

# IP BRIEFS

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## FROM THE EDITOR

Dr. MM Kleyn



Madelein.kleyn@outlook.com

It is that time of the year: WIPO World IP Day celebrations in every country, city and town. The theme of IP and offers a fresh view on this world of IP practice wherein the evolution of technology is impressive. Development provides advanced technology resulting in better **sporting** gear, equipment, devices for measurement and coaching and training, health foods, for better performing athletes, trademarks, brands and designs contributing to distinct identity of events. The continued rise of e-sports; an evolution of gaming in a dark room with virtual friends, suffering vitamin D deficiency and losing their grip on reality, yet a team sport which are played internationally in public for real titles and prizes and which demand, so I am informed by my e-sport fanatic colleagues, the same athleticism as any other athlete fitness, focus, strategy, resilience, coordination, training, elite equipment and stamina.

In such a truly globalised and dynamic sector, protection and enforcement of intellectual property rights around the world of sport remains truly engaging and challenging.

There are some insightful presentations on various topics shared on WIPO's website. Do pay it a visit.

*Quote for today:* "Imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world, stimulating progress, giving birth to evolution."

– **Albert Einstein**



**Dr. Sean Moolman** is founder of the Moolman Institute, an online learning institute focused on technology commercialisation and innovation. He is a technology start-up founder, director on the boards of several companies and previous head of technology transfer at the CSIR.

He has a PhD in chemical engineering from University of Pretoria, completed the Management Advancement Programme at Wits Business School and is a Registered Technology Transfer Professional (RTTP).

Sean is passionate about making a difference through innovation, entrepreneurship, science advocacy and inspiring people.

# HOW IMPORTANT IS IP FOR INNOVATION AND START-UP SUCCESS?

## TOO TRIVIAL TO MENTION....

If you would believe an analysis of over 3200 technology start-ups<sup>i</sup>. No mention either in meta-analyses<sup>ii,iii</sup> of 233 product and 92 service innovation studies.

The conventional model of product and service innovation is that intellectual property (IP) is at its core, and that start-ups are its key engine of commercialisation. If this model is correct, we should expect to see IP emerge as a key success or failure factor for innovation and start-up activity.

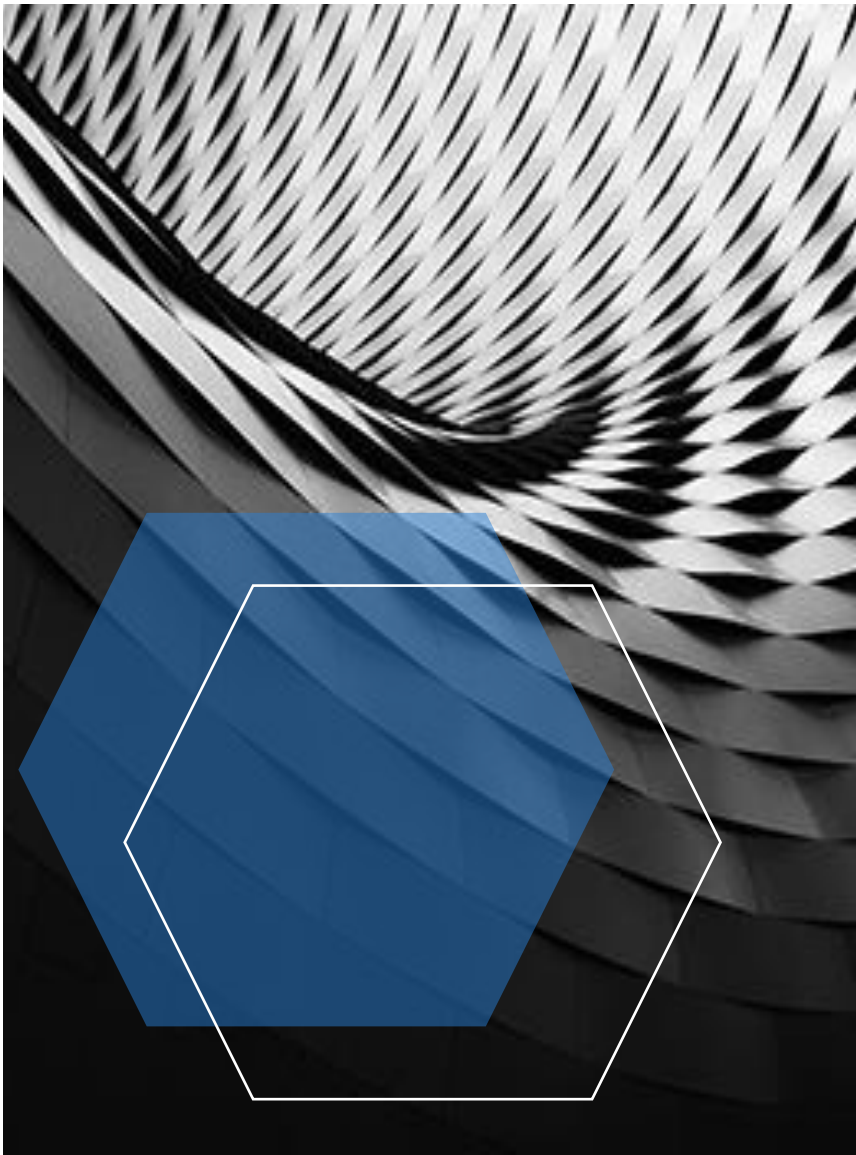
Innovation and new technology business creation are notoriously difficult. Even the historical leader in these areas, the USA, has a modest success rate. About 70% of US start-ups that have raised a round of seed funding die or become zombies (in other words, self-sustaining but not growing meaningfully)<sup>iv</sup>, and over 95% of US patents are never licensed or commercialised<sup>v</sup>.

This knotty problem of how to innovate successfully has unsurprisingly attracted a lot of attention, resulting in several comprehensive studies in the past decade. This article summarises the conclusions from the largest and most authoritative studies<sup>vi,vii,viii,ix,x,xi</sup> in 2 areas: product and service innovation and start-ups. (Note: product & service innovations can be commercialised via either start-ups or existing organisations.)

Surprisingly, none of the studies explicitly mention any form of intellectual property (IP) as either a major success or failure factor. Note that success and failure factors are not antonyms in the context of this article. Success factors are things that improve the probability of success. Failure factors are things that, if present, can lead to company failure, but if absent, does not necessarily impact on likelihood of success.

The only mention of IP in the studies comes from the Startup Genome Report Extra on Premature Scaling<sup>i</sup>, which mentions that "...72% of founders find that their initial intellectual property is not a competitive advantage".

Before reflecting on possible reasons why IP is so conspicuously absent, let's first look at what the studies do identify as major success and failure factors.



# PRODUCT AND SERVICE INNOVATION KEY SUCCESS FACTORS

FOUR SUCCESS FACTOR THEMES EMERGE: PRODUCT, MARKET, ORGANISATIONAL DESIGN AND CAPABILITIES AND TEAM

Product and Market are closely linked through what is called product-market fit, which is a dominant success factor. This is perhaps best explained as follows:

☞ If you address a market that really wants your product — if the dogs are eating the dog food — then you can screw up almost everything in the company and you will succeed. Conversely, if you're really good at execution but the dogs don't want to eat the dog food, you have no chance of winning. - *Andy Rachleff (famous Silicon Valley venture capitalist)*



Figure 1. Product & service innovation key success factors

# START-UP KEY SUCCESS AND FAILURE FACTORS

Start-ups have the same four themes (Product, Market, Organisational design & capabilities and Team) with two additional ones: Mission & goals and Resources & partnering. Product-market fit is again an overarching success factor.



