 'I' is stylized with a red and orange curved shape above it, resembling a drop or a stylized 'i'.

## FROM THE EDITOR

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## IN THIS ISSUE

*A new dawn for patent prosecution: to delay or expedite?*

*ChatGPT – Too good to be true?*

*NFT's + IP: Digital Art, Virtual Assets or Securities?*

*Outstanding Innovations and Innovators: Albert Einstein – An Enigmatic and Brilliant Physicist*

*Restriction On The Use Of Trademarks: Brand Owners - Pay Attention To The Draft Food Labelling Regulations!!*

*How to develop a unique brand name in a global market and protect it.*

*How an infection led to the creation of an IP Law Report.*

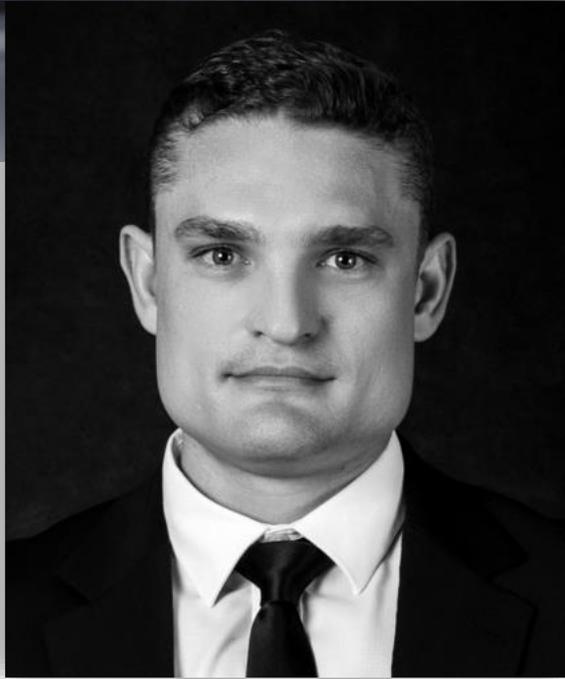
*Juta case law reports*

The first quarter of the year experienced the continued saga of the South African copyright and performers' protection bills as the public hearings in the NCOP and Provincial legislatures started in February ending in April 2023. SAIPL's comprehensive submission and presentations revealed that none of the studies relied on by the DTIC support the bills' controversial "fair use" clause and dispossessive exceptions. SAIPL's online resource for its submissions, listed by reference to the then-current version of the copyright bill, is at <https://saiipl.co.za/copyright-amendment-bill-documents/>.

On a positive note, we celebrated Kids IP day and international women's day in March. Seems that women are in the lime light this year as WIPO's World IP Day on 26 April features the "can do" attitude of women inventors, creators and entrepreneurs around the world and their ground-breaking work. As usual WIPO has made available a social media kit for use which can be viewed here: [World IP Day 2023 Social Media Kit | Trello](#). We urge our members to participate in, or create events for this occasion.

ChatGPT inspired conversation in the fast developing world of AI and the challenges (or not?) this wonderbot could bring to the world of education and the IP profession as we know it. We feature an article on ChatGPT in this edition. If you are interested in Software, quite an interesting read is the research study of the global Intellectual Property Software Market reported by Market Watch. The report provides an in-depth analysis of revenue, size, and volume of the Intellectual Property Software Market. It covers industry segments by types and applications and our members may be interested in the patent management and licensing sections. For a copy of the full report visit [Market Research Guru - Global Industry Research Reports Analysis](#)

"If you want something new, you have to stop doing something old" — Peter Drucker



## PATENT PROSECUTION - DELAY OR EXPEDITE?

**By Tim Laurens**

Many countries<sup>1</sup> offer direct financial subsidies, tax incentives or other social benefits to patent holders. These policies have been a significant driving force in boosting interest in the associated patent systems. Unfortunately, these subsidies have led to the burgeoning of sub-standard patent applications with the aid of patent attorneys/agents seeking to profit therefrom. This phenomenon has not only been isolated in foreign jurisdictions but has, in recent years, started to flood the South African patent system.

Since South Africa does not perform any substantive examination of patent applications yet, it remains, and has been for quite some time, an attractive option for applicants looking to receive such government incentives. Even more attractive, is the fact that South African patent law allows for an applicant to request expedited acceptance resulting in a granted patent within as soon as a month or two from filing of the application.

Not only do such applicants receive a granted patent, albeit without undergoing substantive examination, but they also stand to receive their government incentives well before others following the normal course of events. Resultantly, numerous applicants from such jurisdictions jumped on this bandwagon to file patent applications, accompanied by a request for expedited acceptance, to receive their government incentives sooner. In our experience more often than not, after becoming eligible for a grant, these patents would be abandoned.

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<sup>1</sup> Most notably China ([\(9\) Ending Patent Subsidies in China | LinkedIn](#)), and most of the EU (see [R&D Tax Incentives: European OECD Countries | Tax Foundation](#)). In South Africa Section 11D of the Income Tax Act provides tax incentives referred to as the Research and Development (R&D) Tax Incentive

Requesting expedited acceptance of a patent application has inherent risks, including:

- an invalid claim may render a patent unenforceable or, at best, partially invalid until the invalidity has been remedied (if at all possible);
- the patent stands to be invalidated based on a material misrepresentation in the applicant's declaration if the applicant knew or ought to have known that the claims be invalid at the time of grant;
- an amendment may be refused due to an undue delay by a patentee to make a necessary amendment(s) upon learning of invalidity; and
- an applicant may sacrifice the opportunity to broaden the scope of protection which is available through filing pre-grant amendments or fresh applications (divisional) applications.

Although expedited acceptance has been available for many years, prudent applicants have avoided such expedited prosecution in favour of delaying acceptance of their South African patent applications to ensure that their applications conform to counterpart applications that have undergone substantive examination, thereby ensuring a valid and enforceable patent. In addition, delaying acceptance allows for pre-grant amendments of the patent specification which places the applicant in a more advantageous position since post-grant amendments have a much narrower scope and far more stringent procedural requirements before they may be effected. For instance:- post-grant amendments need to be published and is subject to a two-month opposition period.

In 2022, the Patent Office received 13976 patent applications, which is an increase of 28%, compared to 2021. Of these new applications, 46% applications were derived from PCT international applications and 34% were filed by foreign applicants as first instance applications, claiming no priority. This raises the question whether the increase in patent applications is due to an interest in protecting innovation in South Africa, or a reflection of ills of the South African depository system? There is of course the possibility that applicants are abusing the expedited acceptance procedures which have arguably diluted the credibility of the South African patent system.

In light of the seeming abuse of the expedited grant system in South Africa, on the 11<sup>th</sup> of January 2023, the Registrar of the South African Patent Office pathed the way for a new era

in patent prosecution by issuing a draft practice notice setting out stringent requirements for requesting expedited acceptance of a patent application. The draft practice notice proposed that, effective from 1 March 2023, expedited acceptance for patent applications shall only be allowed for applications that are:

- PCT National Phase applications with a positive Written Opinion of the International Searching Authority (WO-ISA) or a positive International Preliminary Report on Patentability (IPRP);
- PCT National Phase applications where the applicant has declared that the claims of the South African National Phase are wholly within the scope of those deemed acceptable in the IPRP or WO-ISA;
- Convention applications claiming priority in terms of section 31(1)(c) of the Patents Act, where an examining convention country has considered the subject matter of the equivalent foreign application as patentable; and
- Applications which are equivalents of a simple patent family, where an examining country has considered the subject matter of an equivalent foreign application as patentable.

Unfortunately, despite high hopes for the curtailing of junk patent applications effective 1 March 2023, it seems as if the Patent Office is still overburdened with such applications. Although it will be welcomed sooner than later, this new proposed practice, if, and when implemented, will no doubt increase the veracity of the patents proceeding to grant and oust the days where opportunistic applicants looking to abuse the system for a quick incentive. This new policy should aid in the aim of restoring credibility in the South African patent system and to lighten the load on those seeking to uphold it and will give heed to the case of *Gallagher Group Ltd v IO Tech Manufacturing (Pty) Ltd*<sup>2</sup>, where the court emphasized that “*It is in the interest of public policy to ensure that patentees only file patents for inventions which they believe are valid, thereby protecting the patent system against abuse.*”

Prospective patentees should obtain the necessary advice to help them to traverse the complex field of patent law and obtain valid and enforceable patents with commercial value in South Africa, and rather seek government incentives by employing principles of delayed gratification.

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<sup>2</sup> Gallagher Group Ltd and Another v IO Tech Manufacturing and Others (96/6799) [2012] ZACCP 1.

In a recent case <sup>3</sup>, the Constitutional Court has confirmed that the doctrine of unclean hands may find application in patent litigation. The decision opens a question of whether the doctrine of unclean hands can be successfully raised in circumstances where the patent applicant did not conduct filing and prosecution of the patent application in good faith.

As always, slow and steady wins the race!

