IP BRIEFS

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IN THIS ISSUE

FROM THE EDITOR

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The Duke and Duchess of Sussex rocked the British royal boat when they announced they were stepping down as "senior" royals; Kamala Harris became the first female US vice president, the Twitter accounts of prominent business and political figures — including Bill Gates and Elon Musk were taken over in a bitcoin scam; a massive explosion at a Beirut port, sparked by the accidental detonation of 2,750 tons of ammonium nitrate, killed at least 190 people and injured thousands of others; bushfires raging across Australia, burning 18.6M hectares and killing 1 billion animals; rock legend Eddie Van Halen, 65, died following a decades-long battle with cancer; NBA legend Kobe Bryant, his 13-year-old daughter Gianna, and seven other passengers were killed in a helicopter crash in Calabasas, California; COVID-19, has prompted schools to shut down turning professionals into homeschool teachers, employees to work remotely, and people to remain inside their homes in an attempt to contain the spread of the disease; Brexit finally happened; Facebook was accused of breaking antitrust laws by buying out too much of the competition; these are just some of the events that marked 2020 and it has been a disastrous year for most of us.

But let us remember it is equally important that there were also amazing things in 2020. We were introduced to the first AI inventor-applicant DABUS; a blind patient in the United States underwent a procedure using the gene-editing tool CRISPR to restore the patient's vision. It was the first time the technology was used inside a human; Alphabet, the parent company of Google, launched 35 balloons in Kenya to provide a 4G LTE network across most of the central and western parts of the country, these high-altitude, solar-powered balloons were used to deliver internet service to Kenya, a first for Africa; Covid also inspired the development of many life changing medical devices. To end with Johann Rupert: *"When I tell my colleagues that I remember 1969, 1974 and 1987, their eyes glaze over, but I'm afraid I do remember them, and I therefore err on the side of caution"*

Let's hope that 2021 will bring us a mask-free future with laughter together with friends and families in crowed, safe and healthy environment! Take care!

2020 – A GAME CHANGER

It is hard to believe that the year is already coming to an end and the festive season is fully upon us. Our treasures, Erik, said it best in his report: *"Physically I'm three weeks away from Christmas. Emotionally I'm still dealing with April."*

2020 has definitely been a year to remember and a year of firsts. It has not only made us more cautious of our surroundings but also made us rethink our life choices. Interactions and experiences on all fronts, both personal and professional now have a different dynamic. The future outlook is being thought of from a fresh and open perspective, with the underlying theme of "RESTART AND GROW".

Speaking of firsts, the SAIIPL AGM was held virtually on the 2nd December 2020, with 68 members in attendance, which provided the opportunity for members to get together for the first time this year, since the ADR Training workshop which took place on the 13th February 2020. The Council and Committee activities were highlighted during the AGM as contained in the President and Treasurer's Report circulated to all members.

Although 2020 has been a tough year to say the least - having to deal with some thorny issues and with some difficult but necessary conversations being had with CIPC in the beginning of the year - looking back, I am pleased to say that the year has definitely been a positive and successful year for the Institute, with many significant achievements.

We have seen a big leap in growth of our membership for 2021, which is encouraging as a key objective is to grow the footprint and representation of the Institute in order to maintain its position as the only professional body in South Africa representative of the IP Profession.

The responsibility of the Institute to the members, is ensuring that the members derive the benefit and value from their membership, through the activities of the Institute driven by Council and the Committees. Education is a key objective with the SAIIPL Examinations, and this year saw the majority of the lectures and the exams being held online for the first time in the history of the Institute. Liaisons with CIPC is another key objective of the Institute, in ensuring consistent and up to date communication of the status and developments which directly impacts IP practice, as well as support of the IP departments in improvement measures. The Institute, through the Patent & Design Committee has maintained its excellent rapport with the CIPC and the healthy relationship goes a long way in assisting the Institute with interactions with CIPC. In addition, the efforts to continuously keep members up to date on the status and position of CIPC, by the regular written communications and notices provided by CIPC is greatly appreciated and beneficial to all members. Another exciting highlight is the expansion of the Institute's International footprint with SAIIPL being invited to participate in the EPO (European Patent Office) Standing Advisory Committee 's Working Party on Quality for the 2021-2023 term.

Although the virtual meeting platform provides a workable basis to meet the Institute objectives, the greatest loss this year has been the inability for members to meet and gather in person, providing an opportunity to build relationships and connectivity. Member relationships are important, and the Institute provides an excellent vehicle to build and extend relations to members in other firm's or areas of practice, who all share common objectives and goals. Hopefully 2021 will provide the much needed opportunities to reinstate the social activities and member interactions once again.

Looking forward to 2021, I would also like to take the opportunity in congratulating Shanaaz Mohamed on her appointment as the Institute President. Exciting times lay ahead, and I look forward to supporting Shanaaz and council members in 2021!

On behalf of Council, I wish you all a relaxing, happy (and safe) festive season and a bright and successful 2021. Have a great and well-deserved break and enjoy the summer holidays and the time spent with loved ones.

Vanessa Ferguson
President - SAIIPL

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION - ANOTHER LEADING LADY

MAVIS NYATLO

We welcome Dr. Mavis Nyatlo (PhD) to the Companies and Intellectual Property Commission (CIPC) as Senior Manager Patents & Designs.

Mavis started her journey in intellectual property whilst working as a Senior Biomedical Technologist in Immunology completing her Honors in Management of Technology and Innovation at the University of Pretoria. After completion of a Master's degree in the Management of Technology and Innovation she joined the Department of Trade and Industry as an Assistant Director Innovation and Technology. She completed her PhD and had her thesis published as a book entitled "A Framework for effective TTOs" and co-authored by Roy Marcus, Phillip Parsons. Thereafter she joined the Department of Science and Technology as Deputy Director in Technical Skills in 2008.

She was part of the team responsible for the implementation of the Intellectual Property Rights from Publicly Funded Research and Development Act, and the development of the Regulations to the Act, she was also part of the team that established the National Intellectual Property Management Office. She served as the Director of Advisory and Support within NIPMO for 6 years and worked with universities within SA for the establishment and support of their Technology Transfer Offices.

Mavis joined the University of South Africa in 2017 as Senior Researcher in Mercantile Law within the South African Research Chair Initiative, for Law, Society and Technology. In addition to supervising Masters and Doctoral students, she was responsible for the development and implementation of Post Graduate Diploma in IP Management; the Short Learning Programme for IP management as well as a Masters' Module for IP Management.

She has tutored more than 10 World Intellectual Property Organisation (WIPO) Distance Learning DL450 Advanced Intellectual Property Management Courses and have completed a few of the WIPO courses herself such as the DL101 Introduction to IP, DL101 PCT; DL 301 Patents, DL302 Trademarks, Industrial Designs and Geographical Indications and DL318 Patent Search Strategies.

Most recently, Mavis joined the CIPC. In her current role she oversees the implementation of the Substantive Search and Examination (SSE) and the revisions to the Patents Act, a huge and exciting step for South Africa as well as managing the Designs Unit.

In preparing for the implementation of SSE, the CIPC acknowledges that hiring patent examiners and training them to acquire the requisite expertise, is not the only goal. It is necessary to provide examiners with the required tools and constantly train them to upgrade their skills. From the broader policy perspective, Mavis says that the CIPC envisages that the SSE will support the broader policy goal of maximizing the social gains from the patent system against the social costs for maintaining the patent system. Currently the validity of granted patents is tested by South African Courts which is lengthy and expensive. The judiciary will still have a role to play in terms of the ultimate competence to decide on the validity of patents, if patents are challenged however, the CIPC envisages that SSE will have the ability to increase the quality of granted patents.

Mavis realises that to operate effectively and sustainably, the CIPC should be innovative in finding the best option available within their resources and developmental circumstances, therefore the phased approach to implement SSE to limited fields of technology and which will evolve with time.

The CIPC is in good hands and we are looking forward to her leadership.

Dr. Mavis Nyatlo

Mavis holds various degrees and qualifications. A PhD from the Da Vinci Institute for Technology Management, an LLB from UNISA, an MSc in Technology Management from the University of Pretoria, a BSc (Hons) Technology Management from the University of Pretoria and a BTech Biomedical Technology from the by Pretoria Technikon as well as a National Diploma in Biomedical Technology from Technikon Northern Transvaal.

IMPORTANT RECENT DEVELOPMENTS REGARDING GI's IN SOUTH AFRICA

GI's ultimately come of age – registration of will soon be possible!