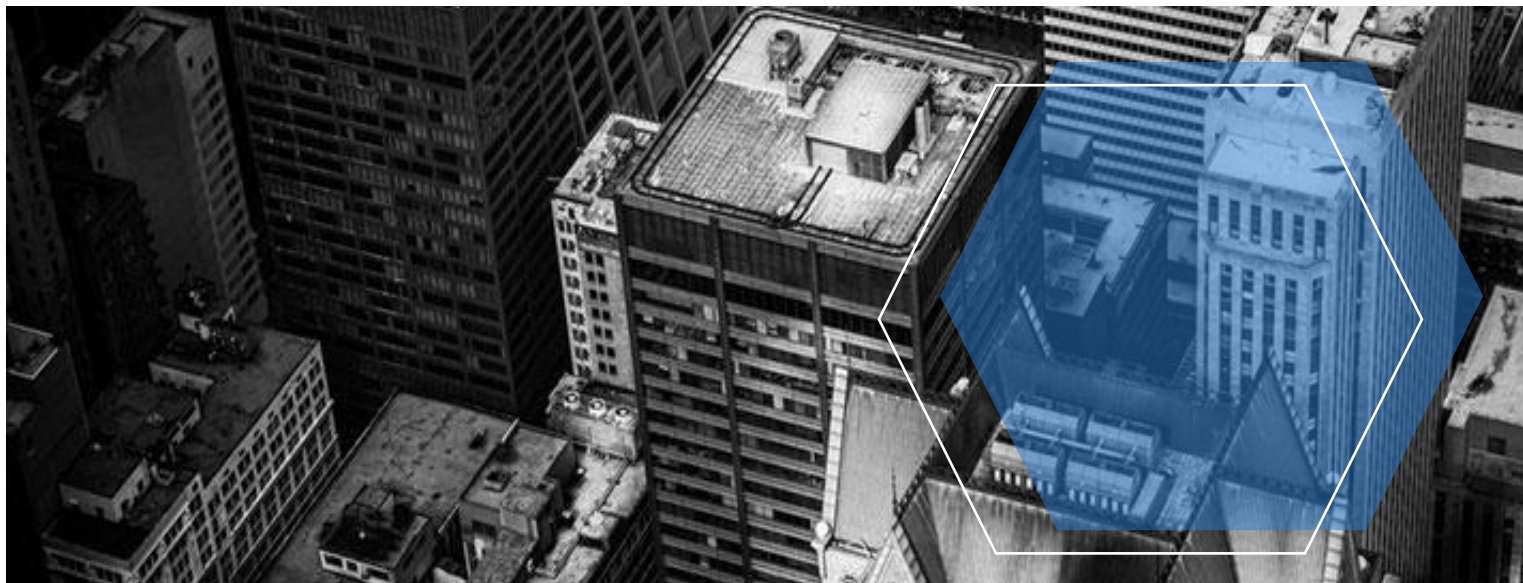
**Figure 2. Start-up key success and failure factors**

## Why is IP not explicitly mentioned as a key success or failure factor?

At least two possible reasons:

- *IP is necessary but not sufficient for success.* It goes without saying (just like good cash flow management) and hence is not worth isolating as a success or failure factor. In Michael Porter's competitive advantage framework, it is more operational effectiveness than strategic differentiation.
- *IP permeates everything.* In its broadest interpretation, IP is any product of the human (and soon artificial?!) intellect. All product and service innovation and all entrepreneurial activity such as technology start-up creation is then by definition IP-generating and concerns itself with managing IP as its central activity. Thus, IP stretches across all the success and failure factors.





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# THE CHANGING NATURE AND IMPORTANCE OF FORMS OF IP

## HOW WE THINK ABOUT AND MANAGE IP MAY BE CHANGING – BUT IT REMAINS RELEVANT

The increasing pace and shifting character of technological innovation are impacting on the value and relevance of different forms of IP, especially in the field of software. Since "software is eating the world"<sup>xii</sup>, virtually no industry is untouched.

Software has limited patentability in most territories, and copyright does not protect against copying functionality, user interface or almost any other aspect that the market cares about. The relentless rise of the open source movement has also changed how businesses compete.

For patents, fast development cycles, short product lifetimes, the cost & difficulty of enforcement (as well as the cost & effort of detecting infringement in the first place) have lessened their relevance in many industries. By the time a patent is granted, the product is obsolete.

Of course, there are some major exceptions where patents remain pivotal, such as:

- New scientific breakthroughs or discoveries (for example the CRISPR technology);
- Platform technologies with broad application areas;
- Some industries, such as pharmaceuticals and biotechnology;
- Competitive moats for larger companies;
- As a defence against infringement suits and an enabler for cross-licensing.

Start-ups do not have the money to enforce, and thus tend to patent with an eye on increased value come acquisition time, and to tick boxes for venture capital due diligence.

## The inexorable rise of data

Data has become the key asset of the most valuable businesses in the world, and its importance will only increase with the rise of artificial intelligence and the digitisation of every industry. When combined with network effects, it can create a competitive advantage that is extremely difficult to break. (Witness Google's failure to create a rival social network to Facebook through Google+, despite its tremendous financial and human resources.)

Whilst copyright can provide limited protection of databases<sup>xiii</sup>, data itself is mostly managed and protected as a trade secret. Thus, trade secrets and know-how have perhaps become the most valuable form of IP.

“

Successful businesses are based on secrets. - *Peter Thiel (co-founder of Paypal, billionaire investor)*

## Whence then for IP in the innovation and start-up context?

My conclusion is that the importance of IP in its broadest sense has not diminished at all. If anything, it is growing at a rapid pace. We see companies leveraging their trade secrets in the form of data to gain outsized benefits and competitive advantage. The copyleft and open data movements are making access to data, information and creative outputs available at an unprecedented scale.

How we think about and manage IP might be changing, and we might even need to define new types of IP, but it remains part of the fabric of the innovation and start-up picture.

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<sup>i</sup> Marmer M *et al.* 2011. Startup Genome Report Extra on Premature Scaling. Website: <http://innovationfootprints.com/wp-content/uploads/2015/07/startup-genome-report-extra-on-premature-scaling.pdf>. Last accessed: 2019/04/11. (*Analysis of 3 200 technology start-ups.*)

<sup>ii</sup> Evanschitzky A *et al.* 2012. Success Factors of Product Innovation: An Updated Meta-Analysis. *J Prod Innov Manag* 29(S1):21-37. (*A meta-analysis of 233 product innovation studies.*)

<sup>iii</sup> Storey C *et al.* 2016. Success Factors for Service Innovation: A Meta-Analysis. *J Prod Innov Manag* 33(5):527-548. (*A meta-analysis of 92 service innovations.*)

<sup>iv</sup> CB Insights. 2018. Venture Capital Funnel Shows Odds of Becoming a Unicorn are About 1%. Website: <https://www.cbinsights.com/research/venture-capital-funnel-2/>. Last accessed: 2019/04/11.

<sup>v</sup> Walker J. 2014. The Real Patent Crisis is Stifling Innovation. Website: <https://www.forbes.com/sites/danielfisher/2014/06/18/13633/#7f48dcba6f1c>. Last accessed: 2019/04/11.

<sup>vi</sup> Henard A & Szymanski DM. 2001. Why Some New Products Are More Successful Than Others. *Journal of Marketing Research* 38(3):362-375. (*A meta-analysis of 60 product innovation studies.*)

<sup>vii</sup> Own study – unpublished data from technologies at a large South African public R&D institution. (*An analysis of 23 technologies.*)

<sup>viii</sup> Peter Cohan. 2013. 6 Things Super Successful Companies Have in Common. Website: <https://www.inc.com/peter-cohan/6-things-super-successful-companies-have-in-common.html>. Last accessed: 2019/04/11. (*Based on interviews with 200 entrepreneurs.*)

<sup>ix</sup> CB Insights. 2018. The Top 20 Reasons Startups Fail. Website: <https://www.cbinsights.com/research/startup-failure-reasons-top/>. Last accessed: 2019/04/11. (*An analysis of 101 failed start-ups.*)

<sup>x</sup> Paul Graham. 2006. The 18 Mistakes that Kill Start-ups. Website: <http://paulgraham.com/startupmistakes.html>. Last accessed: 2019/04/11. (*Paul Graham is a founder of Y-Combinator, a famous and successful start-up accelerator in the USA.*)

<sup>xi</sup> Berkus D. 2016. After 20 Years: Updating the Berkus Method of Valuation. Website: <https://www.angelcapitalassociation.org/blog/after-20-years-updating-the-berkus-method-of-valuation/>. Last accessed: 2019/04/11. (*The Berkus Method is a well-known method for venture capital companies to value pre-revenue start-ups.*)

<sup>xii</sup> Andreessen M. Why Software is Eating the World. <https://a16z.com/2011/08/20/why-software-is-eating-the-world/>. Last accessed: 2019/04/13.

