



IP BRIEFS

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FROM THE EDITOR

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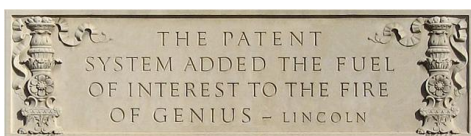
Events Calendar

We start off this year announcing our collaboration with Juta Publishers providing you henceforth with up to date IP case law summaries. We are very excited about this new venture.

Every April 26th is World Intellectual Property Day. A day to learn about the role that intellectual property rights (patents, trademarks, industrial designs, copyright) play in encouraging innovation and creativity. WIPO's theme for 2017 turns the focus to how the IP system supports innovation by attracting investment, rewarding creators, encouraging them to develop their ideas, and ensuring that their new knowledge is freely available so that tomorrow's innovators can build on today's new technology. This day is celebrated around the world. See <http://www.wipo.int/ip-outreach/en/ipday/index.html>

In the 2017 Budget Review, not all news was bad news. Some relief for SME's in that the National Treasury announced that IP exchange control would be relaxed. In the Budget Review, Government proposed that companies and individuals no longer need the Reserve Bank's approval for standard intellectual property transactions. It is also proposed that the "loop structure" restriction for all intellectual property transactions be lifted, provided they are at arms-length and at a fair market price. Loop structure restrictions prohibit residents from holding any South African asset indirectly through a non-resident entity. We will run an article on this in our next edition

Quote for today: Somewhere, something incredible is waiting to be known. - Sharon Begley



MESSAGE FROM THE PRESIDENT



Vicky Stilwell

Firstly, I would like to take this opportunity to wish members all the best for a happy and prosperous year. I am delighted to be able to serve as the president of the Institute for a second term.

As you are all aware, towards the end of last year the Institute was approached by Marumo Nkomo, director of the International Trade & Economic Development Division of the DTI, to provide comments on a new IP Consultative Framework, which, once finalised, will replace the previous draft IP Policy. Following the submission of substantive comments from the Institute and other stakeholders, the draft framework is currently being revised and the revised draft is, I understand, intended to be published during March /April 2017.

As a result of the discussions and interactions surrounding the new IP Framework, the Institute was able to establish an effective line of communication with the government representatives who are responsible for implementing the new IP policy. It was with the aim of continuity and maintaining the line of communication in mind that Council asked me to serve a second term as president.

I am hopeful that the consultative approach adopted by the drafters of the new IP framework will mean that the Institute and other players in the IP industry will be afforded the opportunity to contribute meaningfully to the development and implementation of an effective new IP policy.

The Institute and its members will undoubtedly be called upon to provide input on the new IP policy framework over the coming year and I would like to encourage members to participate in this process as much and as constructively as possible.

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At the 2016 AGM, honorary membership was on the agenda. The Institute Constitution allows for Council to confer honorary membership on any person who has contributed significantly to the Institute or to the field of intellectual property law. Council voted unanimously in favour of conferring honorary membership upon Dr Tim Burrell in recognition of his substantial contribution to the Institute and to the field of intellectual property law in general. I would like to call upon members to furnish nominations of any other persons who should be considered for honorary membership.

I am also pleased to report that the Institute has finalized an arrangement with Juta Publishers, whereby Juta has been authorised to publish and distribute the Institute newsletter in exchange for Juta providing summaries of Juta IP law reports for publication in the IP Briefs.

I believe that this will be great exposure for the Institute as it will mean that our newsletter will be far more widely disseminated. We will, periodically, send out requests to members to contribute articles and / or news flashes for inclusion in the newsletter and I encourage members to support this exciting new development.

A NEW BREED OF MANAGER

In recent years, the economic environment has changed, from an industrial economy to a knowledge-based economy, which elevated the prominence of intellectual property (IP) as a focus for organisations. Sufficient IP management has become increasingly important in a knowledge-based economy, as it has become the driver of productivity and economic prosperity. New approaches of generating, managing and protecting the IP of an organisation must be developed. The new knowledge-based economy transformed IP management into a multi-disciplinary approach and gave rise to a new breed of manager.