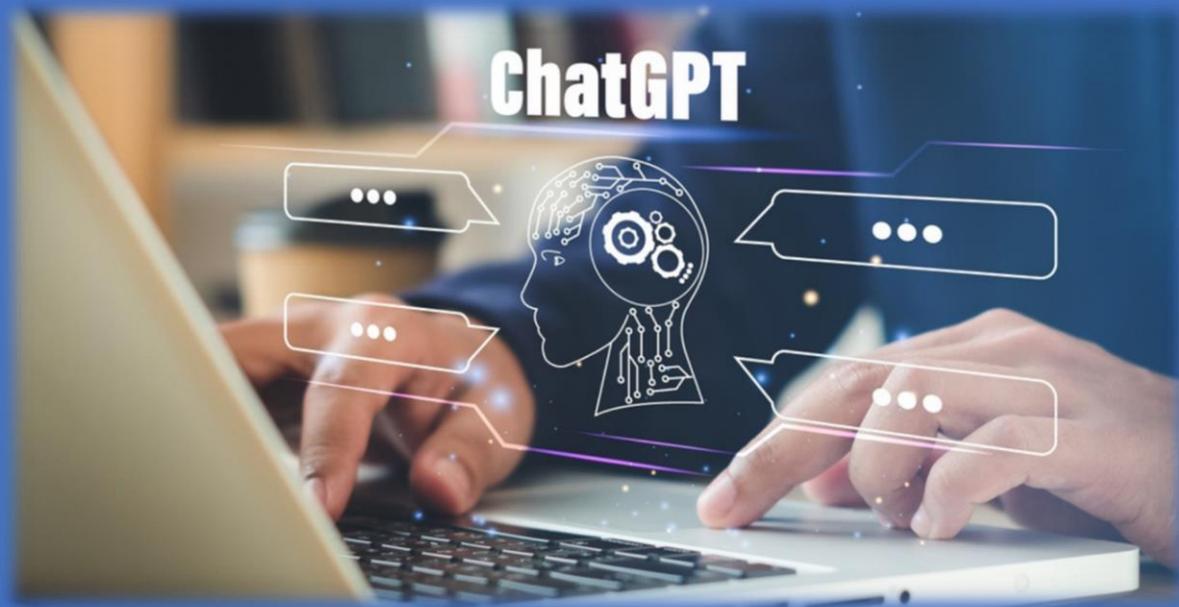
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*Tim focuses on drafting patents in the fields of chemistry, chemical processes, pharmaceuticals, blockchain and software-related technology. In addition, Tim has a background in commercial litigation, most pertinently, in the field of unlawful competition related to the misuse of confidential information, know-how, trade secrets, and restraint of trade agreements. Using this experience, he can help those in search of protecting their non-registerable intellectual property to traverse the modern and ever-changing business world.*

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<sup>3</sup> Villa Crop Protection (Pty) Ltd v Bayer Intellectual Property GmbH (CCT 237/21) [2022] ZACC 42 (8 December 2022)



Source: <https://www.searchenginejournal.com/ways-seos-are-using-chatgpt-right-now/475896/#close>

## CHATGPT - TOO GOOD TO BE TRUE?

By **Stefaans Gerber and Alisha Muller**

The creation and development of artificial intelligence (“AI”) has historically been accompanied with a warning label and understandably so. Stephen Hawking, amongst many, foreshadowed the concerns with AI and famously stated that development of AI “could spell the end of the human race”.

One of the latest developments in AI technology, which has raised widespread concern and criticism, is the creation of ChatGPT (“Generative Pre-trained Transformer”), an AI computer program developed by start-up company, OpenAI. These programs are generally referred to as chatbot programs, which are computer programs capable of maintaining a conversation with a user in natural language, understanding their intent and replying based on preset rules and data. You may have come across and interacted with a customer support livechat service on a website. If so, you have also probably experienced a suspicion that the “person” on the other side might actually be a robot.

So, what is ChatGPT? ChatGPT is a language model AI computer program which generates output in the form of dialogue from text-based input received from the user. OpenAI recently unveiled GPT-4, which has greater capabilities and incorporates a large multimodal model. The effect of the development of GPT-4 as a multimodal is that ChatGPT can create output from both image and text ‘input’. There is a plethora of ways in which chatbots can be applied, from the customer service department in order to ensure quick turnaround times and customer engagements, IT, HR and business operations to assisting dementia patients in

providing companionship and assessing the degradation of memory function and deterioration of the patient's condition.

This output generated by chatbots, can take virtually any form including essays, research papers, even source code. Accordingly, a user can pose a question to the chatbot and receive a human-like dialogue in response thereto. The output that ChatGPT delivers is generated from a large dataset of text on the internet to which it has access. What contributes to the genius of ChatGPT is that the output is delivered in mere seconds. Remarkable right? Or too good to be true?

Conversely, the risks associated with the application of chatbots, as with ChatGPT, is its ability to generate deepfake text, which essentially means that deepfake creators can use this platform to create output which imitates human-like characteristics and work. Accordingly, the use of ChatGPT to generate academic articles, research papers or the like give rise to serious concerns regarding academic integrity and ethics.

Moreover, deepfake content, more specifically, in the form of video material can potentially have catastrophic consequences when consideration is given to political friction between countries such as Ukraine and Russia where a possibility might arise where a deepfake video surfaces purporting to be President Volodymyr Zelenskyy instructing his countrymen to surrender in the current war.

The more pertinent question to consider, from an intellectual property perspective, is who would be the author and owner of the copyrighted work created by such an artificial intelligence? South African copyright law distinguishes between the author and owner of a copyright work, as the author of the work may not necessarily be the owner thereof.

ChatGPT's terms of use clearly assigns all its rights, title and interest in and to the output or content created, to the user. However, does ChatGPT even own the content which it so readily assigns? As a point of departure, the author is typically the first owner of any copyright work, as defined in the Copyright Act (Act 98 of 1978), but exceptions to this principal may apply as delineated in the Act.

The author of the output generated by ChatGPT will vary depending on the type of work created. For example, the author of a literary work is the person who first makes or creates the work, whereas the author of a computer program is the person who exercises control over the making of the computer program. Accordingly, the pertinent question is who would be the author of a literary work of such as an essay when the program generated the essay?

The court in *Payen Components South Africa Ltd v Bovin Gaskets CC*<sup>1</sup> drew a clear distinction between computer generated work and computer aided work. Computer generated work is work created by the computer program, where the computer program was developed and designed by a human author. However, in the case of work generated by AI, the work is not generated by a human author and control and direction is expended by AI.

The conception of ChatGPT is another innovative development in the world of AI but creates a challenge to the appropriate application of IP law, especially copyright law. The identity of the author and owner of the output, despite an assignment provision contained in its terms of use, is still open to speculation and accordingly creates copyright works in which proprietorship cannot necessarily be identified.

Some guidance may be found in the recent policy document issued by the US Copyright Office on 10 March 2023, which attempts to provide clarity on the registration of works containing material generated by AI technology. The most fundamental consideration by the Copyright Office is copyright only protects materials that are the product of human creativity. Importantly, in order for the Copyright Office to register works, creative input or intervention from a human author is necessitated, and the Copyright Office shall not register works that were produced as a result of a mechanical process which operates automatically. In other words, the works will be void of a human author where the traditional elements of authorship were generated by a machine.

The Copyright Office illustrates, quite eloquently, that the most important consideration in determining authorship would be to determine whether the AI technology, in creating the 'output' had complete creative control, irrespective of the fact that the human 'author' may have generated 'input' or a prompt to the AI technology. However, where a human author arranged and selected the 'output' generated by AI technology in such a manner that the resulting works constituted an original creative work, then such individual shall be considered the human author.

The development of AI technology poses a challenge to the norms of copyright law but illustrates the need for copyright law to adapt accordingly. The answer as to who owns the copyright of an AI generated work or the attribution of authorship is not yet clear. However,

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<sup>1</sup> *Payen Components South Africa Ltd. v Bovin Gaskets CC and Others* (448/93) [1995] ZASCA 57; 1995 (4) SA 441 (AD); [1995] 2 All SA 600 (A) (25 May 1995)

South Africa may look towards the US, who are clearly grappling with the same question, for guidance.



Stefaans is a professional Intellectual Property Law practitioner, practicing as a Senior Associate at Barnard Incorporated Attorneys<sup>2</sup>. Stefaans obtained his LLB degree and Master’s degree in Chemistry from the University of the Free State. He is an admitted Attorney of the High Court of South Africa, a registered Patent Attorney as well as a Trade Mark Practitioner holding Fellowship with the South African Institute of Intellectual Property Law. Stefaans heads up a team of talented and ambitious IP professionals, offering a wide range of trade mark, copyright, design, patent, franchising and licensing service.

Alisha is a Junior Associate in the Intellectual Property Department at Barnard Incorporated Attorneys. Alisha obtained her BAacLLB degree at Stellenbosch University and is currently also completing her LLM in Intellectual Property Law through Stellenbosch University. She was admitted as an Attorney of the High Court in 2022 and is currently working towards qualifying as a Trade Mark Practitioner.

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<sup>2</sup> [About Barnard Inc. - Barnard | Law Firm](#)

# NFT's + IP Digital Art, Virtual Assets or Securities?

by Arno Visser



In May 2021, the most well-known NFT marketplace, OpenSea, processed a record \$2.7 billion in NFT transactions. Fueled by a raging euphoria market, and tales of unfathomable riches, Bored Apes, TrumpCards and plenty of absolute JPEG trash were flying off the shelves as they got sucked up by everyone from the minimum wage earner to global celebrities. Rights attached to these NFT's ranged from exclusive ownership of all intellectual property rights, royalty shares, to no clear rights at all.

Fast forward to the present, and you will see no shortage of misrepresentation and fraud in the broader NFT market. In a reactive response to consumers suffering millions in losses, regulators stepped in to formulate a framework to protect citizens against the advertising and sale of unregistered financial products and ramped money laundering activities associated with NFT transactions.

While each individual jurisdiction is tasked to regulate its own market, whether through utilizing existing financial regulatory frameworks, or by establishing new frameworks to facilitate transparent regulation of the blockchain industry while preserving the innovative nature of emerging technology, there are international regulatory agencies who play a fundamental role in the regulation of blockchain technologies globally.

The purpose of this article is to provide a brief overview of the most prominent regulatory risks associated with the sale of NFT's that traditionally contain intellectual property rights, by examining which regulatory institutions regulate the sale of NFT's, as well as whether NFT's may be considered Virtual Assets or Unregistered Financial Products under such frameworks.