<sup>xiii</sup> Cornell University. Intellectual Property Rights in Data Management. Website: <https://data.research.cornell.edu/content/intellectual-property>. Last accessed: 2019/04/13.

# EUROPEAN REGIME ON THE PROTECTION OF TRADE SECRETS

PROFESSOR CHARLES GIELLEN

On June 8, 2016, the European parliament and council adopted Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (see Official Journal 2016, L157), the Trade Secrets Directive, herein after: TSD. This Directive prescribes that the Member States should implement it in their national legislation by June 9, 2018 and most Member States did so.

Why was the Directive adopted? First of all the TSD says in Whereas clause 4: *“Innovative businesses are increasingly exposed to dishonest practices aimed at misappropriating trade secrets, such as theft, unauthorised copying, economic espionage or the breach of confidentiality requirements, whether from within or from outside of the Union. Recent developments, such as globalisation, increased outsourcing, longer supply chains, and the increased use of information and communication technology contribute to increasing the risk of those practices. [...]”*. In fact from a survey carried out among companies in the EU it

appears that 75 % considers trade secrets to be strategically important for growth and for competitive power and innovation of their business, furthermore that approximately 1 out of 5 companies has been confronted during the last 10 years with illegal use of trade secrets and finally that approximately 2 out of 5 companies declared that the risk of illegal use of trade secrets increased over the last 10 years.

With all this in mind the EU legislator decided to take initiatives. The reason is clearly explained in Whereas clause 8: *“The differences in the legal protection of trade secrets provided for by the Member States imply that trade secrets do not enjoy an equivalent level of protection throughout the Union, thus leading to fragmentation of the internal market in this area and a weakening of the overall deterrent effect of the relevant rules. The internal market is affected in so far as such differences lower the incentives for businesses to undertake innovation-related cross-border economic activity, including research cooperation*



**Professor Charles Gielen PhD**  
**Of counsel, former partner**  
**NautaDutilh NV in Amsterdam**

He is an emeritus professor of IP Law University of Groningen; extraordinary professor University Stellenbosch. His fields of practice: litigation and counselling in IP-matters, mostly, patents, design and trade marks

*or production cooperation with partners, outsourcing or investment in other Member States, which depends on the use of information that enjoys protection as trade secrets. Cross-border network research and development, as well as innovation-related activities, including related production and subsequent cross-border trade, are rendered less attractive and more difficult*

*within the Union, thus also resulting in Union-wide innovation-related inefficiencies.*” The TSD of course also refers to art. 39 of the TRIPS-Agreement. This provision deals with the protection of trade secrets against their unlawful acquisition, use or disclosure by third parties, which is a common international standard. All Member States, as well as the Union itself, are bound by this Agreement. Notwithstanding this provision, there are major differences between member states in the ways trade secrets are being protected. In order to avoid these differences, there should be approximation of such laws so as to ensure that there is a sufficient and consistent level of civil redress in the case of abuse.

Before discussing the most important aspects of the new regime, I will briefly touch upon the question as to how trade secrets are qualified. The TRIPS-Agreement makes it absolutely clear that trade secrets are intellectual property. Art. 1.2 says that the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II, which covers among other the protection of undisclosed information provided for in art. 39. The provisions on enforcement refer to IP-rights; see for example art. 41.1

providing: “*Members shall ensure that enforcement procedures ... are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement.*” However, the TSD makes it clear that trade secrets should not be considered as IP-rights. I quote Whereas clause 16: “*In the interest of innovation and to foster competition, the provisions of this Directive should not create any exclusive right to know-how or information protected as trade secrets.*” But it is striking that the different provisions make trade secrets look like IP. For example, art. 2(3) and (4) TSD speak of “*infringer*” and “*infringing goods*” respectively, terms that are normally reserved for IP rights. The reason behind this is that the Member States could not agree on the qualification of IP-rights. The result is that the provisions of the so called Enforcement Directive are not applicable to trade secrets. (*See Directive 2004/48 of the European Parliament and of the Council of 27 April 2004 on the enforcement of intellectual property rights, OJ 2004, L157/45.*) The TSD has its own enforcement regime and Member States are free to provide for other remedies than those found in the TSD.

There are three basic requirements before certain information can be called a trade secret and can enjoy the

benefit of protection under the TSD. Those requirements, to be found in art. 2(1), are, that the information:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret;
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret

Art. 2(2) provides that the person lawfully in control of the information is the so called “trade secret holder” and that person is entitled to act in the case of abuse. It is clear that the notion “information” is broad. Whereas clause 14: “[...] *Such definition should therefore be constructed so as to cover know-how, business information and technological information [...]*” and furthermore it: “*...excludes trivial information and the experience and skills gained by employees in the normal course of their employment, and also excludes information which is*



*generally known among, or is readily accessible to, persons within the circles that normally deal with the kind of information in question.* “

The requirement that protectable information should have commercial value because it is secret is explained in Whereas clause 14 saying: “*Such know-how or information should be considered to have a commercial value, for example, where its unlawful acquisition, use or disclosure is likely to harm the interests of the person lawfully controlling it, in that it undermines that person's scientific and technical potential, business or financial interests, strategic positions or ability to compete.*” Also, this description shows that commercial value is readily be accepted. One can for example think of information regarding the holiday dates of the CEO of a company as disclosure thereof could harm business interest of a company.

The last requirement of the “reasonable steps” probably is the most important one. Experience shows that many court cases stumble over this requirement. One of the things that are mandatory to fulfil this requirement is that the information to be protected by the trade secrets provisions is clearly identified and defined. This requires setting up a documentation system and procedure so that it can later be

explained to courts what information is to be protected. This also includes the identification of possible sources of unlawful divulcation (employees, partners, competitors, etc.). Of course, the “reasonable steps” requirement involves appropriate legal as well as practical measures. Legal measures involve confidentiality and non-disclosure clauses as well as no-use clauses in employment and partnership agreements, furthermore the development of a trade secrets policy (for example including an obligation to discuss trade secrets as part of yearly assessment of employees and of exit interviews, monitoring confidentiality and non-disclosure agreements, etc.). Practical measures involve internal trainings, limited access to certain areas, policy for external visitors, passwords, restricted visibility and removal of information on white or blackboards, give only “need to know” access, encryption, etc.

If one compares these requirements with art. 39 TRIPS-Agreement, it is not surprising that they are almost identical. It is also clear that art. 39 is mainly based on United States law where similar requirements are valid. (See the Uniform Trade Secrets Act of 1979, amended in 1985 on the basis of which most US states have enacted state laws. See also the The Defend Trade

Secrets Act of 2016 (DTSA) (Pub.L. 114–153, 130 Stat. 376, enacted May 11, 2016, codified at 18 U.S.C. § 1836, et seq.) which now allows proceedings on trade secrets to be brought before federal courts )

In interpreting the requirements of the TSD, it can therefore be helpful to look into US case law.