ELEXIR OF TEAS - PART 2

Andre van der Merwe
Is a retired patent and trade mark attorney with 45 years' experience as practitioner in both patents, trademarks, and unlawful competition. He acted as a senior adjudicator in various domain name disputes since the inception of such adjudications in 2007.

In Part I the author discussed the 2016 protocol between the EU and the South African Development Community ("SADC") Economic Partnership Agreement ("EPA") and its replacement of the 2002 Agreement on Trade in Wines and Spirits between the EU and South Africa. In the EPA, South Africa has agreed to protect 251 EU GI names for agricultural products and foodstuffs such as various fruits, vegetables, cereals, vinegars, cheeses, meat, and fish/seafood & their products, beers, wines, and spirits, etc. In turn, the EU has agreed in the Protocol to protect 105 specified South African GI names in total – being the abovementioned 3 agricultural product names i.e. ROOIBOS, HONEYBUSH and KAROO LAMB; and 102 wine/spirit town and regional names such as CONSTANTIA, STELLENBOSCH, PAARL, WORCESTER, KLEIN KAROO, etc.

This means that South African wine and spirit producers, and those producing ROOIBOS and/or HONEYBOS tea and related products, not forgetting KAROO lamb producers, will have the exclusive right to register and use these respective GI names in South Africa and in the EU countries, and will have the right to prevent other entities from registering and using these GI names in those markets in respect of these and other products. By the same token, reciprocal rights will apply in respect of the 251 EU specified GI names in South Africa, and in the other SADC countries.

South Africa had, for many years, not taken the necessary legislative steps to protect its GI's, and reciprocally the GI's of the EU countries, in terms of this EPA.

Registration of GI's in South Africa possible

After the protracted and problematic history of GI's in South Africa, the Department of Agriculture, Forestry and Fisheries has finally taken the welcome step of publishing (GI) regulations as No. R. 447 in Government Gazette No. 42324 of 22 March 2019. These regulations were published in terms of the Agricultural Product Standards Act (No. 119 of 1990) and relate to the protection of GI's used on agricultural products intended for sale in South Africa.

The regulations herald the eventual provision of novel legal means in South Africa, including a registration system, for the effective protection of registered South African GI's - as well as registering foreign GI's i.e. originating in other countries, considering international agreements regarding the protection of foreign GI's in South Africa. In terms of these regulations, South Africa will comply with its obligations under the 2016 EPA (as discussed in Part I) which will bring South Africa in line with the registration system used by the EU for protection of GI's that have originated in various EU countries, some of which have been mentioned earlier.

The regulations indicate that the Minister has determined that these regulations were to come into

operation 6 months after the date of publication (22 March 2019) i.e. on 22 September 2019.

The regulations define a GI as follows:

"An indication (name) that identifies an agricultural product –

a) as originating in the territory of the Republic of South Africa or in another country, or in a region or locality in that territory, and
b) whose given quality, reputation or other characteristic is essentially attributable to its geographic origin."

It will be seen that the wording of this definition is based on, and virtually the same as, the wording of the TRIPS definition (as set out at the beginning of this article).

The regulations provide a registration system and procedure for GI's, and an applicant group for registration will need to prove that it produces or processes at least 50% of the relevant product volume ie a sizable or representative part of the market volume, in its country. The applicant will also need to demonstrate that it is organized on the basis of democratic principles.

Interestingly, this indicates that the registration and use of a GI is generally not intended for an individual person as producer or processor but instead for a group mainly composed of producers or processors in the market in a particular country. Invariably in practice the applicant will be an industry or producer group or body such as the South African Rooibos Council which represents ROOIBOS growers and producers/processors in South Africa, or at least the majority of these.

Applications for registration (which are to be lodged with the Department of Agriculture, Forestry and Fisheries) may be refused on various grounds, and registrations may be cancelled likewise on various grounds including if it is established during audits that the product specification of the registered GI is no longer ensured by the applicant group. Once registered in the electronic register kept by the above state Department, a registrant is permitted to use a designation or symbol such as "Protected Geographical Indication" or "PGI"; "Registered Geographical Indication" or "RGI"; or "RSA Geographical Indication" or "RSA-GI".

On registration, a GI owner will obtain the right to prevent others from the unauthorized use of the GI or a similar name on similar products in South Africa. The regulations provide a list of prohibitions which include the PGI being imitated or alluded to, translated, or otherwise being used in combination with words such as "imitation" or "style" or "type" or "kind" or 'method" or "as produced in" or any similar words or expressions (except where such words or symbols are specifically allowed in terms of an international agreement). The prohibitions also include any false or misleading indication or depiction, and any illicit use of the GI or PGI or similar symbol. If the unauthorized use will exploit the reputation of the PGI, the protection will extend to dissimilar agricultural products – being somewhat similar in a sense to "passing off" under the common law.

Instead of a renewal system for GI's, each GI registration and all members of its group will be subject to regular audit, generally on a biannual basis by a qualified auditor, to ensure that the registered GI and its members are complying with critical elements of control.

Finally, and most importantly, any person who contravenes, or fails to comply with, the provisions of these regulations shall be guilty of an offence, and on conviction shall be liable to a fine or to imprisonment, or to both such fine and imprisonment. These criminal sanctions differ substantially from the general civil sanctions for infringement of IP rights.

GI's and trade marks – are these "horses from the same stable?"

As an interesting (but generally academic legal) question, can GI's be considered to be similar in essence and function to trade marks? If so, what are

the similarities and differences – and is there possibly some common ground/overlap or "crossover" between the two identifiers?
The Trade Marks Act recognizes and protects by registration three categories of trade marks viz-a-viz ordinary trade marks, certification trade marks and collective trade marks.

A trade mark is defined in the Trade Marks Act as a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person. Thus, the concepts of a single proprietor/user and the distinguishing ability of an ordinary trade mark are key.

Trade marks are accepted to function as "badges/indicators of origin" in respect of **proprietorship and user**. By contrast, a GI is firstly a "badge/indication of origin" but in respect of **geographical origin.** Secondly, a GI is owned and used by a group consisting mainly of a multitude of producers who all share in using the GI name, as opposed to a single trade mark owner/user (with or without a licensed/permitted user). Although the group of producers compete with each other business-wise, they all use the GI and so there is no single/unique producer or user. Thirdly, the GI name does not serve to distinguish their products from each other although some producers/members of a group will provide and market better products of the same kind than their co-producers/fellow members. Hence, GI's cannot be considered to be, or to function, as ordinary trade marks.

In addition, Section 9 of the Trade Marks Act provides that, to be registrable a trade mark must be capable of distinguishing the goods or services of a person in respect of which it is registered, or proposed to be registered, from the goods or services of another person. Thus, a registrable trade mark must be unique as between traders. If the mark is purely descriptive of the goods then other traders are entitled to use such a mark to describe their goods. Similarly, if the mark consists purely of the name of a town or region where the goods are manufactured then other traders in that locality are generally entitled bona fide to use that name in their business. Section 10 of the Trade Marks Act lists various inherently and relatively unregistrable trade marks – and provides grounds for both opposition and expungement purposes. Particularly, sub-section 10(2)(b) prohibits the registration of a mark which consists exclusively of a sign or an indication which may serve, "in trade, to designate the kind, ……, geographical origin or other characteristics of the goods ….". It is clear that, in respect of an ordinary trade mark, the registration of a mark that consists exclusively of a sign or indication of the kind of goods or the geographical origin of the goods i.e. a GI name, for example such as ROOIBOS tea or PARMA ham, is clearly and expressly prohibited.

Having dealt with ordinary trade marks, the second category of trade marks i.e. certification trade marks are those which, in terms of section 42, are capable of distinguishing, in the course of trade, goods or services certified by any person in respect of kind, quality, quantity, intended purpose, geographical origin, etc. from goods or services not so certified. Provided that a mark may not be so registered in the name of a person who carries on trade in the goods or services in respect of which registration is sought. This proviso is essential to ensure independence and objectivity in setting of standards/specifications, and for the proper certification of goods and services.

Examples of certification trade marks are SABS (the South African Bureau of Standards mark), the WOOLMARK name & logo, etc., and it will be clear that GI groups cannot be expected to act independently and objectively in carrying out their functions especially ensuring that their registered GI product specifications are being complied with.

The third category, collective trade marks, is a very different creature of this statute. Section 43(1) of the Trade Marks Act provides that a mark, capable of distinguishing, in the course of trade, goods or services of persons who are members of any

association from goods or services of persons who are not members of that association, shall be registrable as a collective trade mark in the name of such association as proprietor thereof. Section 43(2) expressly provides that geographical names or other indications of geographical origin may be registered as collective trade marks.