The modern IP manager is a combination of engineer/scientist, legal professional, business administrator, financial economist and designer. Such a person should have an interdisciplinary understanding of all facets of research, product development, global markets, global business strategies, getting new technologies or products to the market as well as being competent in obtaining and enforcing IP rights around the world. These varied experiences, combined with some business know-how, are key ingredients of an IP manager.

The IP manager should possess the skills and tools to value IP as business assets, value propositions and objects for business transactions and objects in a financial system. The IP manager should understand the business models of an organisation to develop successful IP strategies and evaluate the importance of IP to the organisation and should work closely with executive management to ensure that the IP strategy is in line with the overall business plan of the organisation.

The modern IP manager must be able to:

- manage the IP portfolio of the organisation;
- conduct regular IP audits to ensure that all IP is sufficiently protected;
- manage the idea bank and review ideas to determine whether they are worth developing further;
- identify valuable inventions which are critical to secure protection for;
- gather financial information to evaluate whether to spend money on R & D and protection of IP;
- manage the financial implications of securing protection for inventions and other IP, such as the prosecution costs associated with filing applications in the desired regions and costs associated with maintaining the registrations;
- make substantive competitive assessments and anticipate opportunities and threats presented by IP competitors;
- conduct marketing and market assessments to identify relevant markets for the organisation's products and services;
- identify wealth creation opportunities;
- understand the external environment in which the organisation operates to align the organisation's resources, capabilities, structures and processes to it;
- identify revenue generating opportunities by identifying potential users of the IP in the market and prepare the invention in such a way that it could be licensed or sold to interested third parties; and
- understand the relation between the different strategies, business models and IP to effectively manage them and increase value creation and appropriation opportunities.

It is, therefore, clear that the way IP management should be approached has considerably changed in the new knowledge-based economy. It is a business aspect that should be viewed as integral to an organisation's business strategy and generator of commercial wealth. It is the role of the new IP manager to create and implement IP strategies that are aligned with an organisation's business strategy – a role that was seldom considered in the industrial paradigm.



Gerda Bouwer

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Copyright: Has ‘fair use’ become unauthorised use that is fair in the eye of the beholder?

"If I have seen further, it is by standing on the shoulders of giants." Isaac Newton, 1676

Andre Myburgh

Amendments to be proposed to the Copyright Act, 1979, will very likely introduce significant new fair dealing exceptions to the exclusive rights of copyright, as well as a new test for adjudicating permitted unauthorised uses based on the ‘fair use’ test under United States law, if not ‘fair use’ itself as a defence to copyright infringement.

‘Fair use’ is a defence to copyright infringement developed by the courts in the United States over a period of two hundred years, codified in its copyright statute for the first time in the Copyright Act of 1976, with the famous four-factor test in Section 107, which enjoins a Court to consider: (1) the purpose and character of the use, whether of a commercial nature or for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

Some American commentators have questioned whether Section 107 was more than a mere codification of prior law, and not in fact the making of new law, noting that much of the debate in Congress had centred around the unauthorised making of photocopies of copyright works by consumers, like libraries and educational institutions. Before 1975, consumer uses were generally not considered as qualifying for ‘fair use’, at least not for print works, like books.

‘Fair use’ was usually applied to qualifying cases of creators of original works who had incorporated the works of others, seen, like Newton’s standing on the shoulders of giants, as an integral part of the creative process. The impact of Section 107 in 1976 was to add new consumptive uses, which do not contribute to the creative process at all.

This extended application of the ‘fair use’ defence led to a slew of litigation in the United States. A study carried out for the period from January 1978 (when the Copyright Act of 1976 came into force) and the end of 2010, found that there had been 223 reported cases where the ‘fair use’ defence had been decided upon, compared to 21 in the United Kingdom on its fair dealing exceptions over the same period. It is no wonder that Harvard University professor Lawrence Lessig ruefully commented that “fair use in America simply means the right to hire a lawyer.”

It bears noting that there were no reported cases in South Africa on its fair dealing exceptions until *Moneyweb (Pty) Limited v Media 24 Limited* in 2016.



Case law on ‘fair use’ in the United States took an unexpected turn in 2012 with the decision by the Southern District Court of New York in the *HathiTrust* case (*The Authors Guild, Inc et al v. HathiTrust el al*), followed by a decision of the same court in late 2013 in the *Google Books* case (*Authors Guild v. Google, Inc.*).