## **The Financial Action Task Force**

The Financial Action Task Force (FATF) was formed by the 1989 G7 Summit in Paris and is an intergovernmental organization whose mandate is to develop policies to combat money laundering and terrorist financing. While the FATF cannot create binding laws or policies, its guidance exerts a significant influence on counter-terrorist financing (CTF) and anti-money laundering (AML) laws among its members. The FATF consists of 39 member countries, notably of which include South Africa, the United States, and the European Union (the focus of this article).

In June of 2019, the FATF released its first guidance on the risk-based approach for Virtual Assets (VA's) and Virtual Asset Service Providers (VASP's). This guidance offered recommendations on how member countries should regulate cryptocurrency businesses, placing anti-money laundering and countering the financing of terrorism (AML/CTF) obligations on VA's and VASP's.

The guidance defined the term Virtual Asset as *“a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes”*. Given the broad definition of a Virtual Asset, the FATF also provided specific guidance on the regulation of Stablecoins, DeFi protocols and NFT's.



The FATF described NFT's as *“digital assets that are unique, rather than interchangeable, and that are in practice used as collectibles rather than as payment or investment instruments.”* NFT's were therefore generally considered not to be Virtual Assets by the FATF. However, the FATF cautioned that the characterization of an NFT depends more on the nature and function of the NFT, rather than the terminology or marketing terms used to describe it. It went further to state that NFT's may therefore be Virtual Assets in some cases, such as when

they are used for payment or investment purposes.

The recommended that member countries take a functional, case-by-case approach, to determining whether an NFT is in fact a Virtual Asset.

While some FATF member countries have established VASP frameworks that can facilitate VASP registrations and licensing, a vast amount of member countries have yet to formulate a VASP framework to regulate cryptocurrency businesses operating within its borders. As per PwC's Global Crypto Regulation Report of 2023, only the Cayman Islands, Gibraltar, Japan, Mauritius, and Switzerland have established operational regulatory frameworks that include AML/CTF, Travel Rule and Stablecoin provisions, through which applications, registrations and licensing of VASP's can be facilitated. To date, France, South Africa, and the United Arab Emirates have also come online with functional regulatory frameworks for VASP's.

It is discouraging to see key economic jurisdictions dragging their feet in establishing clear regulatory frameworks for VASP's and VA's, such as the United States and the European Union. That these jurisdictions are in the process of establishing clear frameworks remains slightly more encouraging than China, Saudi Arabia, and Qatar who, in contrast, have elected to outright prohibit cryptocurrencies.

### **The United States of America**

The lack of clear regulatory frameworks for Virtual Asset Service Providers operating in the United States have led to a confusion as to which regulatory institutions have the authority to regulate cryptocurrency businesses.

In the absence of a comprehensive framework, the regulation of virtual assets is a function of their regulatory asset classification, which may in certain cases overlap. For example, virtual assets in the United States may qualify in a number of categories, from (i) payment instruments, which are

regulated by the Money Service Business (MSB) regulatory framework, (ii) commodity instruments, like Bitcoin and Ethereum, which requires registration with the Commodity Futures Trading Commission (CFTC) if it constitutes a service right or interest in which contracts for future delivery are presently or in the future dealt in, or (iii) security instruments, if the underlying virtual asset constitutes an investment contract requiring registration as such with the Securities Exchange Commission (SEC).

What is clear is that VASP's (or cryptocurrency exchanges) are held to be legal in the United States and fall under the regulatory scope of the Bank Secrecy Act. In practice, this means that VASP's must register with the Financial Crimes Enforcement Network (aka FinCEN) as a Money Service Business, implement an AML/CFT program as recommended by the FATF, maintain appropriate records, and submit reports to the authorities. As the United States Department of the Treasury is a member of the FATF, this enables the country to remain compliant with FATF recommendations regarding anti-money laundering and countering terrorist financing.

The United States also implements the recommendations of the FATF dated June 2019 regarding the sale of NFT's, in that the Securities Exchange Commission is tasked with determining whether, on a case-by-case basis, an NFT is used for investment purposes.

The sole purpose of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and to facilitate capital formation. In discharging these obligations, the SEC is tasked with determining whether virtual assets (including NFT's) are deemed to be securities. A 'security' is defined in the Securities Act of the United States and includes many types of things you would traditionally associate with an investment, like shares in a company. But the Securities Act also has a catchall term called an "*investment contract*" that can sweep up Virtual Assets and NFT's in the definition of a security.

So, what is an investment contract? The meaning of an 'investment contract' was defined in the landmark U.S Supreme Court case of *Howey*<sup>1</sup>, which sets forth four elements that help determine whether a virtual asset (or NFT in this case) could be considered a 'security' or an 'investment contract'. Under the *Howey* test, an instrument or product will be deemed an investment contract if:

1. There is an investment of money;
2. There is an expectation of profits from the investment;
3. The investment of money is in a common enterprise; and
4. Any profit comes from the efforts of third parties.

In applying the *Howey* test to determine whether an NFT can be considered an investment contract, one of the primary factors that will be considered is the purpose that the NFT was created and sold for. If the NFT relates to an already existing underlying asset, like a painting or a bottle of wine, and is marketed as a collectible, it is unlikely that such an NFT would be deemed a security. However, if the NFT is being created and sold as a way for members of the public to earn investment returns, to sell the NFT at a profit on a later stage, or perhaps entitles its holder to a perpetual royalty, then that type of NFT may be more likely to be considered a security. Looking at fractionalizing NFT's, SEC commissioner Hester Peirce stated that "*the whole concept of an NFT is supposed to be non-fungible*", meaning that "*in general, its less likely to be a security*". Peirce went further to state that if creators decide

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<sup>1</sup> SEC v. W.J. Howey Co., 328 U.S. 293 (1946)

to “sell fractional interest” in NFT’s or NFT baskets, then “you better be careful you’re not creating something that’s an investment product – that is a security”.

The implication of having an NFT declared a security by the SEC necessarily entails that the creator or seller of such NFT illegally sold unregistered securities to the public. For those who operate marketplaces that list and facilitate the sale of NFT’s, it could mean that the NFT marketplace on which the unregistered NFT security was sold could be deemed to be illegally operating an unregistered securities exchange, both of which acts would be subject to sanctions by the SEC.

An interesting example to demonstrate the test would be to look at the following chain of events. Earlier this year, royalties of singer Rihanna’s smash hit song “Bitch better have my money” were being sold as NFT’s, and the collection sold out within minutes of the announcement. The song’s producer Jamil Pierre collaborated with European crypto startup AnotherBlock to sell a fraction of his own streaming rights to the song via 300 NFT’s. Each NFT was being sold for \$210, giving each collector ownership of 0.0033% of the streaming royalties to the song.

Roughly a week after selling out the NFT collection, holders of the NFT’s were frustrated in their attempt to list and sell their NFT’s on OpenSea, by far the largest NFT trading platform by volume.

OpenSea reportedly halted the secondary trading of the NFT’s on their platform, stating that OpenSea does not allow NFT’s to trade on its platform that “appear to be promising fractional ownership and future profit based on that ownership”.

### **The European Union**

While some member countries of the European Union have already established operational frameworks to facilitate the registration and licensing of VASP’s, like France and Germany, the European Union has announced that it has finalized a draft VASP framework that it anticipates becoming effective in 2024. The Markets in Crypto Assets regulation, also known as MiCA, which was adopted on the 24<sup>th</sup> of September 2020, is set to be a new EU regulation that could be used as the blueprint for other member countries to follow when regulating crypto-asset related activities.

While NFT’s are currently not explicitly regulated in the EU, the draft MiCA aims to clarify this by exempting certain NFT’s from regulation. In an official press release it was stated that “NFT’s, i.e. digital assets representing real objects like art, music and videos, will be excluded from the scope of the upcoming regulation, except if they fall under existing crypto-asset categories”. Despite this broad statement, an EU official of the commission stated publicly that EU regulators have “a very narrow view of what is an NFT”. It may very well be that the EU will adopt the same stance as the FATF, in that the exemption will exist in as far as NFT’s are not used for payment or investment purposes.

To provide more clarity in respect of regulating NFT’s the draft MiCA states that “The issuance of crypt-assets as non-fungible tokens (NFT’s) in a large series or collection should be considered as an indicator of their fungibility”. The draft goes further to state that “The sole attribution of a unique identifier to a crypto-asset is not sufficient to classify it as unique or not fungible. The assets or rights represented should also be unique and not fungible for the crypto-asset to be considered unique and not fungible”.

The implication of the aforementioned provision may result in the EU labeling major blue-chip NFT collections like Bored Ape Yacht Club, CryptoPunks and TrumpCards, among others, as securities.

In terms of the current draft MiCA which may be subject to change, if an NFT is a large series or collection of NFTs that, while being unique tokens, are visually similar (like Bored Ape Yacht Club

NFT's), and therefore considered to be fungible, it may be subject to MiCA and the issuer of such collection of NFT's would have to comply with the requirements set out therein.

Compliance with MiCA means that issuers of NFT collections might be considered as crypto-asset issuers and would have to publish a lengthy prospectus document setting out details of the protocol used by the NFT's and would be forbidden from making outlandish promises about future value that could mislead people into buying such NFT's.

## **South Africa**

In 2019, the Government established the Crypto Assets Regulatory Working Group (CAR WG) under the Intergovernmental Fintech Working Group, to investigate all aspects of crypto assets, with a view of regulating the industry.

In June 2021, the Crypto Assets Regulatory Working Group published a broad position paper on crypto assets, and how it proposed to regulate same.