In terms of the regulations under the Trade marks Act, an application for the registration of a collective mark must be accompanied by rules governing the use of the mark. The rules must specify the persons authorized to use the mark, the conditions of membership of the association and, when applicable, the conditions of the use of the mark, including any sanctions against misuse.

GI's are considered to be, and can be protected as, so-called "collective" trade marks in terms of Section 43 of the Trade Marks Act but are expressly excluded from registration as ordinary trade marks in terms of Section 10, and as certification marks in terms of Section 42 of that Act.

The Khoisan Indigenous community is finally recognized and rewarded!

Set against the background of the traditional knowledge of the Khoisan community relating to ROOIBOS tea, Mr Brian Browde had reported in an article in the Quartz Africa Magazine of November 2019 that this problem had been resolved. The earlier wrong has finally been redressed by a benefit-sharing agreement concluded during 2019 between the ROOIBOS farmers and tea producers, on the one hand, and the Khoisan community, on the other hand. This agreement enables that community to share in the benefits of the commercialization of ROOIBOS tea by ensuring that the Khoisan people will in future receive payment of an annual 1.5% royalty on the sales of ROOIBOS tea. In addition, the agreement provides that certain funds will be made available to support small-scale ROOIBOS farmers.

The agreement followed the provisions of South Africa's National Environmental Management & Biodiversity Act of 2004 which is based on the terms of the earlier International Convention on Biodiversity to which South Africa is a signatory. The agreement was also based on the terms of the Nagoya Protocol on Access and Benefit-Sharing.

Closing Remarks

GI's have travelled a long and difficult road in South Africa in order to become effectively protected, as envisaged by the TRIPS Agreement. The recently published regulations will provide statutory protection in South Africa by registration of South African GI's and by registration of foreign GI's in South Africa. South African GI's will now receive reciprocal protection by registration in the EU by virtue of the 2016 EU-SADC EPA.

In addition to protection in the EU, South African GI's will obtain protection in other countries by agreement. On a reciprocal basis, South Africa will provide protection to the foreign countries GI's in terms of the EPA, which in future will not only benefit producers by granting them a form of exclusivity for the names of their products but will also protect consumers from deception by lower quality "copy-cat" products placed on the market both in South Africa and in the mentioned foreign countries.

One cannot help to wonder whether other South Africa GI's may exist but are lurking unrecognized? South Africa's superb coastal seafood products such as WEST COAST mussels (or SALDANHA mussels); WEST COAST bokkoms; CAPE crayfish and snoek; EAST COAST soles – and not forgetting our distinctive NGUNI cattle skins/pelts?

One may ask, tongue in cheek, - what about South Africa's special CAPE MALAY food (including and especially their curries, bredies, chilli "dhaltjies" and koeksisters); CAPE "waterblommetjie" soup or lamb bredie; OUTENIQUA honey (and in particular OUTENIQUA forest honey); FYNBOS honey; DURBAN curry; KALAHARI "truffles" and herbs; and BUSHVELD Marula liqueur? Can these be considered to be South African GI's, and are there any other unique South African food/drink or other products that may qualify as GI's, and hence that should also receive proper GI protection?

“Secrets d’affaires”…. high potential assets under development
by Ollivier, Simon, Gorius and Chapuis

In today’s knowledge-driven economy, recognition, understanding and management of intangible assets has become one of the most important value drivers for any type of enterprise, regardless of size. The specific attention given to patents and other registered intellectual Property (IP) led to poor value recognition and management of other less obvious “assets” despite their value, such as know-how, methods, algorithms, and more generally, of sensitive confidential information, business or trade secrets.

The development of the digital industry and of artificial intelligence tools, the critical need for innovation, the development of collaborative platforms for projects and R& D programs and of open data, the evolution of the economic war in particular with cyber attacks, the increase of mergers and acquisitions around the world, have significantly modified companies’ vision vis-à-vis trade and business secrets.

Awareness of the “commercial” value of such trade secrets and development of a legal status are now driving enterprises towards the recognition of its importance for the sustainable development of companies if not, sometimes, for their survival. Globalization, and acceleration of business cycles and digitization, made a primary value-creation driver from the need to protect these competitive advantages. In addition, the growth of cyber-attacks obliges companies to be able to identify the stakes related to the data impacted. This is pushing towards their recognition as intangible assets. This change of approach gives birth to a need to organize specific policies for their value assessment and protection.

Identifying, protecting and assigning a value to business secrets is a challenge requiring a new culture, a transversal approach and specific methodologies, processes and tools.

The authors considered the scope of business secrets today, its value and the benefit of having a business secrets data governance policy in addition to an intellectual property policy.

What is a "Business Secret" today?

Historically, business practices broadly included management of patents and confidential information. Over the past decade the status of secrets has changed considerably due to the growing importance of innovation; trends towards open access, aiming at developing open science, innovation, law, etc. as levers towards collaborative innovation; Significant scientific progresses in digital methods and algorithms; yield in fraud, espionage and cyber-attacks, due to fierce competition and economic war; globalization and limitation of patent protection strategies due to instantaneous digital access to any type of information worldwide.

Protecting business secrets has become intrinsic and even critical to the evolution of society, leading to the need for a cultural shift. Notably Europe, the United States of America (USA) and China adopted new or amended legislation.

The European Union (EU) adopted the 2016/943 Directive on 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against unlawful acquisition, use and disclosure. The European directive aims at standardizing national laws in EU countries against unlawful acquisition, disclosure and use of trade secrets, and at harmonizing the definition of trade secrets in accordance with existing internationally binding standards.

It also defines the relevant forms of misappropriation and clarifies that reverse engineering and parallel innovation must be guaranteed, given that trade secrets are not a form of exclusive intellectual property right.

In the preamble to the directive the European Commission justified the need for protection of business secrets: "*Innovative businesses are increasingly exposed to dishonest practices aimed at misappropriating trade secrets, such as theft, unauthorized copying, economic espionage or the breach of confidentiality requirements, whether from within or from outside of the Union. Recent developments, such as globalization, increased outsourcing, longer supply chains, and the growing use of information and communication technology contribute to increasing the risk of those practices*."

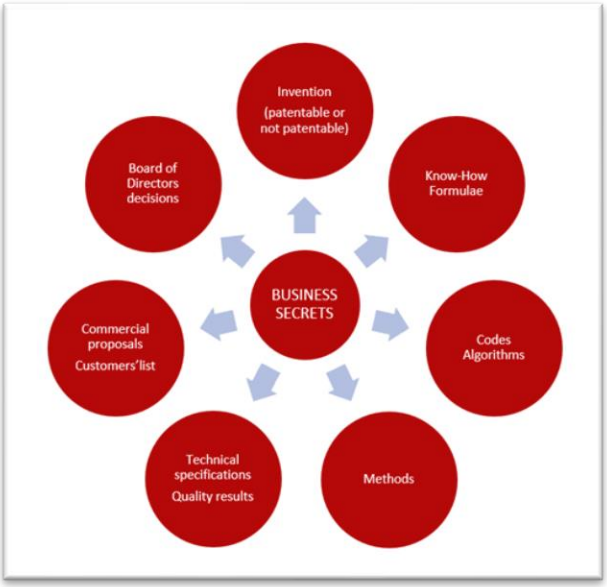
The USA have organized the protection of companies' trade secrets under the Economics Espionage Act of 1996[1], with very strict processes and constraints for managing critical technical information.

Trade secrets are defined broadly as "*any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others. Combinations and compilations of known elements in the public domain are protectable as trade secrets. Novelty is not required. The actual or threatened misappropriation of trade secrets can be enjoined*."[2].

In China, the Anti-Unfair Competition Law (2019 revised, AUCL) is the principal law regarding trade secrets, which defines and regulates what a trade secret is, its misappropriation, and the corresponding legal liabilities[3] "*The AUCL defines a trade secret as technical, operational or other commercial information unknown to the public that is of commercial value and for which the owner has taken corresponding confidentiality measures. Technical information generally refers to technical solutions obtained by way of scientific and technological knowledge, information and experience, while business information generally refers to various types of business information that can bring competitive advantage to right-holders other than technical information*"[4].