These decisions were confirmed on appeal by the Second Circuit Court of Appeals, the *HathiTrust* case in 2014 and the *Google Books* case with an opinion by Judge Pierre Leval handed down in 2015.

Both cases had their origin in the Google Books Project, in which Google scanned the entire book collections of participating libraries, making two digital copies of each copyright work, of which Google kept one and gave the other to the participating library free of charge. The enormous scope of the project prompted the wry question whether it was “too big to infringe.”

These cases marked a turning point in that, for the first time, they allowed the reproduction of an entire book, without the permission of the copyright owner, as potentially compliant with the third factor and thereby qualifying for ‘fair use’.

Copyright: Has 'fair use' become unauthorised use that is fair in the eye of the beholder?
(continues)

The Courts' findings discounted the fact that reproductions had been made of the entire collections of the participating libraries, and concluded that the uses to which these reproductions were put, namely digital access for the visually impaired in the *Hathi Trust* case and the making snippets from books available to the public online in the *Google Books* case, amounted to 'fair use'. By applying a 'social good' purpose in considering the first factor of the test, some critics argue that outcomes of fair use cases have become unpredictable, with Courts seemingly coming to conclusions based on "I'll know fair use when I see it."

In the digital environment, some commentators consider that only a defence of 'fair use' or some other flexible norm exception to copyright will facilitate online access to published works. Others consider such an application of copyright exceptions as simply a transfer of economic control over creative works to giant technology companies without remuneration.

US copyright law has built-in mechanisms to protect copyright owners against infringers gratuitously relying on 'fair use', notably the evaluation of the use and not considering the identity of the user, and the strong and often-used statutory damages provision. For this reason alone, someone who would like to reproduce a copyright work without authorisation must

consider very carefully if he can substantiate that his or her use is in fact 'fair use'.

At the time of writing, it is not known whether such balancing mechanisms are contemplated for the amendments to South Africa's Copyright Act. The draft Copyright Amendment Bill published in July 2015 for public comment proposed to introduce a 'fair use' defence, but with a five-factor test, together with new fair dealing exceptions, not only without such balancing mechanisms, but also with a ban on contractual provisions that have the effect of restricting uses that would otherwise be allowed by the amended Act.

In cautioning other countries against adopting the US homegrown 'fair use' defence, noted copyright lawyer Jon Baumgarten, at a presentation at the International Publishers Association Congress in 2016, warned that the emerging US fair use law is becoming "a legal regime that permits regular, concerted, systematic, commercially purposed, 100% complete, and compensated copying without permission, day in day out, of millions of copyrighted books."

The Charles Clark Memorial Lecture at the London Book Fair in March 2017 saw Judge Pierre Leval and Jon Baumgarten pitted against each other in a debate on fair use, addressing the compromise between exclusive rights and "fair

uses" in the digital age. Their conclusion on the question posed in the title? "No", unanimously.



About the author: André is Foreign Counsel at Lenz Caemmerer in Basel, Switzerland, specialising in copyright advice internationally, and is also a director of LC Marken, a cross-border Swiss and German trade mark practice. He has been a Fellow of SAIPL since 1997.



Christine is a partner at Von Seidels and heads up the firm’s trademark practice. Her field of expertise includes complex trade mark searches, the prosecution and enforcement of local and foreign trade marks and copyright matters. Christine increasingly advises clients in the social media, mobile and online financial services sectors. **Philippa** is a candidate attorney in the trademark department at Von Seidels, a full-service IP law firm based in Cape Town. **Philippa** has an LLM in Intellectual Property and is involved in IP matters including trademark searches, filing and prosecution, and copyright



CHRISTINE STRUTT

HASHTAG™ OR # TRADE MARK PHILIPPA DEWEY

Can the use of a trade mark as a hashtag constitute trade mark use?

This was one of the questions that arose in the recent case of *Eksouzian v Albanese* in which the California Central District Court held that hashtags are “merely descriptive devices, not trademarks”.

By way of background...