According to the Intergovernmental Fintech Working Group, crypto assets are defined as "*a digital representation of value that is not issued by a central bank, but is capable of being traded, transferred or stored electronically by natural and legal persons for the purpose of payment, investment and other forms of utility, and applies cryptographic techniques and uses distributed ledger technology*". This is a broad definition which is likely intended to act as an umbrella term for different crypto asset tokens, and includes exchange or payment tokens, security tokens and utility tokens. Crypto assets are therefore held to include cryptocurrencies, non-fungible tokens (NFTs), and stablecoins.

In a series of events after publishing its position paper, the Crypto Assets Regulatory Working Group, brought the crypto-asset industry within the ambit of existing financial regulatory frameworks of South Africa.

In August 2022, the Prudential Authority issued a guidance note for banks on AML / CFT controls in relation to crypto assets and crypto asset service providers (CASP's) and in October 2022, the Financial Services Conduct Authority (FSCA) declared crypto assets a 'financial product', under the Financial Advisory and Intermediary Services Act.

While the broad definition of crypto-assets may also capture NFTs, the FSCA has acknowledged by means of a separate general exemption that, at this stage, the inclusion of financial services related to NFTs is not appropriate and should not be subject to the FSCA's oversight.

If NFT's did fall within the ambit of the FSCA's oversight, which remains a possibility given that the position paper by the CAR WG relies heavily on the recommendations of the FATF, which held that certain NFT's may be excluded from being exempt should they be used as a form of payment or for investment purposes, then the issuer of those NFT's may be required to apply for registration and licensing with the FSCA.

The FSCA has held that any person who renders a financial service in respect of crypto assets must apply for a license under the Financial Advisory and Intermediary Services Act between 1 June 2023 and 30 November 2023, and must immediately comply with certain provisions of the Determination of Fit and Proper Requirements for Financial Services Providers, and the General Code of Conduct for Authorized Financial Services Providers and Representatives relating to rendering financial

services honestly, fairly, with due skill, care and diligence, and in the interest of clients and the integrity of the financial services industry.

That the position paper by the CAR WG specifically denotes security tokens and utility tokens as crypto-assets, would mean that it may lean towards approaching NFT's the same as the United States have, in determining whether an instrument is a security.

### **Conclusion**

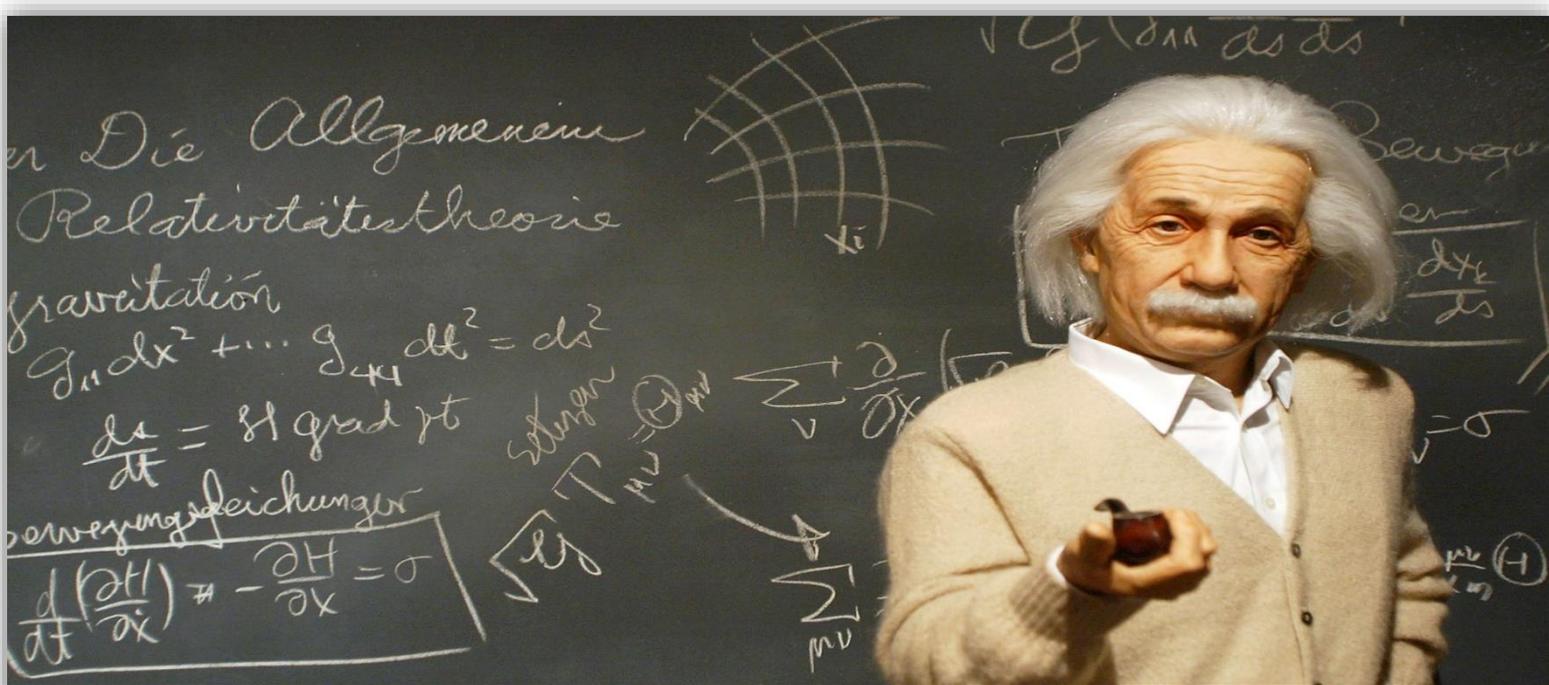
It is evident that regulators across the globe have realized the importance of regulating the crypto-asset industry and are slowly but surely implementing clear frameworks to facilitate consumer protection, anti-money laundering and countering terrorist financing by requiring those who provide services in respect of crypto-assets to apply for licensing in order to provide transparency and to enforce a modicum of responsibility on such service providers.

In the crypto industry, the general maxim is that "if it looks like a duck, swims like a duck, and quacks like a duck, chances are, it's a duck."

#### **About the Author**

Arno is the Head of Legal at VirtualStaX, overseeing the legal and regulatory affairs of the company. His primary focus is on the company's intellectual property holdings, digital securities, and international virtual asset service provider registrations.

Arno holds a BA degree from the University of Stellenbosch, a LLB from the University of South Africa, and a LLM in Intellectual Property Law from Stellenbosch University.



## OUTSTANDING INNOVATIONS AND INNOVATORS

### ALBERT EINSTEIN - AN ENIGMATIC AND BRILLIANT PHYSICIST

By Andre van der Merwe

#### INTRODUCTION

In the editorial of the Institute's IP Briefs (January edition), the editor of IP Briefs had written that she had, at the start of this new year, once again embraced the privilege of being an IP attorney. She confirmed that this is truly a career she does not regret pursuing. The author hereof is in full agreement with these views after a life-time of working in the patent and IP profession.

The major reason for such professional enjoyment will no doubt be the exposure to, and the excitement of, being involved in protecting new and developing technology, and generally working with similarly-minded colleagues. For the author hereof, a special interest allied to the IP profession has also been studying the philosophy and history of science through the ages, and the development of technology up to the present time.

Humanity has from the earliest times, and through various civilizations, been driven to invent and improve his surroundings and his way of life. This has included his desire to understand nature and the world (and to a certain extent the universe). The Greek civilization was notable in this regard with its philosophers/scientists such as Aristotle and various so-called "schools" such as Thales and the Ionian school. These included visionaries such as Pythagoras, Archimedes, Euclid, Empedocles, Democritus (who in about 500 BC had postulated that all matter is composed of atoms and the void), and Aristarchus, an astronomer of note.

The Roman civilization followed and provided many (practical) technology advances including road-building, via-ducts, aqua-ducts, baths (not as popular with other civilizations) and water-borne toilets (to reduce the spread of disease) but not forgetting their writers and poets. One should not overlook other civilizations such as the Chinese civilization and their developments including paper money, gun-powder and pasta (found at that time in the Far East/China by the Italian traveler and trader, Marco Polo, and brought back to Europe).

The Renaissance period in Europe produced outstanding scholars, builders and artists such as Michelangelo, and the brilliant multi-talented Leonardo Da Vinci. This opened the world and its thinking to astronomer/scientists such as Copernicus, Kepler and then Galileo who was cruelly punished by the religious authorities with life-long house arrest for publishing his observations that the earth was not the centre of the solar system or the universe.

Sir Isaac Newton (who also developed Calculus to assist him with his studies, although a dispute with Leibniz arose as to who had first developed it) in the 17<sup>th</sup> century certainly became one of the world's outstanding scientists. Using Galileo's measurements and with certain experiments, Newton discovered the basic laws of the motion of bodies (at modest speeds, it must be said), and he formulated a theory of gravity leading to a law describing the force of gravity. This was set out in the now famous publication of his *Principia Mathematica* in 1687. Those laws became accepted and known as classical and deterministic laws, and have generally stood the test of time from then until the present.

Following Newton, other scientists followed who had contributed to changing and improving the world (-not forgetting scientists in the medical field). By the end of the 19<sup>th</sup> century scientists had discovered and explained, as Bill Bryson the author has set out: "Most of the mysteries of the physical world: electricity, magnetism, gases, optics, acoustics, kinetics and statistical mechanics, to name just a few, had all fallen into order before them. They had discovered the X-ray, the cathode ray, the electron and radioactivity, invented the ohm, the watt, the kelvin, the joule, the amp, and the tiny erg." And accordingly, at that time: "Many wise men believed that there was nothing much left for science to do."