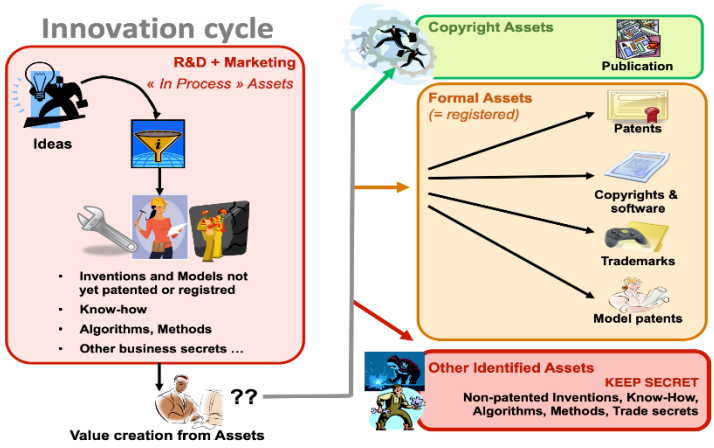
The scope of valuable information in a corporation justifies the use of the phrase "business secrets" rather than "trade secrets. "Information" is to be interpreted broadly as it covers data in any format and any media (paper, material, digital, etc.).

The figure below illustrates the main categories of business secrets[5].



[1] 18 U.S. Code CHAPTER 90—PROTECTION OF TRADE SECRETS https://www.law.cornell.edu/uscode/text/18/part-I/chapter-90.
[2] R. Mark Halligan, Protecting US Trade Secrets Assets in the 21th Century, 2013. https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2013-14/september-october-2013/protecting_us_trade_secret_assets_the_21st_century/.
[3] R. Mark Halligan, Protecting US Trade Secrets Assets in the 21th Century , 2013.
[4] Yi Xue, Trade Secrets 2020, April 23, 2020. https://www.justice.gov/usao-edpa/pr/second-former-glaxosmithkline-scientist-pleads-guilty-stealing-trade-secrets-benefit
[5] More examples : "Secret des affaires, comment bénéficier de la protection de la loi du 31 juillet 2018, CCI Guide pratique", p. 6. (https://www.cci-paris-idf.fr/sites/default/files/etudes/pdf/documents/guide-secret_des_affaires.pdf).

When considering the case of innovation, it can evolve into various types of assets (See Innovation cycle below).



Often companies decide not to protect innovation by patents for strategic reasons, i.e. to bypass the time limit of the protection or simply because detection of infringement is difficult or impossible, as counterfeiting can never be legally proven, and as such the business opts to classify some inventions as business secrets.

The historical method of simply considering patent vs non-disclosure agreements must be modified to ensure that business secrets benefit from the available legal protection; this requires a different culture and mindset. It requires an integrative approach where all functions in a corporation must be involved, such as shown in the table below.

The nature of innovation has changed with the development of software and artificial intelligence systems. Operating processes and organization, marketing and sales, business models, management of social aspects became critical. Innovation, results of which are coveted by competitors, is more than ever a key lever for companies. Some inventions in these new digitally affected fields are not patentable or would be insufficiently protected by a patent, as counterfeiting can be difficult to detect.

Some may be protected by copyright, but it is not a sufficient protection, as it only protects against a "servile" copy, whereas companies want to prevent such innovation from unauthorized use and exploitation. Thus, secrecy is a more appropriate solution. Today, innovation plays a special role and is the crossroad for numerous transformations of which intangibles are key factors, including particularly business secrets.

Approaching business secrets by focusing on innovation creates an **awareness of the potential of business secrets** as an intangible and an actual **tool that implements** this potential, allowing companies to stand out, to last, to share and to transfer value.

The use of the criteria "commercial value" in laws on trade secrets obliges companies to specify a value for the confidential information, when possible, if they want to benefit from the corresponding legal protection. The criteria "commercial value" does not limit legal protection to information that can be sold to a third party on a new or established market, but

Executive Committee	Commercial Department	Manufacturing and Quality Department	R&D Department	Purchasing Department	IT Department	Legal, IP and Conformity Department	Financial Department	Human Resources Department
Decisions	Method of calculation of prices	Products Technical specifications Acceptable quality tolerance levels	R&D programs	Expression of needs	IT security measures	Board of directors meeting minutes	Change policy	Employees 'list
Organisational chart	Commercial proposals	Manufacturing processes Quality methods	R&D partners, make vs buy arbitrages	Pricing policy	Codes and algorithms	Contracts	Banks 'list	Declaration of accidents
Planning	Margins	Production volumes Quality levels targeted	R&D roadmaps, milestones and results	Suppliers 'list	IT processes	Disputes	Loans conditions	Minutes of meeting with employees' representatives
Company's objectives	Customers list	Target costs structure, ppm delivered, total quality performance, client satisfaction, KPI's	Unpatented Inventions, new markets targeted, new patents volume	Panel reduction, supplier qualification criteria		Attorneys 'list	EBIT targets	Employees turnover Salaries growth rate

extends to the protection of information that procures a competitive advantage.[6]

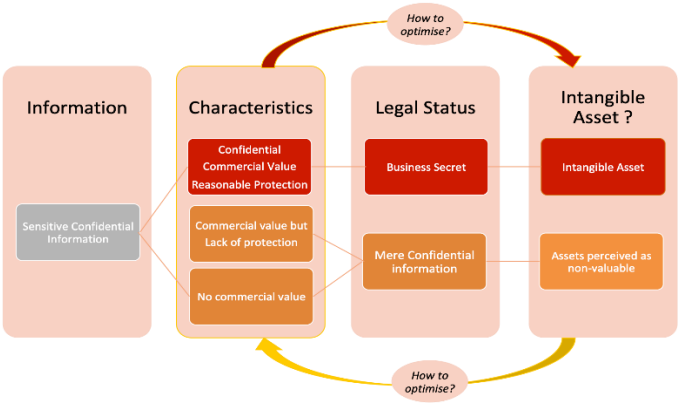
This incentive to demonstrate the "value" of business secrets creates a virtuous cycle leading to the development of methodologies and, as a consequence, to their potential recognition as intangible assets.

An asset on its way to recognition – development of a new culture

Historically, companies focused value creation and value assessment of their intangible assets mainly on patents and customer relationship to evaluate sustainability of their business income. This trend is changing, as the importance of business secrets increases. To recognize business secrets as an asset, a new culture and methods to estimate their value must be developed.

Assessing the value of software, codes, methods and algorithms, formulas, list of components, etc. recently expanded. But defining the commercial value of know-how and other types of confidential information is still a new field to explore. This means that cultural or organizational barriers must be overcome to facilitate such evaluations. Enhancing the value of a company's business secrets requires taking an **active and continuous interest** in them, which in turn compels stakeholders to reinvent themselves and set up adapted governance.

The challenges for companies are to deal with **mass of information and data** having a potentially **fluctuating status** and **fluctuating value**.



Some companies treat their confidential information value via risk management (potential damages) rather than using an opportunity approach (value). Consequently, the intrinsic value of confidential information is not systematically determined. Its qualification as intangible asset is even less considered. In general, the value of any intangible asset is derived from the future benefits it will generate. But this may vary depending upon the type of confidential information:

i) Information reserved to a company's internal benefit is generally hard to value because its contribution to the actual revenues is difficult to quantify. This difficulty is compounded by the absence of "similar" or "comparable" transactions;

ii) Information that is part of the products and services sold can have an intrinsic value depending upon the competitive advantage it procures; except for that which is reserved by essence or by contract to a single customer in the defence field for example;

iii) Information that is under development continuously evolves as stand-alone know-how or as related to one or several invention sources patented or not, making its formalization highly difficult; therefore, assessing a commercial value becomes quite hard or even impossible. Conversely, a strategic characteristic of an asset is that commercial value shall emerge from future customers or partners, who might purchase the asset (i.e. the business secret itself) or obtain a license for its exploitation.

A paradigm shift emerges that relates to how companies understand business secrets and intangible assets:

- ✓ All valuable Business secrets should be managed;
- ✓ For scientific business secrets, the level of maturity of an invention on the TRL Scale

[6] https://ec.europa.eu/growth/industry/policy/intellectual-property/trade-secrets_en.

("Technology Readiness Level") has a clear impact on evaluating income flows;

- ✓ The debate opposing intangible assets and informational assets has shown its limits. Indeed, this distinction led to concentrating efforts on valuing intangible assets only. Some confidential information is generally part of "hard to value intangibles", and thus is not reported as part of a specific asset. The protection of business secrets will change this situation;
- ✓ The lack of established legal protection for business secrets, up to recently, is an explanation for the low level of efforts put by companies to appreciate their value;
- ✓ Financial and legal debates disclaiming the status of "asset" for some business secrets. Data is the new "precious metal" of the 21st century and recognition of its value may give rise to changes in its legal status[7].