A hashtag is a string of characters that begins with the “#” (hash or pound) symbol. Its primary function is to filter and link related content. Hashtags were first introduced by Twitter in 2007 after Chris Messina, an Open Source Advocate at Google, sent out the following tweet:



Eight years later, we now know social media users reacted positively to his suggestion and the hashtag is ubiquitous across all social media platforms.

Messina wanted a “better eavesdropping experience” on Twitter and believed hashtags would achieve this. They allow us to hone in to what others are saying about a topic or event that interests us, and go even further by allowing us to contribute to the conversation as it evolves.

Hashtags have been used effectively by journalists and lay-persons alike allowing real-time reports on current events. When Cape Town was ravaged by wildfires in March 2015, hashtags flared up as Twitter users Tweeted information about their immediate surrounds and requested information from others using #capefire and a host of localised hashtags including #clovellyfire, #kalkbayfire and #muizenbergfire.

Hashtags hold incredible value for brand owners who, if they can leverage them successfully, can create a worldwide buzz around their brand. Audi’s #WantAnR8 campaign, once dubbed the most successful in Twitter history, began with a Twitter user sharing a Tweet using the hashtag along with a message about why he wanted an Audi R8. Audi responded

offering users a chance to drive an R8 for a day simply by Tweeting the hashtag.

As the use of hashtags become more common, brand owners and trade mark attorneys are faced with intriguing questions. Can a hashtag be registered as a trade mark? And can the use of a registered trade mark as a hashtag constitute trade mark use or infringement?

In the *Eksouzian v Albanese* case...

The parties had previously been in business together making and selling an e-cigarette/vaporiser, which was sold under a name incorporating the word “CLOUD”. They decided to dissolve their partnership and continue this line of business individually, and in competition with one another. The plaintiff began selling its e-cigarette under the mark CLOUDV, and the defendant used the mark CLOUD PEN.

In terms of their dissolution agreement, each party agreed to restrict their use of the word “CLOUD” about their products. The defendant agreed only to use the word “CLOUD” as part of a unitary mark, and the plaintiff agreed not to use a unitary mark which incorporated the word “CLOUD” alongside a list of terms including “pen” and “penz”.

According to the United States Patent and Trade Mark Office’s (‘USPTO’) Trademark Manual of Examining Procedure (TMEP), a “unitary mark” refers to a mark with elements that are merged together into a

single concept that transcends the meaning of each individual component, while a “composite mark” is a mark made up of separable elements. By example, BLACK MAGIC would be considered a unitary mark, while PROSHOT is merely a composite of two phrases.

The defendant accused the plaintiff of contravening this agreement by, *inter alia*, using the hashtags #cloudpen and #cloudpenz in its promotional advertisements. The District Court had to decide if (a) these hashtags constituted trade marks, and (b) if they were unitary marks.

The Court quickly dismissed the claim on the basis that hashtags are “merely descriptive devices, not trademarks, whether unitary or otherwise”.

Despite this ruling, the USPTO has registered many hashtags as trade marks, indicating that they are in some cases capable of serving a trade mark’s function of distinguishing the goods and services of one entity from those of a competitor. The TMEP states that a “#” symbol does not render a mark distinctive, but clearly it does not consider all marks containing a “#” symbol to be descriptive either.

What the judge seems to be pointing to is that the *use* of a trade mark as a hashtag is descriptive use. To establish *trade mark use*, the hashtag must be used to distinguish the goods or services identified by the mark from similar goods or services

offered by another. It is certainly true that hashtags are not always used to indicate origin, but that does not mean it is impossible for them to do so.

Would South African courts have come to the same conclusion?

In South Africa, to be registerable, a trade mark must be capable of distinguishing the goods or services offered under the mark from the same or similar goods or services offered by others. At the time of writing, there were 7 registered hashtag trade marks on the South African Trade Marks register, and 54 hashtag marks in various stages of pre-registration, with 32 of these having been applied for in 2015. Hashtag marks are clearly on the rise and our courts must decide how to classify them soon enough. The fact that hashtag marks have already been registered does however indicate that the South African Trade Marks Office considers them to be capable of distinguishing one going concern from another. Having said that, simply being registrable does not mean that whenever the mark is used, it is used *as a trade mark*. “Trade mark use” is determined by how consumers perceive the mark.