Towards the end of the 19<sup>th</sup> century, the work of certain scientists began to focus on linking or connecting certain concepts of nature - such as electricity and magnetism, first by Faraday in practice and then confirmed by James Clerk Maxwell in mathematical terms. Rutherford showed that radioactivity involved considerable radiation of energy accompanied by a loss of mass in radioactive metals (leading to the so-called half-life in those metals and radiometric dating). These developments influenced a few scientists/physicists, including the young mind of Einstein, to ponder and look more closely at linking concepts of nature such as energy, force, light, time, mass, space (and possibly also gravity) although these appeared to be quite separate and independent concepts with each being completely invariant.

## **YOUNG EINSTEIN AND HIS BACKGROUND**

Albert Einstein was born in southern Germany, in the town of Ulm, on 14 March 1879. However, he grew up in Munich and did not show any signs of being a clever boy. He was shy but he liked puzzles and was inclined to ask questions which his parents encouraged. His parents were orthodox Jews but were not observant, and hence they tolerated his curiosity.

His father's electrical contracting business had unfortunately failed in the 1890's, and the family moved to Milan but the teenager Albert was sent to Switzerland to continue his education. He was sent for remedial work to the cantonal high school in Aarau in northern Switzerland because he had already dropped out of high school in Germany (-that he said he did not like), and he had failed the entrance exams for the Zurich Polytechnic Institute at his first attempt.

In 1896 he gave up his German citizenship to avoid conscription and started a four-year course at the Institute (with some assistance from a kindly instructor who thought he may have some merit as a student). This was the only university that would offer a chance of study to a high school dropout, and unfortunately his course of study was more suited to training high school science teachers.

When he finally entered the Institute, he found that his physics lecturers were respectfully teaching classical and Newtonian physics simply as sets of rules with complacency and without exploring or questioning these laws or their background.

Einstein was casual about most things, but he was not complacent. He was bright but not outstanding, and he skipped a number of classes spending much time in the coffee-houses of Zurich chatting with friends. He graduated in 1900 with average marks, and he struggled to get a lecturing or research position but did not succeed. A reason for this was that one of his professors had, in view of Einstein skipping classes and telling jokes, rather spitefully written unpleasant references for him. Teachers over the years had also been irritated by his lack of obedience, in particular his high school Greek grammar teacher who had insisted (rather ironically but now famously) that “Nothing would ever become of you.”

At last, in 1902 a university friend, Marcel Grossman, managed to assist him in getting a position at the Swiss Patent Office in Bern, where he was appointed as a technical examiner (third class), and where he stayed for the next seven years. For those readers not familiar with the work of (technical) patent examiners, they are required to examine inventions claimed as being new that are submitted for patentability – in Einstein’s case as a third-class examiner, for rather more simple inventions. This would involve reading and studying the prior art in the technical field of the invention in the Patent Office’s library, and comparing the invention with the prior art to determine whether the invention was in fact new (or not), and if new, the extent of novelty (“the novelty level or height”) to decide if the invention was obvious or not.

While this work was somewhat interesting and sometimes challenged his mind, it did not inspire Einstein, but it did not distract him from his ideas on certain aspects of physics that interested him. His work had the effect of dealing with generally novel ideas and would no doubt have sharpened his awareness of the overall concept of novelty i.e. moving away from what was known. However, after work, he had time to reflect on certain topics that he mulled over, although he had struggled to get access to a decent library on his topics of interest in the field of physics. Those libraries were generally closed by the time he had finished his daily work at the patent office.

Interestingly, shortly after his graduation he had started writing and contributing scientific papers for publication, the first being on the physics of fluids (in drinking straws, of all things)! This paper was unimportant and attracted no interest but curiously it appeared in the same issue of *Annalen der Physik* (the prestigious German scientific journal) as the brilliant Max Planck’s new and ground-breaking paper on “Quantum Theory.” From 1902 to 1904 Einstein carried on writing and he published a series of papers on statistical mechanics, only to find out afterwards that an American scientist in Connecticut, J Willard Gibbs, had already published that work in 1901. However, frustrating this may have been, it clearly shows that Einstein was seriously interested in thinking of, and exploring, new technical ideas and concepts, and that he had set out along that path.

After a few years at the Swiss Patent Office Einstein had applied for promotion to a technical examiner (second class) but his supervisor refused the application on the ground that Einstein needed more knowledge and experience in mechanical engineering.

## **EINSTEIN BLOSSOMS AND THE WORLD WONDERS!**

Against the above background, Einstein had quietly collected and marshalled his thoughts - bearing in mind that he had no access to any laboratory of any kind for experimental work - and in an "explosion" of theoretical effort and output over a period of about eight months, he had written five scientific papers which he submitted for publication in *Annalen der Physik*. Three of these papers, according to the writer C P Snow, "were among the greatest in the history of physics."

The first paper was an examination of the photoelectric effect by means of Planck's new quantum theory. This paper explained the nature of light and its effect on certain elements, and much later (only in 1921) was the value of this paper recognized, with Einstein being awarded the Nobel Prize for Physics for his contribution to quantum theory - so there was no instant recognition for his insights and findings. His contribution eventually led to the development of the theory of quantum mechanics and thereby the development of electronic components such as transistors and integrated circuits which of course are the essential components of electronic devices such as computers and television.

The second paper dealt with the behaviour of tiny particles in suspension (now known as Brownian motion) and provided proof that atoms do in fact exist - a matter which, up to that time, had been in dispute among members of the scientific community.

The third paper for which Einstein became famous in due course - simply changed the world and its thinking. It was entitled "*On the Electrodynamics of Moving Bodies*" and it described a so-called special theory of relativity. Interestingly, he did not like the term "relativity" and preferred the term "invariants" for the concepts of light and its speed, for energy, mass, and time - but the public and media preferred and adopted the term "relativity." Once again there was no instant recognition for these even more remarkable insights and findings which were totally revolutionary.

Interestingly, his now famous equation,  $E = mc^2$ , did not appear in that paper *per se* but he submitted that in a short supplement that followed later, almost as an after-thought.

That paper is probably the most extraordinary scientific paper ever published, not only for its content but also for how it was presented. It had no footnotes or citations, almost no mathematics, did not mention any work that had preceded or influenced it, and it mentioned the assistance of only one person namely Mr. Michele Besso, a colleague of Einstein at the Swiss Patent Office, who had assisted Einstein with some of the mathematics. (It is a disputed matter that Einstein's wife, Mileva Maric [a bright fellow physics student] may also have assisted him with some of the mathematics and/or preparing the paper). However, it was, as if, Einstein had quite miraculously, reached these massively and outstandingly intellectual conclusions completely on his own and without any conceptual assistance - and this is essentially precisely what had happened.

Among other things, the special theory showed that the speed of light was constant (in a vacuum) and the same for all observers, whether they were static or moving. It was supreme in the sense that nothing could travel faster, and it showed that light travelled in straight lines in all directions. The Special Theory went on to describe that when an object moves at speeds close to the speed of light, its mass will increase enormously - because of the equivalence of mass and energy (see below) it will require an infinite amount of energy to get to that speed. For this reason, any normal object can never reach the speed of light - and only light, or other waves having no intrinsic mass, can move at the speed of light.

Another remarkable consequence of relativity is that it totally changed our ideas of space and time. Different observers to an event such as a pulse of light, who are moving relative to each other will assign different times and positions to the same event. Hence, because they agree on how fast light travels, they will disagree on the distance the light has travelled and hence on the time it has taken (based on the simple equation  $v = d/t$  and hence  $t = d/v$ ). No particular observer's measurements are more correct than any other observer's measurements but all the measurements are related. This finding effectively put an end to the idea of absolute time! This finding can readily be confirmed by using a so-called space-time diagram.

In these times a practical application of this finding is used in measuring distances very accurately because one can measure time (on a cesium clock) more accurately than length, by using a convenient new unit of length called a light-second. This measurement for a meter corresponds to the historical definition of a meter - in terms of two spaced marks on a platinum bar kept under controlled conditions in Paris.

## Einstein's special relativity theory

$$E = mc^2$$

Not incidentally, that paper also solved the problem of the troublesome (luminiferous) ether in the universe, that had worried scientists for centuries - namely Einstein said that it could not be detected or measured and therefore it did not exist. In this way Einstein presented the world with a universe that did not need such a concept - merely that the

planets, sun and stars are surrounded by nothing that could be measured, and hence it is the vacuum of space.

Probably the best-known consequence of Einstein's special relativity theory disclosed in that paper (and not forgetting its important supplement) is the linking or equivalence of mass and energy. This is summarized in his famous equation  $E = mc^2$  which states that mass and energy have a relationship (calculated via the speed of light squared). In other words, these two concepts are two (related) forms of the same thing. Consequently, an enormous amount of energy is locked up in all objects having mass. This conversion of energy from mass can happen slowly as in radioactivity where certain elements are known to radiate waves or particles having energy and simultaneously reducing the mass of that element or as in a controlled release of energy from uranium rods in a nuclear power station - or it can happen very rapidly as in the explosion of an atomic bomb resulting from the chain-reaction of a critical mass of uranium/plutonium.

Lastly and interestingly, how and why the symbol “ $c$ ” was chosen in the famous equation by Einstein, for the speed of light remains something of a mystery – when scientists generally use the symbol “ $v$ ” for the parameter for speed/velocity (abbreviated from “velocity”). The symbol “ $c$ ” is sometimes used in an equation to indicate a “constant” parameter. One explanation is that Einstein may have used it (unconventionally) as an abbreviation of the Latin word for “speed” namely “celeritas.” However, the author hereof modestly submits that, because Einstein had determined in that paper that the speed of light is constant (and supreme), this may be the reason for the use of the symbol “ $c$ ” instead of the conventionally used symbol “ $v$ ” to indicate the speed of light.