Estimating the value of business secrets

To evaluate a business secret, various transversal factors must be considered such as the quality of innovation, technology readiness level (TRL), competitors' R&D strategies, company's attractiveness for M&A, etc.

The evaluation should include all business secrets having a "commercial value" and all forms of exploitation by owners, co-owners, licensees and other beneficiaries. A difficulty is that certain myths persist, such as that know-how, for example, is neither quantified nor quantifiable, or that it cannot be assigned a financial value. It is often part of what is called the "informational assets " of the company. The potential attractiveness of business secrets for third parties may have to be determined in their original field of use ("market innovation") and in other fields of use ("derivative innovation").

The R&D organization is impacting business secrets value. Collaborative developments, suppliers' relations, or joint developers web portals efficiently mobilize stakeholders' resources and knowledge, and mechanically create value by allowing each partner to access the knowledge, know-how, formal IP assets, etc. developed by or acquired from others.

The business secrets on these portals may have different values for the owner(s) and for the users. Part of the benefits resulting in the development may be immediately quantifiable, others may remain "qualitative" for some time, but value creation in such contexts is undoubted. A business secret in the form of an invention yet to prove its capacity and potential, has less value than an invention already industrialized, since it has longer and less predictable payback.
Know-how for example, should be seen as an ever-increasing stock fed by information exchanges that would generate income flows, if realized and associated to other complementary assets, be they tangible or intangible.
Whatever the type of business secrets emerging from R&D projects, capturing their value demands to:

i) Specify in the R&D and consortia agreements the foreseen exploitations with an update mechanism, in order to introduce those which become reasonably foreseen,

ii) Organize the follow-on of the exploitation really made. Some rights are granted to third parties with no consideration at the beginning, because the value is difficult or impossible to estimate. Value and profits may arise afterwards, but only if a follow-on is organized.

In other situations, such as licensing or M&A, measuring the financial value of such a business secret may be a must if it is a competitive advantage to the company. This demands execution of a thorough qualitative assessment of the extra-financial value, showing that both a financial value and an extra financial value (e.g. estimated by a set of KPIs) are essential, and in effect, complementary.

[7] La protection du patrimoine informationnel de l'entreprise, Antoine Gendreau in Manuel d'Intelligence Économique, Puf 2019, p.317 – 318.

Can business secrets be recognized as bona fide assets?

Two principles exist that can become a difficulty in obtaining recognition for the stock value of business secrets as intangible assets:

1) « Only the flow of capital is measurable », which does not reveal the full underlying value:
   - Inventory values = result of a capital flow calculation in relation to a conventional benchmark;
   - In the same way that mass or energy balances are fundamental in physics, chemistry or process engineering, the stock is seen as a reservoir from which a flow can be extracted.
2) It is most likely much easier to find a method for separating capital flows rather than for separating stocks:
   - The different intangible assets interact with each other (i.e., through flows);
   - This disrupts the notion of "extractable value of a stock" in case of strong interactions.

The advantage of capital flows is that they behave more often as unit quantities over time, as opposed to stocks, which are usually the result of the integration or balance over time of multiple capital flows.

As a result of these, real wealth is perceivable once a measurable level exists, i.e. it results from observing the information and financial flows between companies' assets and their ecosystem. The flows then appear as links between internal sources of value creation (*organization, infrastructure, equipment, IP and knowledge, reputation*) and external sources of value creation (*shareholders, talents, customers, etc.*) In the end, this shows a dynamic of attractiveness and potential capacity to efficiently exploit company's assets. The diagram below illustrates this differentiation between ecosystem, flow capital[7bis] and stock or capital[8].

As such business secrets should be considered as intangible assets or capital, whether recognized in balance sheets or not. One way of looking at these is as reservoirs or stocks of knowledge, interconnected with other assets by information flows.

Nevertheless, trying to assess how these may or may not enter the balance sheet is a significant challenge, due to the difficulty of recognizing these assets in agreement with accounting standards, valuing the assets in cash value (e.g. determined from the revenues or cost savings they will generate over time), and valuing the information flows in cash value /year.

To assess the status of an intangible asset, should we consider a stock value or a flow of capital value? Asset flows can be defined as the interactions between asset holders that can be measured and compiled in order to assess wealth creation (= potential value creation). It is unusual, except for example in social Systems Theory (e.g. Luhmann's approach) to speak of flows between assets (for example, a key know-how, once it is capitalized, passes from human capital to organizational capital), because the notion of intangible assets was first born from the search for a value that was unrevealed by the organizations. Indeed, most current asset value methods assume that asset value decreases in time due to an amortization mechanism; however, considering a number of assets, among which business secrets, it can be shown that their flow value could increase over the years, just by measuring flow intensity that results from using these assets in the business.

As a result, flows, whose intensity reflects the attractiveness of assets and the capacity to exploit them, become as important as assets (capital that can be mobilized for wealth creation), just as labour becomes as important as capital. In the case of know-how for example, estimates are difficult to fit smoothly into accounting reporting standards, because of the intrinsic uncertainties impacting the economic flows that characterize them.

Valuation methods for intangibles are based either on historical costs, or on discounted future revenue

[7bis] La Méthode V3 (« Vision, Valeurs, Volonté »), Joyeux, Portnoff, Lamblin.Đttps://www.futuribles.com/fr/groupes/methode-v3/

[8] For definition and nomenclature of Capitals, see for example WICI (https://www.wici-global.com/) or International <IR> Framework (https://integratedreporting.org/resource/international-ir-framework/)

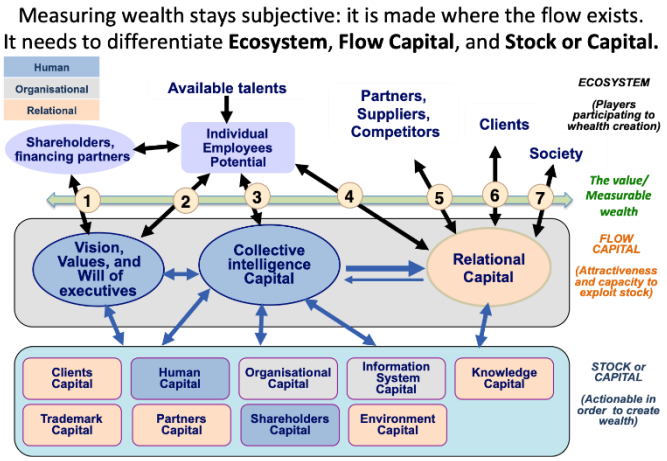
And also " Référentiel français de mesure de la valeur extra-financière et financière du capital immatériel des entreprises". http://observatoire-immateriel.com/wp-content/uploads/2015/11/Thesaurus-Volet-1.pdf

streams, or else on benchmarks of observed "comparable" transactions; these three approaches remain heuristic, producing opinions and confidence intervals rather than fixed values, leading economists and IP valuation experts to regularly debate their effective robustness. Valuation of intangible assets is thus a delicate exercise, widely discussed, highly dependent on assumptions such as the utility curve of potential buyers facing the seller, the date of assessment, and [9] the expertise of the evaluators. This leads to intrinsic uncertainties on the value determined at a specific moment and in given circumstances.

It remains promising and possible to demonstrate, for a number of business secrets, that they have a commercial value, simply by specifying the potential interest of competitors to obtain such information, or by demonstrating the loss the company would suffer in case of disclosure either for the initial goals and the target markets or for other markets known or emerging, should development efforts lead to innovations unrelated to the initial goals. Whenever these assessments are performed, it appears that the management ratio "value to cost", even in orders of magnitudes, proves it is urgent for companies to organize governance for business secrets. But is the effort worthwhile?

Governance for business secrets

Governance is recommended when a company wants to benefit from legal protection to defend its business secrets from unauthorized use or attacks: allocate resources between several types of tangible and intangible assets, and complete the census of intangible assets; impose clear obligations on employees and third parties for protection of business secrets; prevent losses in case of employee's departure; optimize traceability to prevent unauthorized disclosure and use; reduce costs by setting various appropriate levels of protection; optimize storage for costs, energy and risks of error saving, and organize insurance protection thanks to a data management policy.