In *Verimark (Pty) Ltd v BMW AG* [2007] SCA 53 (RSA), BMW, had alleged that Verimark infringed its rights to its logo mark when it included an image of the bonnet of a BMW, showing its logo, in an advertisement for Verimark’s Diamond Guard car polish. The Supreme Court of

Appeal found that this was not trade mark use, because consumers would not conclude that there was a material link in trade between Diamond Guard car polish and BMW.

The Supreme Court of Appeal said that “[w]hat is, accordingly, required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise there is not. The use of a mark for purely descriptive purposes will not create that impression but it is also clear that this is not necessarily the definitive test.”

The SCA repeated this sentiment in *Adidas AG and Another v Pepkor Retail Ltd* [2013] ZASCA 3 and stated that determining whether the use of a trade mark in a particular scenario will constitute trade mark use is a “factual issue, which must be determined, objectively, by how the marks would be perceived by the consumer.”

If *Eksouzian v Albanese* was heard in South Africa, it is likely that the court would have asked whether the use of #cloudpen and #cloudpenz on the plaintiff’s advertisement for its e-cigarette would have been perceived by consumers to indicate a material link in trade between the advertised e-cigarette and the defendant, as proprietor of the CLOUPENZ and CLOUDPEN trade marks. This

question is considered on a case by case basis, but it seems plausible that a South African court might have ruled that such a material link could be perceived through the use of each mark as a hashtag.

Part of this assessment regards the descriptive nature of the mark in question. If the mark is commonly used to refer to the relevant items, a material link is less likely to be perceived. On the contrary, if a mark is well known, consumers are more likely to make such a connection.

There are two scenarios in which one can use a third party's trade mark in the United States. These situations are labelled "descriptive fair use" and "nominative fair use". Trade marks that have a descriptive meaning in addition to their secondary 'trade mark' meaning can be used by third parties to describe their products and services. Nominative fair use allows third parties to use another entity's trade mark to refer to that entity's actual goods or services, typically in comparative advertising. In this instance, both parties claimed that their use of their competitors' trademarks as hashtags was nominative fair use, and was done to draw attention to their advertisements.

This may have been their intention, but the pivotal point in South African law remains whether the consumer would perceive the use as indicating a material link between the goods advertised and the proprietor of the mark.

A related issue which South African courts have recently considered is that of AdWords. AdWords are keywords driving search traffic which Google offers for sale to the highest bidder. Each time a keyword is searched on Google, the successful bidder's advert appears at the top of the search results page even though the AdWord is not necessarily visible in the advert itself. In *Cochrane Steel Products (Pty) Ltd v M-Systems Group (Pty) Ltd*, the High Court did not consider M-Systems' bid for the CLEARVU AdWord to be passing off, even though its competitor, Cochrane Steel, complained that it had common law rights to the mark. The court held that there is nothing inherently unlawful about using a competitor's trade mark in a manner that is not visible to the consumer and therefore unlikely to cause deception or confusion.

Hashtags, on the other hand, are seen by social media users. Therefore, the assessment of consumer perception involved in the use of AdWords and the use of hashtags will differ. At its core, trade mark law aims to protect consumers from being deceived or confused into purchasing goods or services from one entity, thinking they emanate from another. South African law has established a strong yet flexible jurisprudence governing trade mark use and how it is perceived through the eyes of the consumer. When hashtag disputes reach South African courts, they should be well placed to apply established principles. Brand owners can avoid #legalheadaches by doing the same.

NO TRADE MARK PROTECTION FOR RUBIK'S CUBE PUZZLE

PROFESSOR CHARLES GIelen

Court of Justice of the European Union; November 10, 2016, Case 30/15, *Simba/EUIPO*.

In this case the CJEU could further clarify how to apply the rule of European trade mark law providing that trade marks that consist exclusively of a shape or other characteristic of a product that is necessary to obtain a technical result cannot be protected. The decision is interesting for South African trade mark law, since section 10(5) of the Trade Marks Act contains an almost identical rule.

Simba, a toy manufacturing company, requested the European Intellectual Property Office (EUIPO) to invalidate a registration of the following trade mark registered for

three-dimensional puzzles in the name of Seven Toys, on the basis that the mark consists exclusively of a shape necessary to obtain a technical result.