And so, did the scientific world (and the lay-world) marvel at these tremendous (and even shocking) publications and findings when published in 1905 or shortly thereafter? Certainly not the scientific world although the layman’s world took some notice because about 100 (lay) books appeared in the year after these publications. The scientific world took little notice simply because senior scientists are generally quite snobbish and who after all was this fellow, Albert Einstein - a doctor or professor of physics - and at which leading university or research institute (or under which leading physicist) did he conduct this work? No, he was none of these lofty things but merely a technical examiner (third class) at the Swiss Patent Office in Berne, and he was not a researcher of any kind! Additionally, Einstein had not conducted any laboratory or practical work at all, and had shown no research results, to support his findings – which was unheard of at that time – so it was all pure theory (and speculation on his part)? Probably, they thought, the over-enthusiastic imaginings of an under-qualified young “wannabe” physicist who had qualified at a modest Swiss tertiary Institute not known for its research work.

Another reason for this lack of understanding is that the ideas of relativity seem odd but only because we do not experience or see the above interactions in our normal, daily lives. However, Einstein, as the modern world’s first theoretical physicist, had not yet finished with relativity!

After a number of years, the scientific world began to read, unravel and appreciate the effects and marvels of Einstein’s innovative thinking and his findings. In the meanwhile, he had left the Swiss Patent Office in 1909 and he was offered a position in the Swiss university system where he did not stay for long. After a stint in Prague, about which we know very little, he ended up as a professor in Berlin where he could concentrate on his passion for relativity and prepare for the second part of his extraordinary work and its findings.

## **THE THEORY OF RELATIVITY - CHAPTER 2**

In 1915 Einstein published a paper entitled: “Cosmological Considerations on the General Theory of Relativity” which proposed his general theory of relativity (and which conceptually includes the Special Theory of Relativity which did not deal with gravity or what happened in the large-scale universe).

His first and revolutionary suggestion was that gravity is not a force like other forces. However, it is a consequence of the fact that so-called “space-time” is not flat but is curved or warped by the distribution of mass and energy in it. The concept of space-time is that time is

considered a fourth dimension in a curious combination with space to create a four-dimensional universe throughout space - which could be imagined as an invisible soft, flexible fabric - that is warped by massive bodies like our sun. Celestial bodies like the earth do not move on curved orbits by gravity but follow a straight path in a curved space, which is called a geodesic. In general relativity, bodies always follow straight lines in four-dimensional space-time (but they appear to us to follow a curved path in our three-dimensional space). In recent years radar measurements show that the orbits of our planets differ slightly from Newtonian predictions but agree with the predictions of general relativity. From the above, space-time therefore also provides a system of accurately determining the position of objects in three-dimensional space.

Because light travels in a straight line through the contours of space-time, a light beam will curve where space-time curves. In other words, light beams also follow geodesics in space-time, and so general relativity predicts that light should be bent by gravitational fields. This was proved to be correct in 1919 when a Cambridge astronomer, Arthur Eddington, measured the light deflection of a star during a solar eclipse - and this deviation has been confirmed by later observations.

Another prediction of general relativity is that time should appear to run more slowly near a massive body like the earth because there is a relation between the energy of light and its frequency. At greater heights in the earth's gravitational field, light loses energy, and so its frequency reduces - meaning that to an observer high up, it would appear that everything down below was taking longer to happen. This prediction was tested in 1962 with a pair of very accurate clocks and found to be correct. This has great practical importance today with the advent of accurate navigation systems based on signals from satellites - and if the effect of general relativity was ignored, one's calculated position on earth would be wrong by several kilometers!

The theory of relativity gets rid of absolute time (as indicated above) and instead each individual has his/her own personal measure of time that depends on where he/she is and how he/she is moving. Following from this, and before 1915, space and time were thought of as a fixed "arena" in which events took place, but which were not affected by what happened in it - this was true even in terms of the special theory. However, the situation is quite different in the general theory of relativity where space and time are now dynamic quantities: when a body moves, or a force acts. Space and time not only affect, but also are affected, by everything that happens in the universe.

Among other things, the general theory suggested that the universe must be either expanding or contracting - but that aspect was left for later developments in astronomy to reveal and unfold.

## **IN THE END...**

Eventually Einstein was recognized by most of the world's scientific community (except a jealous few) for his remarkable work and findings especially after 1921 when he was awarded the Nobel Prize for Physics.

However, with the growing anti-Jewish sentiments in Germany, and during a visit to the USA in 1933 he decided to remain in, and emigrate to, the USA. He was offered and accepted a professorship at Princeton University in their Institute for Advanced Studies. He was greatly respected in the USA, spending the rest of his life in Princeton, New Jersey, and he conferred an aura of scientific brilliance on the town, the university and the Institute for Advanced Studies.

He died there in 1955, and in spite of his outstanding achievements, he had two major disappointments in his scientific life. Firstly, because he believed very strongly that the universe was not governed by chance, he had never been able to accept the strange paradoxes of quantum mechanics. He found it “intolerable” that subatomic particles would not obey the laws of cause and effect, or that the act of observing one particle could instantly determine and affect another distant particle. Secondly, he was disappointed that he had never achieved what he considered a unified field theory (that would completely and consistently unify general relativity and quantum mechanics).

To date, and for more than a century since Einstein’s general relativity theory, such an important theory has not yet been proposed. Clearly the world would need another intellect like Albert Einstein to complete this difficult, and seemingly impossible, task!



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Source: <https://familywellnesshq.com/being-fooled-at-the-supermarket-20-claims-on-food-labels-exposed/>

## RESTRICTION ON THE USE OF TRADEMARKS: BRAND OWNERS - PAY ATTENTION TO THE DRAFT FOOD LABELLING REGULATIONS!!

By Janet Tomkow-Coetzer

The word is out and the new draft food labelling Regulations, R2986 of the Foodstuffs, Cosmetics and Disinfectants Act. No 54 of 1972 (FCD Act), have been published. Whilst these Regulations have been awaited for quite some time, it has nonetheless caused panic to spread throughout many companies that will be impacted by these Regulations.

The Regulations aim to regulate what information is allowed to appear on a label as well as how this information is to be conveyed to a consumer, brand owners must take note that they are not exempt and that R2986 applies to brand names and registered trade marks as stated repeatedly throughout R2986.

According to the draft food labelling Regulations, under the provision dealing with prohibited statements, Regulations 9(2) and 9(3) specifically deal with trade marks:

- (2) *A compound foodstuff, whether in solid or liquid form, which claims certain beneficial nutrients or category of nutrients and ingredients with health benefits in the brand or trade name\* –*
  - (a) *may, if the brand or trade name was registered before 1 May 1995, use the brand or trade name for six months after the date of promulgation of these Regulations;*
  - (b) *may not, if the brand or trade name was registered after 1 May 1995, use such brand or trade name after the promulgation of these Regulations.*
  
- (3) *A compound foodstuff, whether in solid or liquid form, which contains a health claim in the brand or trade name\* –*
  - (a) *may, if the brand or trade name was registered before 1 May 1995, use the brand or trade name for six months after the date of promulgation of these Regulations;*
  - (b) *may not, if the brand or trade name was registered after 1 May 1995, use such brand or trade name after the promulgation of these Regulations.*

*\*Our emphasis*

Thus, products that bear a trade mark for a foodstuff and which fall under the above provision, will ultimately not be able to use their trade mark on foodstuffs that don't comply with the requirements in the regulations anymore.

Brand owners will need to check their trade mark(s) and ask the following:

- Does the trade mark claim beneficial nutrients?
- Does the trade mark claim a category of nutrients and ingredients with health benefits?
- Does the trade mark contain a health claim?
- When was the trade mark registered?

The answers to the above questions will determine whether the trade mark may still be used for a further 6 months after promulgation of the Regulations or whether the trade mark will need to be immediately removed from the labels.

Although these draft regulations will surely be seen as drastic and are likely to cause a stir, it must also be mentioned that the stance taken by the Department of Health (DoH) in this regard comes as no surprise. The use of possibly misleading trade marks on product labels has long been a concern with the Department of Health (DoH), as well as the Department of Agriculture, Land Reform and Rural Development (DALLRD) for that matter.

As can be seen from Section 5 of the FCD Act:

1. *Subject to the provisions of subsection (2) and section 6, any person shall be guilty of an offence if he-*
  - a. *Publishes a false or misleading advertisement of any foodstuff, cosmetic or disinfectant; or*
  - b. *For purposes of sale, describes any foodstuff, cosmetic or disinfectant in a manner which is false or misleading\* as regards its origin, nature, substance, composition, quality, strength, nutritive value or other properties or the time, mode or place of its manufacture; or*
  - c. *Sells, or imports for sale, any food stuff, cosmetic or disinfectant described in the manner aforesaid.*
2. *The provisions of subsection (1) shall not be deemed to prohibit the description of any foodstuff by, or its sale or importation under, a geographical name which is generally accepted as a generic term for a particular variety of such foodstuff, provided the foodstuff described by or sold or imported under the name in question is of the type or variety indicated by that name.*  
*\*Our emphasis*

The purpose of the FCD Act (and these draft Regulations) is to protect the public from false and/or misleading impressions. This is further confirmed by Section 15 of the FCD Act which confers on the Minister the power to make regulations which prescribe the manner in which any foodstuff, cosmetic or disinfectant shall be labelled, the name under which any particular foodstuff, cosmetic or disinfectant may be sold or prohibit the sale of any foodstuff, cosmetic or disinfectant under a name other than a name so prescribed.