According to art. 4(1) the trade secret holder should be able to prevent or to gain redress in the case of the unlawful acquisition, use or disclosure of his trade secret. In further defining this, the TSD makes a distinction between “acquisition” on the one hand and “use or disclosure” on the other. The acquisition shall be considered unlawful whenever carried out by unauthorised access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, lawfully under the control of the trade secret holder, containing the trade secret or from which the trade secret can be deduced, or any other conduct which, under the circumstances, is considered contrary to honest commercial practices (art. 4(2)). As one can see the notion unlawful acquisition is very broad. For use or disclosure to be unlawful it should be carried out by a person who is found to meet any of the following conditions: (a) having acquired the trade secret unlawfully; (b) being in breach of a confidentiality

agreement or any other duty not to disclose the trade secret; (c) being in breach of a contractual or any other duty to limit the use of the trade secret (art. 4(3)). What happens if a person is not the one, who first unlawfully acquired, uses or disclosed a trade secrets, but is the second hand, so to speak. For that case art. 4(4) provides that the acquisition, use or disclosure of a trade secret shall also be considered unlawful whenever such a person, at the time of the acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of art. 4(3). Art. 4(4) makes it clear that the production, offering or placing on the market of infringing goods, or the importation, export or storage of infringing goods for those purposes by such a person, shall also be considered as unlawful use.

Let us assume that such a person at the time of acquisition, use or disclosure was in good faith but is informed later that the trade secret has originally been acquired unlawfully? In such a situation, art. 13(3) provides that the competent judicial authority may order pecuniary compensation (not more than normal royalties) to be paid to the injured party instead of

applying measures like an injunction etc. as further provided for in art. 12. Whereas clause 29 say about this: “*A person could have originally acquired a trade secret in good faith, but only become aware at a later stage, including upon notice served by the original trade secret holder, that that person's knowledge of the trade secret in question derived from sources using or disclosing the relevant trade secret in an unlawful manner. In order to avoid, under those circumstances, the corrective measures or injunctions provided for causing disproportionate harm to that person, Member States should provide for the possibility, in appropriate cases, of pecuniary compensation being awarded to the injured party as an alternative measure.*” It is to be noted that the term “infringing goods is defined as goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed (art. 2(4)).

From the above it follows that the rights of a trade secrets holder are rather broad. However, there are a few exceptions to these rights. These can be found in art. 3 and 5. Art. 3 provides for cases in which the acquisition is considered lawful:

- Independent discovery or creation of information
- Reverse engineering (of a lawfully acquired product/object)
- Exercise of the right of workers or workers' representatives to information and consultation in accordance with Union law and national laws and practices
- Any other practice which, under the circumstances, is in conformity with honest commercial practices

Art. 5 gives circumstances under which remedies shall be refused where the alleged acquisition, use or disclosure of was carried out

- Freedom of expression and information (incl. whistleblowing “*for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest*”
- Disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in accordance with Union or national law, provided that such disclosure was necessary for that. exercise

- Information which must legally be communicated

As mentioned before, the TSD provides for a number of measures that should be available for trade secrets holders in the case of abuse. The Member States are free to provide for other measures. Following general principles on procedures as provided for in art. 21 and 42 TRIPS-Agreement, the TSD provides that measures should (a) be fair and equitable; (b) not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays; and (c) be effective and dissuasive (art. 6). Furthermore, the measures provided for in the TSD shall be applied in a manner that: (a) is proportionate; (b) avoids the creation of barriers to legitimate trade in the internal market; and (c) provides for safeguards against their abuse.

As far as the measures are concerned, the TSD provides for both provisional and precautionary measures (art. 10) as well as injunctions and corrective measures on the merits (art. 12) as well as for appropriate damages (art. 14). The provisional and precautionary measures include: (a) the cessation of or, as the case may be, the prohibition of the use or disclosure of the trade secret on a provisional basis;

(b) the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes; (c) the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market. Art. 11 prescribes that for a successful application for such measures evidence should be provided such that the authorities can be satisfied with a sufficient degree of certainty that (a) a trade secret exists; (b) the applicant is the trade secret holder; and (c) the trade secret has been acquired unlawfully, is being unlawfully used or disclosed, or unlawful acquisition, use or disclosure of the trade secret is imminent. In case provisional or precautionary measures are being granted, they shall be revoked if the trade secrets holder did not start a case on the merits within a reasonable period.

As to cases on the merits the following measures can be ordered: (a) the cessation of, or, as the case may be, the prohibition of the use or disclosure of the trade secret; (b) the prohibition of the production, offering, placing on the market or use of infringing goods, or the importation, export or storage of infringing goods for those purposes; (c) the adoption of the appropriate

corrective measures with regard to the infringing goods (including (1) recall of the infringing goods from the market; (2) depriving the infringing goods of their infringing quality; (3) destruction of the infringing goods or, where appropriate, their withdrawal from the market, provided that the withdrawal does not undermine the protection of the trade secret in question); (d) the destruction of all or part of any document, object, material, substance or electronic file containing or embodying the trade secret or, where appropriate, the delivery up to the applicant of all or part of those documents, objects, materials, substances or electronic files.

According to art. 11(2) and 13(1) the authorities when considering the application for provisional and precautionary measures as well as measures on the merits and assessing their proportionality shall take into account the specific circumstances of the case, including, where appropriate: (a) the value and other specific features of the trade secret; (b) the measures taken to protect the trade secret; (c) the conduct of the respondent in acquiring, using or disclosing the trade secret; (d) the impact of the unlawful use or disclosure of the trade secret; (e) the legitimate interests of the parties and the impact which the granting or rejection of the

measures could have on the parties; (f) the legitimate interests of third parties; (g) the public interest; and (h) the safeguard of fundamental rights.

As far as damages are concerned, art. 14 provides that the infringer can be ordered to pay damages to the trade secret holder appropriate to the actual prejudice suffered as a result of the unlawful acquisition, use or disclosure of the trade secret. When setting the damages the authorities shall take into account all appropriate factors, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the trade secret holder by the unlawful acquisition, use or disclosure of the trade secret. Alternatively, the competent judicial authorities may, in appropriate cases, set the damages as a lump sum on the basis of elements such as, at a minimum, the amount of royalties or fees which would have been due had the infringer requested authorisation to use the trade secret in question. Finally, art. 15 provides that the authorities may order, at the request of the applicant and at the expense of the infringer, appropriate measures for the dissemination of the information concerning the

decision, including publishing it in full or in part.

The final topic in this overview concerns the difficult relation between the need to keep certain information secret and enforcing trade secrets through (in principle) public hearings for which rules of fair trial are applicable. As Whereas clause 24 rightly puts it: *“The prospect of losing the confidentiality of a trade secret in the course of legal proceedings often deters legitimate trade secret holders from instituting legal proceedings to defend their trade secrets, thus jeopardising the effectiveness of the measures, procedures and remedies provided for.”* The TSD provides for safeguards aiming at protecting trade secrets also in the course of civil proceedings. Art. 9(1) provides that: *“Member States shall ensure that the parties, their lawyers or other representatives, court officials, witnesses, experts and any other person participating in legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, or who has access to documents which form part of those legal proceedings, are not permitted to use or disclose any trade secret or alleged trade secret which the competent judicial authorities have, in response to a duly reasoned application by an interested party, identified as confidential and of which they have become aware as a result of such participation or*

*access.”* Subsequently, art. 9(2) outlines that the authorities can order specific measures necessary to preserve the confidentiality of any trade secret or alleged trade secret used or referred to in the course of legal proceedings on the unlawful disclosure or use of trade secrets. Such measures shall at least include: *(a) of restricting access to any document containing trade secrets or alleged trade secrets submitted by the parties or third parties, in whole or in part, to a limited number of persons; (b) of restricting access to hearings, when trade secrets or alleged trade secrets may be disclosed, and the corresponding record or transcript of those hearings to a limited number of persons; (c) of making available to any person other than those comprised in the limited number of persons referred to in points (a) and (b) a non-confidential version of any judicial decision, in which the passages containing trade secrets have been removed or redacted.* But whatever measures will be ordered, the general principle remains: (art. 9(4)): *When deciding on the measures referred to in paragraph 2 and assessing their proportionality, the competent judicial authorities shall take into account the need to ensure the right to an effective remedy and to a fair trial, the legitimate interests of the parties and, where appropriate, of third parties,*