One recognizes the contours of the famous Rubik's Cube puzzle.

EUIPO rejected the claim and so did the Board of Appeal. A further appeal was lodged with the General Court, but that appeal was rejected as well. However, the appeal to the CJEU was successful. The CJEU repeated prior case law saying that for the functionality exception to apply one first has to assess what the essential characteristics of the mark are. Everybody agreed that the essential characteristics at issue are a cube and a grid



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structure on each surface of the cube. Simba argued that the black lines and, more generally, the grid structure on each surface of the cube perform a technical function.

The General Court said that this argument was essentially based on

knowledge of the rotating capability of the vertical and horizontal lattices of the 'Rubik's Cube' and that that capability cannot result from the characteristics of the shape presented but, at most, from an invisible mechanism internal to that cube. The General Court held that the Board of Appeal was right not to include that invisible element in its analysis of the functionality of the essential characteristics of the contested mark. In that context, the General Court took the view that inferring the existence of an internal rotating mechanism from the graphic representations of that mark would not have been consistent with the requirement that any inference must be drawn as objectively as possible from the shape in question, as represented graphically, and with sufficient certainty.

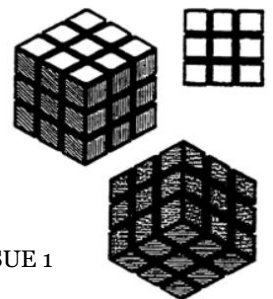
This reasoning was rejected by the CJEU. After having reminded us of the rationale behind the functionality exception,

being that it seeks to prevent trade mark law from granting an undertaking a monopoly on technical solutions or functional characteristics of a product, the CJEU said that the essential characteristics of a shape must be assessed in the light of the technical function of the actual goods concerned. Thus, and since it is not disputed that the sign at issue consists of the shape of actual goods and not of an abstract shape, the General Court should have defined the technical function of the actual goods at issue, namely a three-dimensional puzzle, and it should have taken this into account when assessing the functionality of the essential characteristics of that sign. The CJEU added that while it was necessary for the purpose of that analysis to proceed on the basis of the shape at issue, as represented graphically, that analysis could not be made without taking into consideration, where appropriate, the additional

elements relating to the function of the actual goods at issue.

The lesson to be drawn from this decision (as well as from earlier decisions of the CJEU) is that whatever the representation of a product and/or the description in the registration is, the possible functionality of the essential characteristics needs to be assessed also on the basis of a detailed examination that takes into account material relevant to identifying appropriately the essential characteristics of a sign.

It seems though that taking into account factors other than those that follow from the registration itself is at odds with the legal certainty of the register. However, the rationale of the functionality doctrine (avoiding monopolizing technical solutions by trade marks) dictates that efforts are being made to avoid circumvention of the rationale by claiming such solutions in shrewd registrations





Mercia Fynn

Mercia is a director in the Commercial Department of KISCH IP, and her areas of expertise include Commercial Law, Litigation, Corporate Governance and Compliance, Drafting of Commercial Agreements and Consumer Law



Understanding the Risks Involved in Funding Litigation

Most directors and shareholders of companies are aware that they may be held liable in their personal capacities for actions which contravene the Companies Act. There is, however, little awareness of the common-law principle that allows a person to be held liable even where there was no wrongdoing on his part, by being a funder of litigation.

Our law allows for a person who funds a litigation to be joined as a co-party to the litigation that it funded.

Our courts would join the funder of the litigation to the proceedings to hold him liable for any costs order that may be awarded in such litigation. This does not only apply in the case of companies and their directors and shareholders, but also to any third-party funders of litigation.

Directors and shareholders are particularly susceptible to joinder on this basis, however, as they are oftentimes called upon to put forward money for litigation, for instance in the case where the company does not have sufficient funds to fund the litigation itself. In such cases those directors or shareholders may end up having judgement awarded against them personally.

To be held liable for costs, the non-party (director or shareholder) must substantially control the litigation or benefit from it.