The benefits of organized governance may be to **create new value as** certain "assets" are recognized for accounting purposes and enrich the balance sheet; **boosting innovation**, **optimizing resources and time** by adapting the protection of business secrets to their sensitivity. Time and money can be saved as efforts will be concentrated on business secrets instead of on all confidential information. It can f**acilitate the authorization of publication** and disclosure to third parties and the **destruction of data** out of the secrecy map. It **increases the level of protection of secrets.** The advent of the digital economy creates high risks of illegitimate disclosure of confidential information through human error, risks and cyber attacks that are totally new if we compare them with those of the last decades. A single leakage of secrets could destroy an enormous value for a company. In addition to human errors, web-based business intelligence now uses powerful artificial intelligence (AI) tools, which easily identify and exploit any publicly released information, be it legitimately disclosed or not. Due to these powerful tools, company executives should now realize that once a secret is erroneously disclosed, the whole world would immediately know about it and exploit it as if it had been voluntarily disclosed. Employees and third parties may also be more easily warned of secrets' legal status and obliged to comply with specific protective measures. It may increase **the level of royalties** the company should collect: the follow-on of the effective use of right to exploit can favour such collection; and it **enables a faster and more effective response** (legal and/or operational) to looting, counterfeiting and/or

[9] European Commission, Final Report from the Expert Group on Intellectual Property Valuation, 29th November 2013.

unauthorized use: the company will be able to demonstrate quickly that its concerned business secret satisfies the legal criteria in case of litigation. Crucial questions may still remain such as how can one evaluate the damage for a company and for its contractors, whose confidential information was made public by human error or malicious deeds?

How to implement business secrets governance

To achieve the benefits mentioned, the following actions can be implemented:

a) Specify a group policy: despite the variety of laws applicable to a company or group, the company governance can be built on the basis of the highest applicable legal standard, and then adapted to local laws and regulations where necessary with a chart comparing legal definitions and processes.

b) Deploy the policy: any company's efficient secrecy policy should be audited and enforced among all critical partners and stakeholders in the value chain.

c) Organize cross-cultural collaboration between several functional departments and business units. It involves the legal and intellectual property department, all departments producing or receiving information, IT, security, HR and insurance; in a nutshell, the whole company. Only the combination of inputs from these departments and business units makes it possible to build up a consistent policy meeting all legal criteria. Besides, it also suggests new management behaviours, an evolution of the ethics charter, new data management rules, new IT hardware and software policy.

d) Detect secrets: verify their status as business secrets as per the applicable law or as mere confidential information.

e) Map the business secrets, starting with know-how and key algorithms and formulas. The mapping should be made in forms that can be used to support operational decisions for protection or disclosure. An efficient Knowledge Management system, which provides an obvious "repository", eases the management of such data and therefore their protection. Some digital tools or methods available on the market help to set up this governance. Several are easily adaptable to fit the decision support of any specific company process. Specific methods, such as the CLAIRE® method by LEX Colibri, can be used to map the innovations, their components, history and logical links, particularly in collaborative research and development programs where the traceability of ownership and exploitation is a critical issue with high value stakes.

The following steps should be followed:

- ✓ ***Define a typology*** (e.g. classify know-how into a logical and understandable hierarchy);
- ✓ ***Classify past, present and future confidential data*****:** the work can be split in 2 phases to be conducted in parallel or in sequence for company's confidential information and data[10] depending upon their data. The *past i.e. confidential information generated* by the company or received from a third party prior to the enforcement of the applicable law. As this protection may vary from one country to another, a precise analysis should be made per relevant country in addition to the general one specifying the standard of reference. Attention must be paid to the most important confidential information disclosed and the conditions for their disclosure.

- ✓ ***Specify levels of criticality***: as the stock of data can be quite substantial, it is useful to pay attention first to confidential information holding substantial value. It is advised to request from each company's department to list their **top ten business secrets and the**

[10] Cartographie des secrets d'affaires : quelle démarche mettre en œuvre ? Véronique Chapuis-Thuault, Le Secret des Affaires, Sophie Schiller, dir. Actes Pratiques et ingénierie sociétaire n°169, janv-fev 2020, p 15 et s.

top ten of their stakeholders. Then an analysis can be made as per the relative **criticality levels**. Depending on companies' strategy, adopting a gradual approach, one can select business secrets characteristics and countries of operation using three types of criticality levels with varying degrees of impact, value, and life cycles.

1. Vital and essential data	The disclosure of which can have irreparable impact and result in companies' destruction or in significant loss leading to bankruptcy
2. Competitive advantages	The loss of which can have costly, but not irreversible, consequences
3. Non-vital secrets	Secrets which still need protection because their *disclosure or exploitation by third parties could still be detrimental* to the company

Thereafter, a check must be made of the consistency of protective measures with the level of criticality of business secrets.

f) Organize traceability: census or mapping, (creation of a typology) for management and traceability purposes, using the criticality levels in particular by formalizing key know-how and ensuring that all work and inventions produced are stored on company's data management system rather than on employees' computers. Ensure that the same is made with deliverables from contractors.

g) Estimate the value creation potential and the actual Value creation levels that can be achieved, and then act on them at the right time with full knowledge of the facts, and with legitimate reasons (strategically and/or financially justified).

h) Verify their effective protection:

- ✓ Design and implement direct protection measures (physical, technical, operational);
- ✓ Identify their exposure to the risk of illegal capture by third parties;
- ✓ Design and implement behavioural protection measures (awareness-raising, training of personnel according to their mission or ability to detain sensitive information);
- ✓ Perform assessment of critical stakeholders' including suppliers' and clients' own performance in business secrecy policies (existence, robustness, history of failures, ...).

i) Specify duration of storage, then archive together with the corresponding supports.

Conclusion

The novelty in the approach proposed is to **use the law as an opportunity instead of as a constraint**. The protection of company's sensitive confidential information evolves then, from a risk management process to a quality management process, involving all company's departments and stakeholders in a transversal and intercultural approach, aiming at saving time and money. Mastering efficient methods and tools to manage business secrets adds to the efficiency of the data management program with a kind of quality management process, having a high potential for progress and upscaling, applicable in particular to innovation. The outcome of such a successful process may be the emergence of solid strategic advantages, way beyond the formal benefit of pure regulatory compliance. A specific attention must of course be paid to the evolution of debates, case law and creation of standards for the definition of "commercial value" and of "reasonable measures of protection". Any new legislation creates new challenges and operational constraints but conversely, these ones provide opportunities, which efficient secrecy governance may capture: a difficult challenge with interesting benefits.

About the authors:

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Pierre is the managing partner of Winnotek. He co-founded two innovating companies, one in the film industry and another the field of digital computation, simulation, AI and big data. He has recently been member of the board and treasurer of the non-profit « Observatoire de l'Immatériel ». Previously he was the Director of Intellectual Property at Areva T&D (Alstom Grid).

Philippe is a partner at Winnotek, he supports public research organizations in creation of spin-offs and in technology transfer to the private industry sectors. Previously he was the Development Director Europe, Thomson (Technicolor) Patents & Licencing, Senior Manager in charge of Product Innovation and Lifecycle Management at Deloitte Consulting, and Director, R&D organization, tools and processes at Faurecia.

Andre is a partner at Winnotek. He has a strong industrial executive experience in technical as well as business, and finance/tax related international environments. He is presently the President of the worldwide IP Valuation Committee of the Licensing Executives Society International. Previously he was the R&D Director, Industrial Director, Innovation Excellence Director, Licensing Director and IP Valorization Director in the Solvay Group.

Winnotek is a consultancy company offering expertise in designing and leading complex projects to deploy strategies for creation and monetization of technology innovation and intellectual property. See http://www.winnotek.com/home-4

Veronique is the CEO of LEX Colibri, a company specialized in Legal Business Intelligence and Ergonomics to simplify Law and support transformation. She created LEX Colibri in 2019 after a career as Head of Legal, IP and Conformity in France and abroad in international groups GRACE (chemistry), SAFRAN (aerospace), ARMINES (collaborative research) and ALSTOM (transport). She is also Manager of the Legal Business Intelligence Executive MBA of the Economic Warfare School of Paris, France (Ecole de Guerre Economique Paris France) and teaches this subject. Former Vice-President of AFJE (French Legal Counsels Association), she is now an honorary administrator. As author she published in books and other medias articles mainly on business secrets, collaborative contracts, legal strategies, legal business intelligence and legal innovation (author of the LRTL Legal Technology Readiness Level).

Trade mark licensing and authorised use – What happens when it all comes to a bitter end?

Chris Brand is a senior associate at SWART. Chris specialises in the enforcement of intellectual property rights, both locally and abroad. Chris is experienced in litigation and dispute resolution matters relating to trade mark infringement, trade mark oppositions, passing-off, unlawful competition, copyright litigation, licensing disputes, and company- and domain name objections.