*and any potential harm for either of the parties, and, where appropriate, for third parties, resulting from the granting or rejection of such measures.*



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<https://www.nortonrosefulbright.com/en/knowledge/publications/c573e99c/changes-in-trade-secrets-law-on-the-horizon-on-both-sides-of-the-atlantic>

With this toolbox a trade secret holder does have guarantees that his trade secrets will not be lost because he had to disclose them to a court and his opponent. A very effective procedure can be that the courts use experts who look into specific questions on the use of particular secret steps for example in a recipe by both the trade secret holder and the alleged infringer. The expert then reports back to the court whether or not a specific step is made in that recipe. One problem can be that before a court will order certain protective measures, the trade secret holder might have to divulge the trade secret in order to be able to get such an order. But at that time there are no protective measures yet and the trade secret could be lost. It is therefore advisable that national laws do provide for a mechanism by which the court

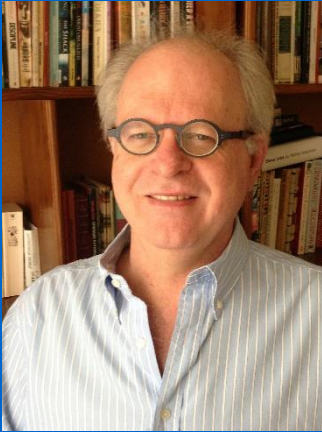
issues protective orders before such divulgation takes place.

It will be interesting to see how the case law under the national laws that implemented the TSD develops. The European Commission will follow such developments in order to see whether the TSD indeed is an effective instrument for the protection of trade secrets.

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# The copying of shapes. Where do we stand?

By Wim Alberts



Wim Alberts practised with Bowmans for a number of years before being appointed as professor of law at the University of Johannesburg.

The protection of shapes is a controversial issue in, in particular, statutory trade mark law. The reason being that a product is usually identified, and eminently identifiable, by the trade mark it bears. The shape is seen as a mere adjunct, and not a feature that will be perceived as functioning as a trade mark, even it is distinctive, which seems harsh. The issue of the protection of shapes have also featured in the common law in South Africa, in terms of unlawful competition/passing off. Protection for, for instance, the well-known Weber grill has been granted on the basis of passing off (see *Weber-Stephen Products Company v Alrite Engineering (Pty) Ltd.* [1992] ZASCA 2). But it featured mostly in the context of the general delict (tort) of unlawful competition, a remedy derived from Roman-Dutch law.

## Case law

The classic case is that of *Schultz v Butt* [1986] ZASCA 47 emanating from the highest court at the time, the Appellate Division, where X made a mould directly based on the hull of a boat designed by Y. No statutory protection was obtained. In granting relief on the basis of unlawful competition, the court stated:

*“He may not, however, in my view, copy such hull, the product of another's inventiveness and experience, in a manner which does not require him to apply his mind to such design or to exercise his own inventiveness and experience, even if he only uses it as a starting point and makes modifications thereto.”*

The following was also said. First, that the community would consider it unfair that a design developed over many years was copied. Secondly, the fact that no statutory protection (neither patents nor designs or copyright) exists, was not a licence for unfair competition.

Another prominent but provincial decision, that contradicted the Schultz ruling, is that in *Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd.* 1991 (2) SA 455 (W) Here a lounge suite was stripped down, the upholstery removed from the frame, and slavishly copied. In an unlawful competition context, the court held that copying was not per se unlawful, and that beyond statutory protection the field is open to imitators. Also, the method of copying was not decisive. The frame was in any event quite simple and the upholstery not extraordinary.

The issue was considered again in Premier Hangers CC v Polyoak (Pty) Ltd 1997 (1) SA 416 (A) a judgment dealing with the copying of industrial clothes hangers. There was no registered design. The court indicated that in most foreign systems where unfair competition rules apply there appears to be a search for some special unfairness. This is a difficult task – as there are vast differences in the amount of effort and skill involved in the design of articles. It was only the existence of extraneous factors that rendered conduct unlawful. Where statutory protection expires, anyone is free to copy. Polyoak did not procure for itself the benefit of statutory protection and, by its own acts, caused or allowed the designs to pass into the public domain.

A judgment dealing with boats, is that in Heyneman v Waterfront Marine CC [2005] All SA 382 (C). It was alleged that B copied A's inflatable boats. A relied on the *Schultz* decision. It was held that there is a lot of uniformity in the appearance of such boats in general. The appearance was dictated by functionality, the existing state of the art, and availability of materials for the construction of rigid inflatable boats. "...rigid inflatable boats were, for the most part, similar in design, shape, form and getup, the differences relating to cosmetic rather than functional aspects thereof." An injunction was accordingly refused.

Yet another ruling involving boats was that in Van der Merwe v Els [2008] ZAWCHC 31. It dealt with the alleged copying of the hull of a catamaran. In rejecting a passing off claim, the court said the following:

*"In the present matter it was clear that the applicants had expended much time, money, labour, energy and effort into designing and developing their Falcon range of rigid inflatable boats, as well as the logo, distinguishing features and general aesthetic appearance of such models. There was no doubt that the boats had developed a reputation as being of outstanding quality and a leader in their class. On the other hand, there was no indication that the applicants had acquired any reputation relating to any aspect of the design, shape, form or getup of the boats in question...From the day the second applicant produced and sold its first Falcon, it became part of the public domain and would enjoy protection only if a competitor should pass off its boat as a Falcon product."*

The well-known Mercedes-Benz Sprinter vehicle featured in Daimler Chrysler Aktiengesellschaft v Afinta Motor Corporation (Pty) Ltd. [2001] 2 All SA 219 (T). Here large parts of said vehicle was copied. Apart from ruling in favour of the plaintiff on the basis of passing off, the court also granted relief on the basis of unlawful competition. The court stated in this regard, amongst others, that:

*"Although he talks vaguely about the design and other criteria which the respondent was obliged to meet the respondent's deponent Mr Nicholls furnishes no detail at all about how the respondent designed the exterior of their AMC bus. With regard to the sloping front design of the bus ie the cab section, he contends that this is used by most manufacturers of vehicles within this category"*

*and is the result of wind tunnel evaluations of the drag coefficient. He also alleges that modern computerised evaluation processes have led to the fundamental designs of vehicles being almost identical and that for this type of vehicle there is only one shape which the front of the vehicle can take if one wishes to optimise the aerodynamics of the vehicle. He also deals with certain other details of the AMC bus. It is striking that Mr Nicholls does not deal with any wind tunnel or computerised evaluation process followed by the respondent in order to arrive at the shape of the AMC bus and in particular its front end or cab and the wheel design. It therefore must be accepted that the applicant's work and effort in creating its Sprinter vehicles has not been matched by the respondent.”*

The decision in *Bush Lapa Offroad Caravans v Serfontein*, case 14338/2016, a decision of the Western Cape High Court, dated 30 June 2017, must also be mentioned. Here the shape of an off-road caravan was copied. Relief was granted in terms of unlawful competition, passing off, and registered design infringement.

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## Discussion

The remedy of passing off (which is actually a *specie* of unlawful competition) featured only in some cases, such as the *Van der Merwe* ruling, where it was rejected. It was held that whilst the boats had a reputation for quality, there was none in relation to design elements such as the shape, form or getup of the boats. It is thus clear that when proof of a reputation is required, and the likelihood of confusion, it would be difficult to achieve same when working with a shape.