For trade marks registered before 1973, there is a glimmer of hope in Section 15(2) of the FCD Act, which states the following:

*No regulation shall be made under the subsection (1)(h) which will have the effect of prohibiting the sale of any foodstuff, cosmetic or disinfectant under a trade mark or trade name under which it is sold at the date of the coming into operation of this Act, save in such cases where the Minister is satisfied that the trade mark or trade name falsely or misleadingly describes the foodstuff, cosmetic or disinfectant.*



Janet holds degrees in Biotechnology and Law and is an admitted patent attorney. Janet heads the Foreign Patent Department at Hahn and Hahn Inc, and deals with incoming patent and registered design instructions received from foreign clients for filing in African countries outside of South Africa. Consumer and Food Law is also her passion and she deals with legislative issues around food and consumer protection, labelling of food products, product liability, resolution of disputes in the supply chain as well as technology law in general.

Trade marks registered before 1973 cannot be categorically prohibited and the Minister will need to apply his mind and deal with each trade mark on a case by case basis.

Whether or not these powers can indeed extend to registered trade marks may be subject to legal challenge and will ultimately be for the Courts to decide. However, as the government has an obligation to protect the public, this will be a difficult argument to present before a Judge. The health of the public will always be an overriding factor and this was made abundantly clear in the matter of *BATSA v Minister of Health*<sup>1</sup>.

It must also be noted that this firm stance is not just specific to South Africa and in fact many countries are clamping down on the use of trade marks which contain health claims. In the EU the Health Claims Regulation has now been amended to prohibit the use of trade marks which contain health claims from 20 January 2022. In the US trade marks such as “*Healthy Choice*”, “*Kelloggs Pure Organic*” and “*Eat real brand*” are becoming an issue. Recently, Toblerone made the decision to remove their trade mark Matterhorn logo from all their packaging, which has become synonymous with the product name Toblerone, as they can no longer claim to be Swiss made.

The purpose of the draft regulations is also to ensure that it will no longer be possible for anyone to fall back on their trade mark as way to “get around” prohibited claims. Once these Regulations are promulgated and a brand owners trade mark falls under the provision of Regulation 9, brand owners will need to consider the very real possibility of re-branding.

<sup>1</sup> *BATSA v Minister of Health* (463/2011) [2012] ZASCA 107 See: [107.pdf \(saflii.org\)](https://www.saflii.org/za/other/zasca/2012/107.pdf)



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## HOW TO DEVELOP A UNIQUE BRAND NAME IN A GLOBAL MARKETPLACE AND PROTECT IT

*A business perspective*

By Julian Diaz



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### Introduction

As a marketer, I know just how important it is to choose the right name for a company or product. I've come up with over a dozen new product and company names over the past 20 years. A strong brand name can create an emotional connection with stakeholders. It can help you stand out in a crowded market. It can help communicate what your company is all about. It can help people remember your business.

Ideally, a brand name should be:

1. **Memorable:** Easy to remember and catchy.
2. **Descriptive:** Tie into what the business is about and convey the essence of the brand.
3. **Unique:** Distinct, standing out from other brands in the market and not easily confused with other brand names.

4. **Simple:** Easy to pronounce, spell, and understand.
5. **Scalable:** Versatile and able to accommodate future expansion or diversification of the business.
6. **Available:** Legally available and not infringe on the intellectual property rights of others. It should be able to be trademarked and protected under the law in the regions you want to trade in.
7. **Travel well:** no negative connotation in other languages.

The above list is the ideal. But point 6 is a must. So, how do you work out if your brand name or desired brand name is available for use in your region, beyond an online search, and then how do you protect it? The answer is trademarks.

Trademarking your name is essential to build a brand on a solid foundation and protect it in the long-term. Even small businesses should worry about trademarks as another company that has trademarked the same name in your industry classification might issue you with a cease and desist letter when you enter their market. So, protecting your brand from being copied or from another company riding the wave of your brand awareness is crucial.

### **How hard is it to successfully trademark a name?**

According to the WIPO 2022 statistics report <sup>1</sup>an estimated 13.9 million trademark applications were filed worldwide in 2021. That's [more words than there are entries for in the Oxford Dictionary!](#)

You can imagine how hard it is, and how much harder it gets with each passing month, to dream up a name for your product or company that is unique and distinctive enough that it can be successfully trademarked and protected in large markets like the US or Europe - especially in the technology industry. But there are a couple of routes you can try when developing a new name if you find your chosen one is already trademarked.

### **How to come up with a unique company name**

When coming up with a company or product name, you can either go with:

- an acronym (IBM, SAP),
- a family or person's name (Ford, Dell)
- an existing word (Amazon, Apple, Salesforce, Slack)
- a misspelled word that looks or sounds like an existing word (Xero, Google), or
- a completely new word either made up of a combination of existing words (PayPal, Instagram, Facebook), or
- a completely new word entirely made up (Skype, Spotify).

### **How to make sure it's available**

Try Google first. If you don't get any companies coming up that are using that word as a name in your industry, you're off to a good start. Keep in mind that even if another company does come up in the results, it doesn't necessarily mean they've trademarked it. Or they might be using it in a completely different industry, e.g. beauty products vs technology.

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<sup>1</sup> [World Intellectual Property Indicators 2022 \(wipo.int\)](https://www.wipo.int)

Do an availability search in the national trademark database of the country or countries you wish to trade in within your industry classification:

- [US Patent and Trademark Office search system](#)
- [Canadian Trademarks database](#)
- [European Union Intellectual Property Office search system](#)
- [United Kingdom trademark search](#)
- [Australian Government IP Search](#)
- [New Zealand IP Office Search](#)
- [South African Companies and IP Commission search](#)

If you don't come across any trademark registrations for that same word in our classifications, then contact a trademark attorney to conduct a more thorough search using their local experts in those markets and advise you further. You don't need to work through an attorney as you can register a trademark yourself but working with one can save you a lot of time and increase your chances of getting your registration through the first time.

### **In conclusion, some advice**

My advice to any company already operating and with ambitions to grow globally is make sure your brand name is trademarked and protected.

If it's not, you should

- conduct your own search in any of the national IP or trademark offices' databases (some of which are listed above, others can be found through a simple Google search);
- hire a credible trademark attorney to either register your name or advise and guide you along the process of registering a new name;

### **If you MUST change your businesses name, then**

- hire a brand consultant or brand development agency for the creative process of developing the right name for you. We didn't do this as we had the had the expertise internally already. But even if you think you can do it yourself, be aware that it will take up a lot of your time and headspace trying to come up with a strong brand name that is available to trademark;
- hire a change management agency or consultant to help with the communication and roll-out process of the new name to all stakeholders: staff, partners, customers, and the market. We managed well on our own, but if you don't have the internal competency for this, or the time, rather outsource this very important and often neglected step;
- and finally, with a little bit of luck, your new brand name may get the green light from stakeholders and your trademark attorney.

With a little bit of luck and the right strategy, your new brand name may get the green light from stakeholders and your trademark attorney, setting you up for success in the global marketplace.

# HOW AN INFECTION LED TO THE CREATION OF AN IP LAW REPORT

By Derek Harms SC

Besides, the bizarre introduction, this short article is an invitation which is in the interest of all IP practitioners.

## INTRODUCTION

Around 5 years ago, I was diagnosed with an Ischio-Rectal abscess. These abscesses form when suppuration transverses the external anal sphincter into the ischio-rectal space. An ischio-rectal abscess may traverse the deep postanal space into the contralateral side, forming a so-called horseshoe abscess.

Perianal abscess is a relatively common condition, but in the field of research, it is not well explored, and the literature provides only few relatively dated studies. One Swedish study has shown an annual incidence of 20/100 000, and a similar incidence level has been reported from Germany.

However, there is hope out there and if anyone struggles with a similar condition, simply contact the Colorectal Unit at the Donald Gordon Memorial Hospital and get hold of Dr Janice Spinks. I came across her by accident after continuous internet searches (and 8 unsuccessful operations later) to find someone to get rid of the abscess, and she used a new method of surgery which worked. In any event as a result of the abscess, I was on and off hospitalized for about four years which meant I had to constantly withdraw from IP matters. Money is money and clients are not concerned about anything other than winning their cases. And since many of the IP attorneys who briefed me were also friends of mine, I simply started lying low and did other things to avoid embarrassing them with my on-and-off availability.

## THE BACKGROUND TO THE BIRTH OF HARMS INTELLECTUAL PROPERTY LAW REPORTS (HIPLR)

In 1995 whilst I was doing a postgraduate course in IP at Queen Mary, University of London I met Alison Firth, who was one of my lecturers. She and Jeremy Phillips<sup>1</sup> co-authored a book called "Introduction to Intellectual Property Law" which is still widely prescribed in the UK at universities which offer IP courses. They asked me to edit the 1995 edition of their book and in the process, I got to know both of them.

At that time the only "officially recognized" IP reports were Burrells Intellectual Property Law Reports ("BIP"), published by JUTA.

Whilst I was more or less incapacitated by the abscess, I started thinking of creating a publication which would be almost a combination between BIP and IPKat.

I have been, by then already, the author and editor of two procedural books, namely Harms: Civil Procedure in the Magistrates Courts and Harms: Civil Procedure in the Superior Courts since about 1997, both of which are published by LexisNexis.

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<sup>1</sup> Jeremy Phillips is of course the co-founder of the BLOG called IPKat <https://ipkitten.blogspot.com/>.

At the time I was thinking of creating HIPLR, Louis Podbielski<sup>2</sup> had just joined LexisNexis from JUTA and since he was involved with BIP it was only logical that Louis and I would get HIPLR off the ground.

HIPLR is a true- and real-life reporting service on IP law in South Africa and available in an online only format through LexisNexis. Arlene Naina is presently the in-house editor of HIPLR.

Arlene and I scour the IP landscape and tap, among other things, into my international connections to cherry-pick the most interesting cases and deliver the most up-to-date global IP content. The unique feature of the platform is that it is interactive and open for engagement from IP lawyers, who can recommend cases to be reported, write articles for the platform and script commentary or criticism in response to articles already published.