It is under the following circumstances that courts find the control and benefit of the funder sufficient to warrant the funder being joined as a party to the proceedings: where the funder funds the litigation for his own interests; where the funder is gaining access to justice for his own purpose; or where the funder does so for

his own financial benefit, either to gain the fruits of the litigation or to preserve assets in which the person has an interest.

There will be no joinder in the instance of a pure funder of litigation i.e. a funder who has no personal interest in the litigation, who does not stand to benefit from it, who is not funding the litigation as a matter of business, and in no way, seeks to control its course.

It is rarely the case, however, that directors and shareholders will not ultimately stand to benefit from litigation by their companies if such litigation is successful, therefore it is important for these parties to be aware of their potential exposure in this regard. Directors and shareholders should therefore ensure that they have sufficient cover (whether by way of insurance, etc.) to provide for any potential liability that they may incur, to avoid exposing their personal assets to attachment to satisfy a judgement.



“A case of tension between copyright and real property rights”

Wim Alberts

Any harm done to a rhino will certainly be frowned upon by the South African legal system. A variation on the theme could be the following situation. AB, an eccentric millionaire, concludes an agreement with ED, an artist, for the creation of a sculpture of a rhino. ED duly completes the sculpture, delivers it to AB, and receives payment. AB however decides that he would prefer a sculpture of a warthog instead. He makes it known that he will have the rhino sculpture chopped up into small pieces. ED adopts the position that AB is not entitled to do so, as destruction of the rhino will infringe or in fact destroy his intellectual property rights.

Section 20 of the Copyright Act 98 of 1978 provides that despite the transfer of copyright, the author has the right to object to any mutilation or other modification where such actions are or would be prejudicial to the honour or reputation of the author. In the scenario sketched, there is clearly a mutilation on the horizon. However, it seems that this may not necessarily involve prejudice to ED’s honour or reputation.

A more fundamental problem is the fact that the author (sculptor) is, in terms of the Act, the first owner of the copyright subsisting in the work (section 21(1)(a)). The Act contains several exceptions to this rule (sections 21(1)(b)-(d)). These exceptions include situations where an artistic work is created in the course of the author’s employment, or where the author is

commissioned to do a painting or make a gravure. As none of these exceptions apply to the scenario in question, the position seems to be that ED is the author of the work, as he created it (section 1(1)), and a sculpture is, as is to be expected, listed as an artistic work. ED is thus the first owner of the copyright in the rhino sculpture, being an artistic work.

The question that now arises is what the legal position of AB is. The Act states specifically that ownership of copyright in a work can only be transferred by way of a written agreement (section 22(3)). This did not occur. The result is that ED remains the owner of the copyright in the sculpture. AB is, following payment and delivery, the owner of the property, the physical object., but not the copyright. In such circumstances, one is confronted with a “clash” of rights. AB has ownership of the object, and this would normally entitle him to destroy the object. However, by doing so he would extinguish the copyright of ED that subsists in the sculpture, and possibly infringe ED’s moral rights.

The question is, consequently, how this dilemma can be resolved.

It is instructive to have regard to the provisions of the Copyright Act that deal with infringement. The Act sets out the remedies available to a copyright owner in infringement proceedings. One such remedy is delivery up of the infringing goods (section 24(1)). This inevitably implies that someone who owns infringing copies of a copyrighted work is divested of his right of

ownership in the goods. Put differently, in this instance the intellectual property right triumphs over the property right. A related approach, albeit with a slight variation, is found in the Trade Marks Act 194 of 1993. This Act provides that an order can be granted for the removal of the infringing mark from all material, and where the infringing mark is inseparable, or incapable of removal, from the material concerned, such material shall be delivered up (section 34(3)(b)). One thus finds the situation that the property right over the article concerned is protected in principle, and the trade mark owner is only entitled to the removal of the infringing mark. An example of where the offending mark can easily be removed, is a tag on a shoe. The owner of the shoe then retains ownership of the shoe. However, if the worse comes to worst, the property right is in effect sacrificed, and the owner loses his real right over the shoe.