In the case of the broad delict (tort) of unlawful competition, it appeared that the central divide is that relating to the absence of statutory protection. The *Schultz* ruling was based on the approach that it is possible to get common law protection even in the absence of statutory protection. The court did not disturb the general principle though that one is entitled to freely compete by using objects in the public domain. What was decisive though it appears, is the method of copying, that is, the direct and slavish copying of the boat shape. This approach was not accepted however in the *Bress Designs* decision:

*“The applicant took no steps to register its design. It cannot complain if it is copied. If one is entitled to copy that which is in the public domain, which is the law, what difference does it make what your method is? Whether you measure with the eye or with a tape-measure. Whether you record your findings in your retentive memory or in a notebook or through the lens of your camera. Whether you look only at the exterior or also look at the interior, removing upholstery to do so. I cannot see that the fact that the Fendi was dissembled, per se, creates the unlawfulness.”*





As a perspective of a provincial court, this view is not enough to dislodge the effect of the Schultz decision. However, the successor of the Appellate Division, the Supreme Court of Appeal, seems to have done that in the Premier Hangers judgment. The absence of statutory protection was seen to be exclusionary. After this decision it would be hard to argue that common law protection was available for a shape that was in the public domain. However, one must note that the case did mention that one is sometimes confronted with articles the making of which required different degrees of skill. It is in this light that the DaimlerChrysler ruling might perhaps be understood. In other words, the design and creation of a motor vehicle involves a significant amount of skill, time and massive financial resources. These factors might justify the “deviation” from the wide import of the Premier Hangers judgment (the court also mentioned that the existence of extraneous factors might render conduct unlawful). In general however, for shapes, protection might begin and end with trade mark protection for their names. Shapes in the common law are protected with difficulty.

By Stephen Hollis

# SA CREATIVE SECTORS PETITION THE PRESIDENT



Stephen Hollis is a specialist trade mark lawyer who advises local and international clients on brand protection and enforcement strategies with a specific focus on the African market. He also advises on international brand protection strategies, copyright matters and deal structuring in the music and film industries.

Stephen is a member of the Adams & Adams Entertainment Law Group which deals with legal matters pertaining to the entertainment. He has been closely involved in the copyright reform process in SA over the past number of years.

## A watershed moment for creative sectors

In what will undoubtedly be recognized as a watershed moment for South Africa's creative sectors, a broadly representative group of investors, stakeholders and trade and industry associations representing the whole spectrum of our creative industries petitioned President Ramaphosa not to sign the controversial Copyright Amendment Bill into law.

The trade associations include:

- ANFASA - Association of Non-Fiction Authors of South Africa
- A.S.A - Animation South Africa
- IBFC - Independent Black Filmmakers Collective
- MPA-SA - Music Publishers Association of South Africa
- PASA - Publishers Association of South Africa
- PEN Afrikaans (authors)
- RiSA - Recording Industry of South Africa
- VANSA - Visual Arts Network of South Africa
- WGSA - Writers Guild of South Africa

The Bill, together with the Performers' Protection Amendment Bill ('the Bills'), was rushed through Parliament and hastily approved by the National Assembly and the National Council of Provinces.

This, despite grave concerns expressed by stakeholders and investors (locally and internationally), and legal and constitutional experts that the Bill does not meet Constitutional muster, places SA in breach of important international treaties and risks the major destabilization of our already vulnerable creative sectors.

## How did we get here?

The Department of Trade and Industry undertook the necessary task of updating our Copyright legislation and our Performers' Protection Act to bring our laws up to date to meet the challenges of the digital environment and to uplift the plight of our vulnerable creatives and improve their earning potential.

One of the catalysts of change was the 2011 Copyright Review Commission (CRC) report which was commissioned by Minister Rob Davies after a group of musicians petitioned the Office of then President Zuma in a plea for assistance. The issue then was that, almost a decade after the re-introduction of so-called Needletime royalties for performers featured on sound recordings, no meaningful royalty distributions have been forthcoming.

The commissioned enquiry resulted in a report from Judge Farlam and his team of around 200 pages, containing valuable recommendations on how to improve the plight of musicians, composers, artists and performers in the music industry.

Creatives were therefore understandably enthusiastic, as one of the key driving forces for legislative change was understood to be the recommendations of the CRC report.

DTI surprised everyone when the draft Bill introduced a 'world first' in that it proposed to introduce 'user rights' that would afford users the right to share equally in royalty distributions with musicians, authors, composers and performers. It also empowered users to transfer copyright out of the hands of current owners of original works. It further allowed users to tamper with and remove technological protection measures and copyright management information from protected works, including digital works.

It also introduced another 'world first' in providing users with arguably the broadest set of copyright infringement exceptions that would effectively provide them with a plethora of new ways they could copy, reproduce, use, access, etc. copyright protected works without the need to pay license fees or market related royalties. Not only did DTI's draft Bill allow users to freely copy materials in the educational space, but it introduced a new statutory defence for users to rely upon when a copyright holder felt aggrieved when unlicensed use of protected works was made, called 'fair use'.

## The 'fair use' debate

In what turned into the hottest topic of debate regarding DTI's game changing proposals for the transformation of our copyright system into a user access-oriented system, was the importation of the controversial fair use doctrine from US law, where it finds its origin. Without conducting any economic impact assessment or proper research, DTI's controversial proposal seeks to import this US-statutory defence to copyright infringement into our law without any of the legal checks and balances that makes the system work somewhat well in the US. Fair use represents a vague and open-ended set of criteria which leaves it to the Courts to determine whether the unauthorized use, copying, etc. of a copyright protected work can be made without a license.

The main counter-balance to this sanctioned authorization for users to make unlicensed use of copyright protected materials in the US, is the remedy that rights holders have in the

US to claim statutory damages for infringement, ranging from US\$750 to US\$150 000 per act of infringement, which can be claimed on top of any real economic harm that can be proved by the rights holder.

In SA, a rights holder can currently only claim damages if it can be proven that the infringer had 'guilty knowledge' and the amount of damages is limited to actual economic harm proven or an amount that the rights holder would typically license the work for. What this means is that an unlicensed user can claim to not have guilty knowledge of infringement until such time as a Court has considered the matter and found that the unlicensed use was indeed infringement. This effectively pulls the few teeth left from the watchdog that SA creatives and rights holders can call upon to restrain unlicensed use of protected works. So, while introducing the broadest regime of copyright infringement exceptions into our law, our rights holder's remedies to prevent infringement is reduced to an all-time low.

*Fair use represents a vague and open-ended set of criteria which leaves it to the Courts to determine whether the unauthorized use, copying, etc. of a copyright protected work can be made without a license.*



## Whose interests are served?

Stakeholders in our copyright and entertainment industries were understandably shocked at DTI's proposals and what was initially thought to be clear drafting errors, were exposed to be a concerted and deliberate effort to weaken our copyright laws to enable users, and government to make use of copyright protected materials without the need to pay the authors of the works.

When DTI co-hosted an event at a fancy hotel in Pretoria one week prior to the August 2017 Parliamentary hearings with the world's largest users of copyright protected materials, in 'Big Tech', and referred to them as their 'Partners' in developing the new legislative proposals, the penny dropped.

While the Big Tech companies from the USA do require legislative reform to allow them to make use of copyright protected materials that do not affect the commercial interests of rights holders in very specific instances, government went too far in developing legislation that would skew the balance entirely in their favour, without any compelling reason, research, policy or impact assessment that might justify such a radical and 'world first' departure from the status quo that would weaken copyright protection in SA to an all-time low.

Unguarded statements from high ranking politicians, including the Chair of the National Assembly's Portfolio Committee on Trade and Industry, Ms. Joanmariae Fubbs and from Minister Rob Davies, that the copyright exceptions are justified because textbooks are too expensive, a hidden policy agenda was revealed. Government's 'free education for all drive' will be funded by authors of books and works in the educational space. DTI also legislated that the unlicensed use of copyright protected materials would be allowed for government insofar as it is required for the vague purpose of 'public administration'.

## Where does this leave our Creatives?

The sudden and unexpected departure from focusing on increasing the legal protections for our vulnerable creatives steers SA into uncharted waters. Recently, the EU Parliament voted to address the growing value gap in commercial usages of copyright protected works and introduced a legal responsibility on digital platforms to pay market related royalties for the use of protected works. In SA, we are moving in the opposite direction in allowing for more unlicensed usages of works.