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The idiom "*hope for the best but prepare for the worst*" applies to intellectual property in the same way it applies to life. Although parties typically enter into joint business ventures with high hopes for an enduring and mutually beneficial relationship, experience has shown that these relationships can turn sour.

A spate of recent court cases highlighted the value of ensuring appropriate measures are put in place when a license arrangement comes to an end.

In the case of *Quad Africa Energy (Pty) Ltd v The Sugarless Company (Pty) Ltd and Another* (hereafter "SUGARLESS case"), The Sugarless Company, appointed Quad Africa Energy, as its exclusive distributor for its confectionery goods in South Africa. The goods supplied by The Sugarless Company contained a prominent S SUGARLESS logo, a mark which was registered as a trade mark in South Africa in their name.

Less than three years after concluding the agreement, Quad Africa Energy gave notice of its intention to terminate their arrangement, which it subsequently did.

Soon after, The Sugarless Company became aware that Quad Africa Energy had launched a competing brand called SUGARLEAN. The competing brand's packaging shared some noticeable similarities with The Sugarless Company's packaging, including an S SUGARLEAN logo.

The Sugarless Company instituted proceedings alleging trade mark and copyright infringement, passing-off and unlawful competition. The court's decision boiled down to a comparison of the respective trade marks, as well as the packaging of the goods, to assess whether there was sufficient similarity to justify The Sugarless Company's claims. In this case, given the descriptive nature of the trade mark SUGARLESS, and the fact that the similarities in the packaging were held to relate to elements that were commonplace in the confectionery industry, The Sugarless Company, bitterly, had to admit defeat.

A further case which dealt with a licensee's unauthorised use of the licensor's trade mark after termination of the arrangement is the case of *Dix v Calzanetto Sociedad Limitada* (hereafter "CALZANETTO case").

In the CALZANETTO case, Calzanetto Sociedad Limitada, a Spanish company (Calzanetto Spain), owned the trade mark CALZANETTO in South Africa for various cleaning products. Calzanetto South Africa (Pty) Ltd, a South African company (Calzanetto RSA), was formed with the intention of distributing the CALZANETTO cleaning products in South Africa in terms of a sole distributorship agreement. Calzanetto Spain held the majority shares, and Calzanetto RSA some shares, in Calzanetto South Africa. Calzanetto South Africa was subsequently wound up, and the respondent appointed Asprey Holdings (Pty) Ltd as the sole distributor of its goods in South Africa.

In the meantime, Calzanetto RSA continued to trade under the insolvent company's name (Calzanetto South Africa), and was continuing to sell genuine CALZANETTO cleaning products. Upon discovering this, Calzanetto Spain instituted infringement proceedings against Calzanetto RSA. In its defence Calzanetto RSA argued that its conduct did not amount to trade mark infringement as they was trading in genuine CALZANETTO goods. This type of conduct, known as "parallel importation" or trading in "grey goods", is considered a valid defence against a claim for trade mark infringement in our law.
The court decided that, although the sale of genuine CALZANETTO goods constituted a valid defence to a claim for trade mark infringement, the use of the CALZANETTO trade mark on invoices amounted to passing off, as it was held to amount to a misrepresentation about the supplier of the goods to the end user.

Valid and enforceable trade mark rights

A trade mark owner should always ensure that the rights associated with its trade marks, and which are licensed to a licensee, are not vulnerable to rectification or expungement. The SUGARLESS case highlights this shortcoming, where the mark licensed was wholly descriptive and the elements of the packaging applied to its goods was commonplace in the market. In this instance, the licensee became aware of the licensor's flawed protection and exploited it to gain a share in the market.

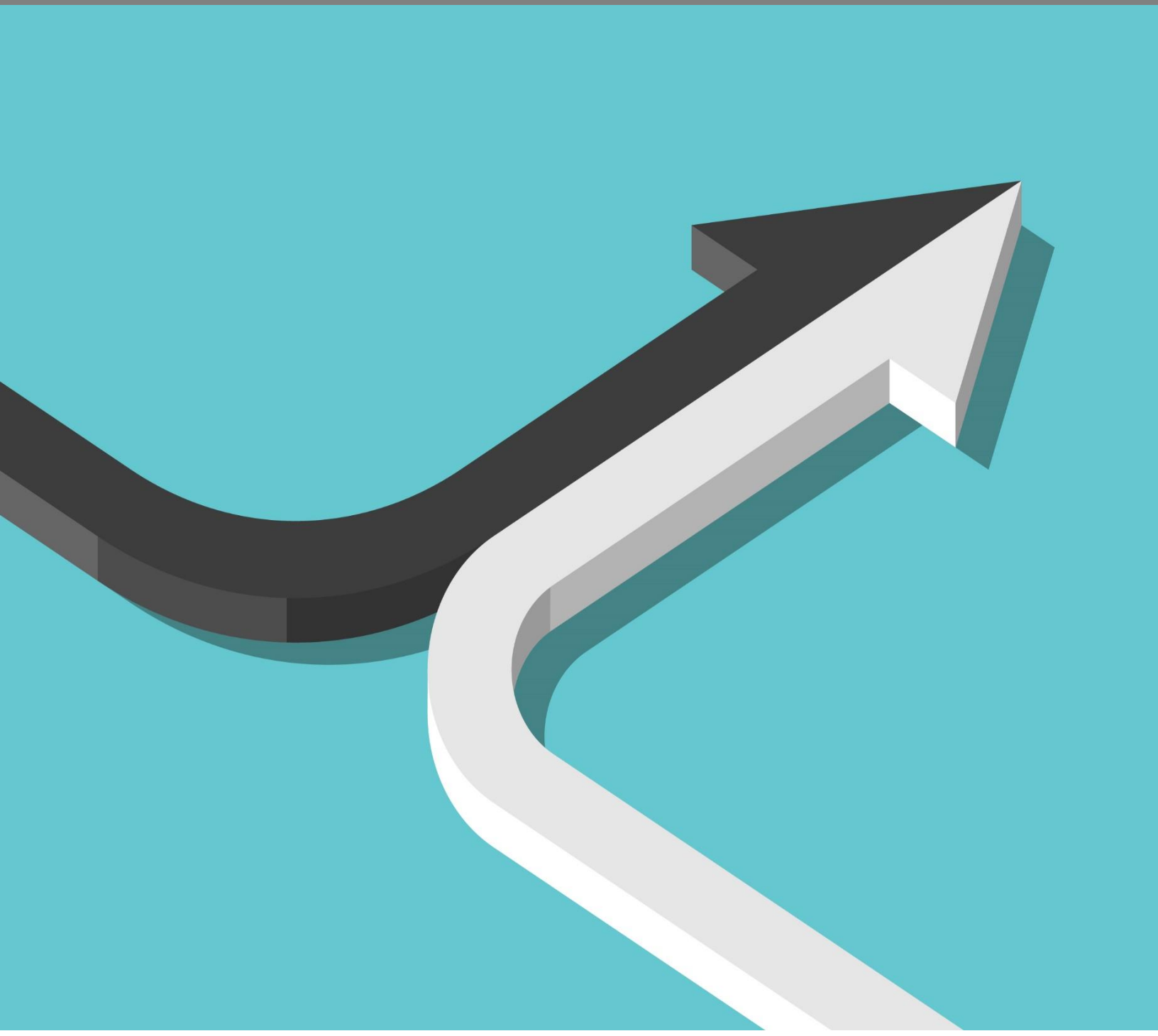
Use restrictions and undertakings

The CALZANETTO case has shown that, even if the trade mark is distinctive and enjoys the statutory protection afforded to trade mark registrations, added measures should be put in place to limit risk of unauthorised use. The licensors in both the SUGARLESS and CALZANETTO cases could have considered incorporating restrictions and undertakings relating to the licensee's use of the trade marks, both during the term of the agreement and after its expiration or termination. These terms could take the form of an undertaking by the licensee to refrain from using the trade mark owners marks, or any similar marks, in respect of similar goods or services or refrain from attacking the validity of the licensors trade mark registrations, following the termination of the arrangement.

Restraint of trade

With reference to the CALZANETTO case, where a licensor and a third party has a vested interest in the licensee, the parties may consider binding the relevant shareholders to a restraint provision whereby the shareholders undertake not to compete with the licensor or solicit existing customers from the licensors within specific parameters. Restraint provisions are quite contentious in our law as they have strict requirements relating to fairness, reasonableness and the interest of public policy. It is important to note that any restraint imposed by one entity on another could be regarded as a contravention of the Competition Act.