The Counterfeit Goods Act 37 van 1997 deals quite firmly with counterfeit goods. It is a regular occurrence that, for example, thousands of counterfeit DVD's are confiscated. Ownership of such counterfeit DVD's is, clearly, lost. Does the possibility of merely removing the offending part arise, for instance where a t-shirt with an easily removable label is concerned? It seems not, when regard is had to section 10(2)(a). This provision states that counterfeit goods may not be released (subject to an order by the court) in trade channels upon the mere removal of the subject of the intellectual property right that was unlawfully applied to the goods (section 10(2)(a)). Here the intention of the legislature is clear, namely that the goods must be taken off the market altogether, perhaps as an additional punishment for the person dealing in the goods. Here one accordingly finds an instance where the intellectual property right clearly overrides any proprietary right relating to the goods.

Returning then to the issue at hand, it would seem from the above discussion that it is not unusual for an intellectual property right to trump a property right. All these instances of

course relate to situations where the intellectual property right is being impinged upon. Infringement is determined having regard to the exclusive rights given to the intellectual property owner. This is typically that a copy of the work may not be made (in the case of a work of copyright), or, in the case of a trade mark, that an identical or confusingly similar mark may not be used. However, it is a precondition that the action concerned must amount, first, to the infringement of the particular intellectual property right. In other words, conduct outside these parameters would not amount to infringement.

What AB proposes to do indeed falls outside the infringement provisions. The whole basis for protecting the copyright thus falls away. It also does not seem to impinge on the moral rights of ED, as it would probably be difficult for ED to successfully argue that his reputation or honour would be adversely affected by the destruction of the rhino sculpture. In short, the destruction of the rhino would not be prohibited by the Copyright Act. Also, in principle, despite AB's actions, ED's copyright would remain in existence, as it is only the physical embodiment of the copyright that is no more. That is why the field is called intellectual property, it does not deal with the physical object involved. ED would be free to make another one. So, the rhino will not become extinct, and the tale has a happy ending

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Copyright — Original works — What constitutes — Sufficient application of mind required — Infringement — Exceptions from copyright — News of the day consisting of mere items of press information — What constitutes — Not extending to original literary work — Exceptions from copyright — Fair dealing with literary work for purpose of reporting current events, provided that source 'mentioned' — Fair dealing value judgment based on objective test — When reporting current events online, citing original source with hyperlink equating to mentioning such source — Copying substantial part of copyright work — Determining substantiality — Value judgment whether original substantially reproduced, focusing on quality rather than quantity of reproduction — Copyright Act 98 of 1978, s 2(1), s 12(1)(c)(i), s 12(8)(a). *Moneyweb (Pty) Ltd v Media 24 Ltd* Case No: 31575/2013 5-5-2016 GJ Berger AJ 65 pages Serial No: 0807/2016

Copyright — Infringement — Dictionary — Proof of copying — Correspondence of example sentences in bilingual dictionary directed at learners aged ten to sixteen — Similarity raising suspicion of copying — Evidence by compilers of methods used to compile example sentences — Lack of access and reference to appellant's dictionary — Explanation for similarity that such inevitable in a work of this type — Disputes of fact not resolved by trial — Onus of proving copying not discharged on the basis of similarity alone — All evidence had to be examined, not only that which pointed in direction of copying. *Media 24 Books (Pty) Ltd v Oxford University Press Southern Africa (Pty) Ltd* Case No: 886/2015 16-09-2016 SCA Navsa JA, Theron JA, Wallis JA, Petse JA and Willis JA 35 pages Serial No: 1706/2016

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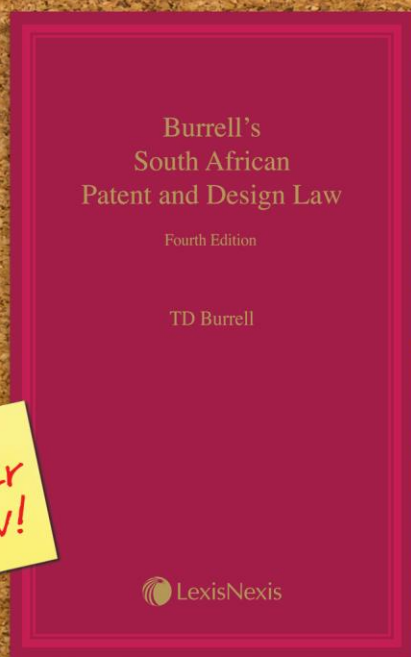
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