Government attempts to hide this visceral gutting of our copyright laws behind the electoral promises that creatives will now enjoy more rights, including royalty payments that content production companies will have to hand out on all works that are still in copyright and commercialized in SA, despite the fact that 90%+ of those projects have not yielded any profits. It rides rough shod over contractual dealings of the past and sends a message to the world that 'your contract negotiated in SA today may be ripped up by government tomorrow'. The risk here is that SA content production companies will simply remove works from the market that have not yielded a net profit yet, in order to ensure that they can keep their doors open for business and not pay out monies on past projects that place them in financial risk.

*Our creatives are effectively being sold down the river with empty promises, on the back of a map to a pot of gold at the end of the rainbow, that does not exist.*



Also, foreign performers would be able to claim against local film, music and other content production companies. Our Creatives would no longer be employed or commissioned to create new works by international clients and investors and film and music production companies will move their upcoming projects to other jurisdictions. Who will suffer from this the most? The very local creatives that the Bills purport to protect.

Our creatives are effectively being sold down the river with empty promises, on the back of a map to a pot of gold at the end of the rainbow, that does not exist.

### Expectations from Bill into Law?

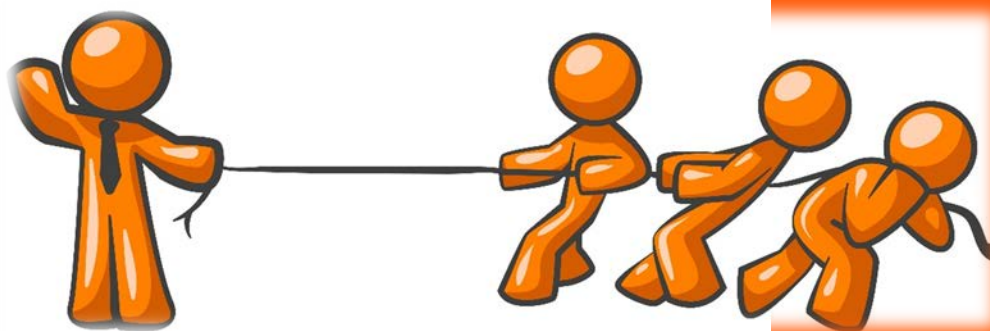
Major disinvestment into our creative sectors will result if the Bills are signed into law as presently worded. While our creative sectors have warned repeatedly and consistently from the onset that this is the case, these warnings have simply been ignored.

The Publishers Association of South Africa (PASA) was the only party that commissioned an independent economic impact assessment which report was prepared by PwC. This report warned that our publishing industry would be decimated if the Bill was signed into law, as is, and even though this report was handed to the National Assembly in 2017, government chose to completely ignore the findings, and did not deem it necessary to conduct its own assessment on how the copyright exceptions and fair use would likely impact on our creative industries.

After the National Assembly approved the Bills, the NCOP reportedly received around 1000 submissions in opposition to the enactment of the Bills. The Chair of the Select Committee deemed it appropriate to allocate one hour to consider the submissions received from stakeholders and creatives' representatives. DTI presented to the Committee that the panel of legal and industry experts appointed by the National Assembly gave the Bills a green light. This was a lie. None of the four experts did so and they wrote a letter to Minister Davies to object and to request a retraction of that statement. Even though Dr. Evelyn Masotja (acting DDG of DTI) proceeded to do so on the day that the NCOP considered the Bills, it was not deemed necessary by the Chair of the Select Committee, Mr. Edwin Makue, for a review of the experts' opinions to be conducted. The Bills were simply approved in record time and sent to the President for his assent.

### In the end....

While the much-maligned Bills have been railroaded through Parliament on the back of powerful and hidden political agendas, and carrying the fake promises to creatives that their collective plight would be uplifted, the reality is that the enactment of the Bills would destabilize and cause significant harm to our creative sectors and economy. It would deter and undermine the President's objective of breathing new life into our economy by inviting direct foreign investment into our economy and business sectors. The only ones who would benefit would be those who wish to make use of copyright protected materials without paying license fees to the authors thereof, and without investing in the creation and development of local, original content. While government, educational institutions and digital platforms are licking their lips in anticipation of the enactment of the Bills, our creative sectors are galvanizing and forming an opposition that would likely launch a legal challenge that would place the irrational, irresponsible and fundamentally flawed legislative copyright reform process in the international spotlight and highlight the 'state capture' of yet another important and valuable sector and resource that would harm all South Africans in the long run.



# Fight like a soldier, not a guerilla

by Waldo Steyn

## UNLAWFULL COMPETITION – EXACTLY WHAT IS IT?

What exactly is unlawful competition? Unlawful competition is often lumped together with Intellectual Property, and indeed there are obvious links: the common law action of passing off (closely related to trade marks) is a species of unlawful competition; and unlawful competition cases often involve technology, trade secrets and the misuse of confidential information, thus potentially bringing them within the scope of patent law and copyright law.

In this context the recent South African Court of Appeal (“SCA”) judgment in the case of *Pexmart CC v H. Mocke Construction (Pty) Ltd* is important.

The court considered whether Pexmart had unlawfully used confidential information and trade secrets belonging to Mocke Construction. The confidential information and secrets related to a process of lining (with plastic) steel

pipes that are used in the mining industry, with a view to preventing corrosion. The man behind Mocke Construction had worked closely with an American in developing this lining process, and the American had licensed his own IP to the company. At one stage, Mocke Construction employed an individual by the name of Henn.

Henn subsequently went on to join Pexmart, a rival business. When Pexmart started supplying the same product to the gold mining company that Mocke Construction was doing business with (at a cheaper price) Mocke Construction sued, claiming unlawful competition.

Judge Navsa, who handed down the court’s judgment, went through the basics of unlawful competition. The obvious starting point was the famous case of *Schultz v Butt*, where the court said this: “As a general rule, every person is entitled freely to

carry on his trade or business in competition with his rivals. But the competition must remain within lawful bounds. If it is carried on unlawfully, in the sense that it involves a wrongful interference with another’s right as a trader, that constitutes an *injuria* for which the Aquilian action lies if it has directly resulted in loss.”

The judge looked at another famous case, *Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cap) Pty Ltd*, where these dramatic words were said: “Though trade warfare may be waged ruthlessly to the bitter end, there are certain rules of combat which must be observed. The trader has not a free lance. Fight he may, but as a soldier, not a guerrilla.”

Judge Navsa made the point that there is no closed list of actions constituting unlawful competition, but there are some obvious prohibitions.

He listed the examples of:

- trading in contravention of a law
- fraudulent misrepresentation
- publication of injurious falsehoods
- physical assaults and intimidation
- passing off of a rival trader's goods
- unfair use of a competitor's fruits and labour
- misuse of confidential information
- inducement of a breach of contract
- interference with character merchandising rights

The judge said that this case was primarily involved with the misuse of confidential information and trade secrets, incorporating the unfair use of a competitor's fruits and labour. In this context he referred to the decision of *Harchris Heat Treatment (Pty) Ltd v Iscor*, where the court described the confidential information in issue as "intellectual property", meaning that the owner has the "right to exploit it."

In order for information to qualify as a trade secret, the judge said that three requirements must be met. These are as follows: the information must be capable of application in trade or industry; the information must be secret or confidential; and the information must be of economic (business) value to the plaintiff.

Dealing with confidential information, the judge made the point that in the *Schultz* case (see earlier) – a case that dealt with a design for a hull of a boat, and where the defendant not only used the design but even went on to get a design registration ("adding

impudence to dishonesty", in the words of the court) – there was unlawful competition, despite the fact that there had not actually been any use of confidential information. In that case, the court relied on concepts of fairness and honesty and said this: "There can be no doubt that the community would condemn as unfair and unjust Schultz's conduct in using one of Butt's hulls (which were evolved over a long period, with considerable expenditure of time, money and labour)."