Derek is a senior advocate (counsel, admitted in South Africa in 1995) and a solicitor of England and Wales with 22 years of experience in the legal field. In addition, he is the author/editor of a number of legal publications published by LexisNexis (a member of the RELX group), the editor and author of online IP and IT law websites, both of which are connected to LexisNexis – directly and indirectly.

The HIPLR is updated monthly with the latest IP-related content and reports on all local judgments together with international developments. It is now common practice for courts, including the South Africa courts in Intellectual Property matters, to refer and rely on, foreign judgments and other authoritative material.

For the SAIPL members who are not IP attorneys or counsel, HIPLR conveniently has a Case Law Index (updated monthly) with links to topical, important and “Hot off the Bench” cases which fall outside the IP field and covers almost everything from labour matters to everyday court cases.

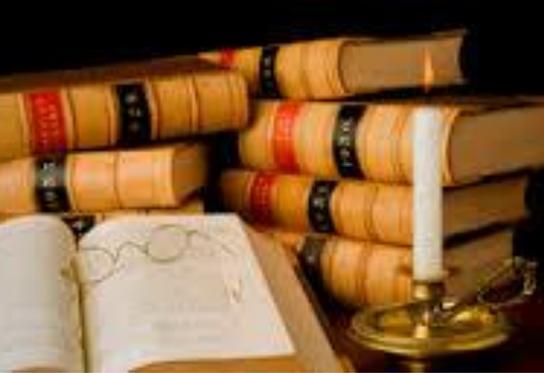
#### **CALLING ON YOU FOR ASSISTANCE**

It was quite an epic to get the whole thing started but we persevered and HIPLR is going from strength to strength but, we need the IP practitioners to help us by providing unreported judgments, articles, notes – in fact, anything that can add value to the publication.

Thus, as HIPLR continuously strives to improve content and better inform IP attorneys and counsel and other SAIPL Members, please send anything of note to Arlene at [Arlene.Naina@lexisnexis.co.za](mailto:Arlene.Naina@lexisnexis.co.za) or to me at [derek@harmslegal.com](mailto:derek@harmslegal.com).

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<sup>2</sup> Louis has since left LexisNexis and a general legal service called “Louis Case Law” (<https://www.louiscaselaw.com/>)



# From the Juta Law Reports

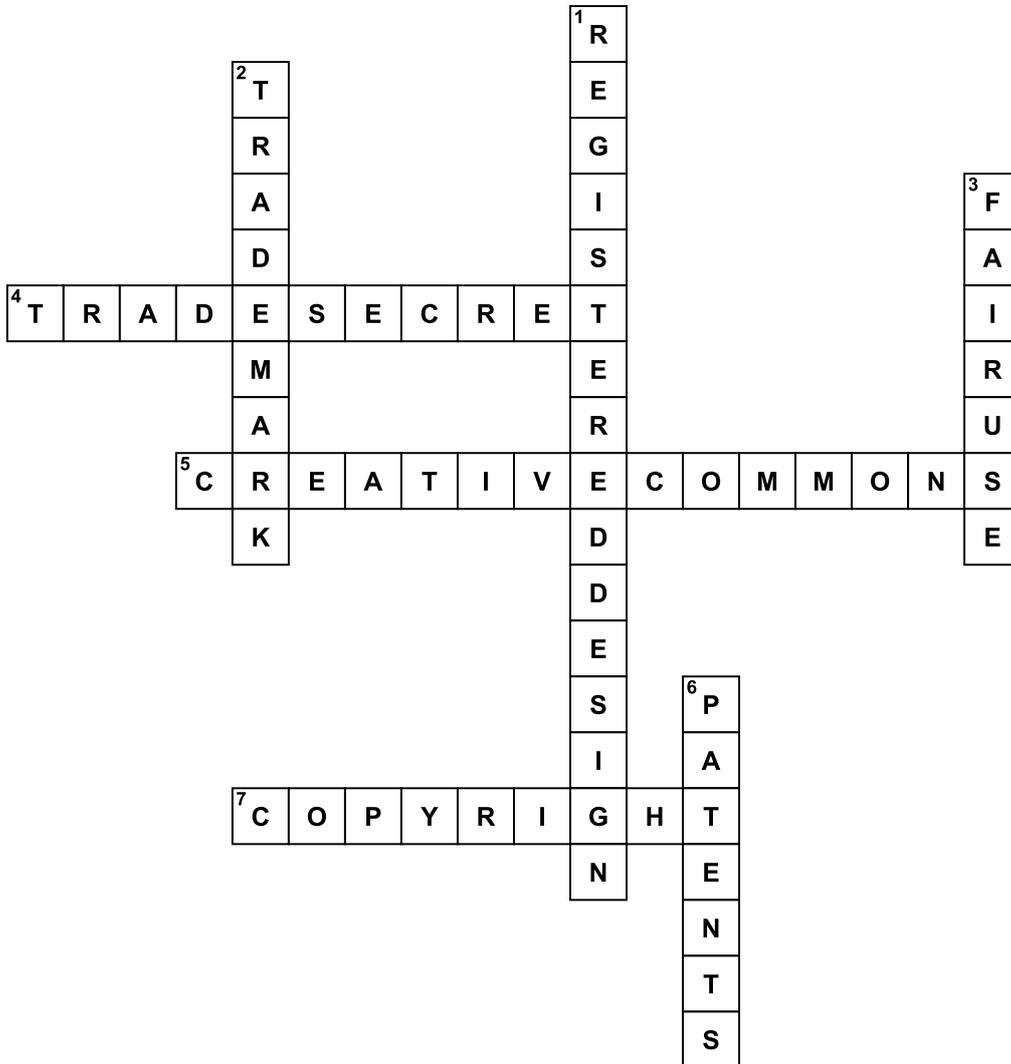
## The following judgments were reported January to March 2023

**Confidential Information** – Unauthorised use of confidential IP – Exception to particulars of claim – Plaintiff averring that defendant, having rejected a plaintiff’s quotation for an upgrade of defendant’s brick kilns, went ahead and upgraded the kilns using plaintiff’s intellectual property in breach of an existing agreement between them (the agreement) – Plaintiff pleading that defendant acknowledged the confidentiality of the information and that plaintiff gave defendant the right to use the confidential information only as set out in agreement – Plaintiff submitting that, by using its confidential information, defendant breached agreement causing plaintiff damages – Defendant excepting to claim on basis that it was entitled to reject quotation and that the upgrade of the kilns was not covered by the agreement in that the refurbishing of existing kilns could not, on a proper interpretation, constitute a breach of the agreement – Eastern Cape Local Division, Port Elizabeth finding contra defendant that there was nothing vague and embarrassing to the particulars in that plaintiff’s interpretation of agreement, namely that it covered the upgrade of the existing kilns, was not farfetched – Once plaintiff able to establish use of confidential intellectual property contrary to agreement, it would be open to it to obtain relief by way of an interdict, specific performance or damages – In the event, court dismissing defendant’s exception with costs. *Langkloof Steenware (Pty) Ltd v Rowe Design and Consulting (Pty) Ltd* ECP case No 2568/2021, Juta 2023 JDR 0645 (ECP) (Makaula J), 2023 March 3, 9 pages.

**Tra Patents** – Disputed title – Disputes of fact in motion proceedings for relief in terms of s 28 of Patents Act 57 of 1978 – Applicant having registered patent for method of mining involving total extraction of ore pillars in underground operations – Claiming that respondents, his former employers, seeking to unlawfully appropriate this technology by making their own unlawful and misleading patent application – Seeking assignment of said patent to himself – Respondents contending the applicant’s idea is a ‘theory’ and that he did not actually develop an invention – Several factual disputes, including whether applicant was actual employee (which would disentitle him to claim right to any patent) or independent contractor, and whether claimed invention was indeed novel, arising – Commissioner of Patents pointing out that absence of positive evidence directly contradicting applicant’s main allegations not rendering case free of real dispute of fact – Respondent entitled to seek reference to oral evidence or trial if it is unable to produce affidavits containing positive allegations prima facie establishing defence – Must satisfy the court that reasonable grounds existing for believing that defence would be established – Commissioner emphasising that originality and functionality of applicant’s invention *sufficiently disputed* for it to be improper to resolve matter on papers – Not possible to determine whether respondent in possession of convincing evidence showing who in fact developed inventive concept of patent – Commissioner reiterating that motion proceedings about the resolution of legal issues based on common-cause facts and not appropriate for the resolution of factual issues – Commissioner remarking, however, that applicant would not have initially predicted that serious dispute of fact was bound to develop – Matter referred to trial for oral evidence. *Keen and Another v OHMS Innovations (Pty) Ltd and Another* COP case No 2019/05483, Juta 2023 JDR 0315 (COP) (Bokako AJ), 2023 January 31, 15 pages.



# Solution



## Across

**[4]** a type of intellectual property that comprise formulas, practices, processes, designs, instruments, patterns, or compilations of information that have inherent economic value because they are not generally known or readily ascertainable by others, and which the owner takes reasonable measures to keep secret

**[5]** is an American non-profit organization and international network devoted to educational access and expanding the range of creative works available for others to build upon legally and to share

**[7]** provides authors and creators of original material the exclusive right to use, copy, or duplicate their material

## Down

**[1]** protects the shape, configuration, pattern or ornamentation of a product

**[2]** a symbol, word, or words legally registered or established by use as representing a company or product

**[3]** is a doctrine in United States law that permits limited use of copyrighted material without having to first acquire permission from the copyright holder

**[6]** a property right for an investor that's typically granted by a government agency such as the U.S. Patent and Trademark Office

# Sudoku Puzzle

LEVEL: Medium

1	5		2		9			4
	4				6			
				4			6	3
	7					8		6
6								5
2		8					1	
4	6			8				
			6				7	
8			5		1		4	9