Applying the law to the facts, Judge Navsa made a number of findings. The process used by Pexmart was similar to the process developed by Mocke Construction, with the differences being immaterial. The protectable information involved in this case had been developed over decades through trial-and-error, both by the American who had licensed his IP, and through refinements made in South Africa. The evidence that the trade secrets had been developed over many years and through many hours of practical application was uncontroverted. The information quite clearly had economic value.

The judge was also critical of Pexmart. The fact that it had failed to call Henn as a witness counted against it. As did the fact that Pexmart had at one stage unsuccessfully sought a licence from Mocke Construction. The judge concluded that there had been unlawful competition.

Companies should not overlook unlawful competition, given that it potentially has a very broad application, but they should certainly not see it as a substitute for IP registrations, such as trade marks or patents. Registered rights not only

have a strong deterrent value, but they are also easier to enforce than common law rights.



**Waldo Steyn** is an executive in ENSAfrica's Intellectual Property (IP) department, where he heads up the commercial IP team. He has focused on IP law since 2001, when he started his career in South Africa. He has extensive experience in IP-related matters throughout Africa and the Middle East, having managed all aspects of the clearance, protection, enforcement and exploitation of IP rights throughout these regions. He has worked in South Africa, United Kingdom, Jersey (the Channel Islands) and the United Arab Emirates.





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## “Why don't you just ask her?”

By André Myburgh

Once upon a time in a city far away, an advocate noticed that a marvellous piece of graffiti depicting Lady Justice had sprung up against the wall of a derelict building in a vacant lot across the road from the local courthouse. The advocate, an avid photographer, took a photo of the graffiti through the barbed wire fence that surrounded the vacant lot and decided that he would present the photo to his fellow advocates as a symbol-laden portrait for the reception area in their chambers.

The advocate, knowing enough about copyright that he would need permission for this, contacted me to ask me what I thought. The graffiti artist, it turned out, is in fact quite well-known, with her own website and studio, even though her real name is not publicly known and she works under a pseudonym.

Taking a photograph of an artistic work that is subject to copyright is, of course, a reproduction or, at best, an adaptation, of that artistic work, either of which needs the permission of the copyright owner, even if that photograph includes the immediate surrounds and even if that photograph itself qualifies as an original work for copyright protection. (Sections 7(a) and (e) and 2(3), and the definitions of “artistic work” and “copy”, in the Copyright Act, 1978.)

My advocate friend, knowing this, wondered what he should do next. Seeing the artist had a website, a studio and somebody who would take calls for her, I suggested to my friend, “Why don't you just ask her?”

That evening, he went home, where his daughter had some friends around. After recounting the day's events to them, it turned out, coincidentally, that one of them knew the artist. The artist's acquaintance asked, "Why don't you just ask her?"

So the advocate returned to his chambers the next morning and put forward his proposal for a framed 2x1m photograph of *Lady Justice* behind the barbed wire fence of the vacant lot, to hang in their reception area, and added that in the costs would be included a sum of money for copyright clearance. Completely unexpectedly, this evoked incredulity to outrage amongst his colleagues.

"Can there be copyright in graffiti?", asked one. "No," said another, "she broke the law, she trespassed on public property and defaced a municipal building. And if we were to pay for this, we would be rewarding her for her illegal acts!" Another piped up, "I have just studied the handbook on copyright law, and there are exceptions about the inclusion in films of artistic works in public spaces, and therefore that must allow you to take this photo. You don't need the artist's permission and we don't need to pay her."

And so the arguments started and raged on for weeks.

Simply because an art work is graffiti is not relevant to the question whether it qualifies for copyright protection. All that is needed for copyright protection is that the work must be an "artistic work" as defined (the definition specifically includes paintings, drawings and engravings), the work must be original, and the artist must be a citizen or a resident of South Africa or the work must have first been published in South Africa.

Works made under a pseudonym could have a shorter copyright term than works attributed to named authors, but the artist who made *Lady Justice* is very much alive and the work is still in its copyright term. The fact that the work is in a public space or is visible from a public space means that some copyright exceptions will apply, but with *Lady Justice* having been photographed for its own sake, none of them do. (Sections 2(1), 3(1), 4(1) and (3) and 15(1) and (3) of the Copyright Act.)

One day, one of the advocates suggested that they resolve their differences and consult a colleague in other chambers who specialises in copyright law. So off they went to the colleague, and they told him about the graffiti work in the vacant lot, the photograph and the plan to hang it up in the reception area, and about their different views about the application of copyright law. The colleague took it all in, considered the Copyright Act and the precedents in case law and all the points of view, came to his conclusion, and said to the assembled advocates, "Why don't you just ask her?"

With that advice, my advocate friend was authorised to take the next step and contacted the artist's representative. After some exchanges, they agreed on permission and a reasonable one-off payment for the copyright clearance, and the 2x1m photograph of the graffiti *Lady Justice* behind the barbed wire fence of the vacant lot across the road from the court, now hangs in the reception room of the advocates' chambers.



*André Myburgh practices with attorneys Lenz Caemmerer and with trademark agents LC Markenpraxis GmbH in Basel, Switzerland, and is a South African attorney and a Fellow of the Institute. He is both a consultant on copyright law and policy internationally and a trademark practitioner.*





# From the Juta Law Reports

The following judgments were  
reported since Jan 2019

**Intellectual property** – Copyright – Ownership of copyright in applicants' computerised firearm permit system – Whether held by applicant under whose direction system was developed, or by respondent who authored it – Copyright Act 98 of 1978, ss 5(2) and 21(2). *The National Commissioner of the South African Police Services v Forensic Data Analysts (Pty) Ltd* case No 24570/2018 GP (Swanepoel AJ; 28 November 2018) 44 pages, serial No 2019 JDR 0167 (GP).

**Intellectual property** – Patent – Infringement – Damages – Application for leave to appeal against interlocutory order interdicting applicant from infringing respondent's patent and granting enquiry into damages – Ambit of damages enquiry. *Nu-World Industries (Pty) Ltd v Strix Ltd* case No 95/4779 GP (DS Fourie J; 31 October 2018) 6 pages, serial No 2019 JDR 0066 (GP).

**Intellectual property** – Trademark – Infringement – Whether respondent's shoe sole designs infringing applicant's registered trademarks in respect of certain shoe sole designs – Significant number of people likely to be confused as to whether impugned soles associated with marks – Applicant establishing infringement – Trade Marks Act 194 of 1993, s 34(1)(a). *Bata Brands Sarl v Novita Shoes CC* case No 3649/2010 KZP (Gorven J; 18 March 2019) 21 pages, serial No 2019 JDR 0534 (KZP).

**Trade and industry** – Passing off – Use of descriptive phrase in designating business – Evidence of trademark's distinctiveness must be approached with circumspection – Even if plaintiff establishing that prima facie descriptive phrase acquired some degree of secondary meaning, relatively minor differences sufficed to distinguish defendant's business when both use mark descriptive of services provided – Trademark holder must submit to risk of some confusion if another trader incorporated same phrase in its trading name, otherwise would be allowed unfair monopoly in those words. *Better Homes Expo (Pty) Ltd v Consep Home Ideas (Pty) Ltd* case No 48170/17 (PA Meyer J; February 7 2019) 13 pages, serial No 2019 JDR 0220 (GJ).

**Trade and industry** – Passing off – Use of parts of competitor's past get-up – If having necessary distinctiveness in relation to particular brand, could suffice to create necessary confusion – Of no consequence in such cases that use of such parts discontinued – Memory in marketplace of brand's past get-ups could, in some circumstances, create associations which endure and which might outlive changes in get-up and rebranding. *Beiersdorf AG v Koni Multinational Brands (Pty) Ltd* 2019 JDR 0221 (GJ) case No 85102/2017 (Fisher J; 12 February 2019) 12 pages, serial No 2019 JDR 0221 (GJ).