PERMISSION OR NOT?



CO-OWNERSHIP AND CROSS BORDER IP ASSIGNMENT.

Rather safe than sorry!

Intellectual property rights bestow certain rights upon the creator thereof. In particular the right of ownership.

In compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) [1] minimum standards are set which allow Members to provide more extensive protection of intellectual property if they so wish. Member states may determine the appropriate method of implementing the provisions of TRIPS within their own legal system and practice.

In the context of most countries' intellectual property laws, in the case of copyright works, ownership resides with the author/creator until ownership is assigned or transferred by way of a written instrument to another[2]. The moral rights of a copyright creator cannot be assigned, as these rights are personal.

In most cases, the rights of an inventor to a patent, remains with the inventor, unless specifically assigned. Typically, ownership of intellectual property is regulated by the employer/employee relationship where ownership generally resides with the employer as a consequence of an employment contract and the invention, and/or work being created in the course and scope of employment.
It is possible for an intellectual property right to be co-owned by two or more proprietors. This is the case where, through a collaborative effort more than one inventor from more than one organisation develop patentable inventions, or where copyright works are created jointly by different persons/authors.

Copyright joint ownership requires that the contribution by each author is indistinguishable from the other.

In the case of collaborative efforts, and in the absence of an agreement to the contrary, each party holds equal undivided half shares to the intellectual Property Right (IPR).

It is this complex scenario that requires further consideration. For the purpose of Part I the paper will focus on ownership. Licensing aspects are specifically excluded and shall form the subject of a second paper, Part II.

Setting the scene

In terms of Section 27 of the Patents Act 57 of 1978 (the "Patents Act") *(1) An application for a patent in respect of an invention may be made by the inventor or by any other person acquiring from him the right to apply or by* ***both*** *such inventor and such other person. (2) In the absence of an agreement to the contrary, joint inventors may apply for a patent in* ***equal undivided shares***.

Section 29 of the Patents Act addresses joint ownership as follows: "*(1) Subject to the provisions of subsection (2), joint applicants for a patent shall in default of an agreement to the contrary* ***have equal undivided shares*** *in the application and* ***none of them may without the consent of the other joint applicant or applicants deal in any way with the application****: Provided that if any proceedings are required to save the application from becoming abandoned, any applicant may institute such proceedings on behalf of himself and any other joint applicant*."

[1] https://www.wto.org/english/docs_e/legal_e/27-trips.pdf

[2] In most countries copyright assignment is possible, there are exceptions, such as Germany. See author's follow up paper.

It is thus clear that the Patents Act provides for an equal undivided share in the absence of an agreement to the contrary.

An undivided share implies that each party has a portion of a whole, but not the complete right. As such, in terms of S29 of the Patents Act, does this require the assignment of rights from the one co-applicant to the other co-applicant? It is the interpretation of the authors that it does.

Co-ownership based on collaborative research

In a scenario where collaborative research efforts between different legal entities lead to an application for a patent, where there are co-inventors (or not) it is thus foreseen that the patent application is owned by both legal entities in equal undivided shares, unless the parties agreed to the contrary. When one (or both) of the applicants are public research institutions, the Intellectual Property Rights from Publicly Financed Research and Development Act 51 of 2008od 2 August 2010 (the "IPR Act") becomes relevant.

The IPR Act was implemented for the purpose of providing more effective utilisation of intellectual property emanating from publicly financed research and development. The IPR Act also established the National Intellectual Property Management Office (NIPMO) and the Intellectual Property Fund and regulated the establishment of technology transfer offices at research institutions.
In terms of Section 4 of the IPR Act the institution will be the owner of intellectual property rights emanating from publicly funded research and development. As this is a legislative requirement (which one can't contract out) there is the assumption that the inventor automatically assigns the IP developed during the course and scope of his employment to the employer (this is also provided, generally, in the IP policy and employment contract). Therefore, in line with the legislation, IP policy and employment contract the inventor assigns (must assign) his/her/their share(s) to the institution.

The IPR Act provides for co-ownership in Section 15(2) of the Act.

Where an invention or even a series of related inventions is made by multiple inventors from different countries and the patent application is co-owned by multinational research institutions:

Is an assignment of the South African inventor's share to the non-South African co-applicant required and, if so, is FinSurv approval required for such assignment?

Is the South African co-applicant assigning a proportional share of its right to IP to the off-shore entity and, if so, is FinSurv approval required for such assignment?

Would NIPMO approval be required for any of these Assignments?

S15(2) states that "*Any private entity or organisation may become a* ***co-owner*** *of the intellectual property emanating from publicly financed research and development undertaken at an institution if-*

(a) there has been a contribution of resources, which may include relevant background intellectual property by the private entity or organisation;

(b) there is joint intellectual property creatorship;

(c) appropriate arrangements are made for benefit-sharing for intellectual property creators at the institution; and

(d) the institution and the private entity or organisation conclude an agreement for the commercialisation of the intellectual property."

In most cases this is quite simple to address if both the applicants are South African, and all the inventors[3] are South African.

The conundrum arises where the inventors are employed by different institutions, or legal entities, which institution or legal entity is incorporated, or registered in a different (foreign) country. Usually, for collaboration, entities who plan to work together on a project will draft and sign a cooperation agreement before commencing any collaboration.

The purpose of a collaboration, or joint development agreement, is to lay out the rights and ownership of the inventors and their respective institutions regarding a patented, or soon-to-be-patented, invention. In an employee/employer relationship, whether in a company or a university, all intellectual property created in course and scope of employment is generally assigned to the employer. The basic rights regarding intellectual property differ across the globe. So, it's important to know the differences and similarities between IP rights in a different country if you are collaborating with someone or a business from another country. As an example, in the context of South African research institutions (in terms of Section 4 of the IPR Act) the institution is the owner of IP created by its researchers by default.

In South Africa[4], in the absence of an agreement to the contrary, a co-patentee may not use a patented invention or grant a licence without permission from the other. However, co-owners can enforce the patent against infringers without consent from the other co-owners – but the other co-owners may join the proceedings .

The sticking point is that co-owners cannot, without the consent of the other co-owners, amend the specification, grant a license under the patent or assign or mortgage a share of the patent. Co-owners each own a share in the intellectual property as a whole.

In view of this, the question arises, when an inventor assigns his/her invention to a co-applicant(s), each employee inventor will be assigning a part of the whole to the non-employer applicant. The normal scenario will be that the inventors assign rights to their respective employers and the employers, being the co-applicants, assign rights to one another.

It is the view of the authors, that in the case of a South African entity being a co-owner with a foreign off-shore entity, assignment by the South African co-applicant of the share of ownership to the off-shore entity, will constitute an off-shore assignment of intellectual property. As such regulatory compliance is necessary.

The South African Currency and Exchanges Act prohibits anyone from directly or indirectly exporting capital, or any right to capital, from South Africa without the permission of the Financial Surveillance Department (FinSurv) of the South African Reserve Bank (SARB).
In the case of South African institutions or companies, a South African entity or resident, assigning intellectual property off-shore must comply with the provisions of Regulations 10(1)(c) and 10(4) of the Exchange control Regulations .

Regulation 10.(1) provides that "*No person shall, except with permission granted by the Treasury and*

[3] National Patent laws of some countries require a first filing in the Country of Nationality of the inventor. This aspect is however outside the scope of this article.
[4] S49(2) of the Patents Act

in accordance with such conditions as the Treasury may impose – … (c) enter into any transaction whereby capital or any right to capital is directly or indirectly exported from the Republic. "

Intellectual property is capital for the purpose of Exchange control. This has been confirmed by case law and later circulars issued by SARB.

Since the decision in *Couve v Reddot International (Pty) Ltd* 2004 (6) SA 425 (W) there were a number of conflicting decisions on the exchange control requirements for, and implications of, the transfer of intellectual property from a South African resident/entity to a non-resident/foreign entity. Prior to the Oilwell Appeal the prevailing view was that Exchange Control approval was required for such transactions in terms of regulation 10(1)(c) and that a failure to obtain approval would result in the transaction being null and void, *ab initio*.

The Supreme Court of Appeal, in the 2011 case of *Oilwell (Pty) Ltd v Protec International Ltd & Others* Case No. 295/10 (the Oilwell Appeal), ruled on the issue of the assignment of intellectual property from a South African resident/entity to a non-resident/foreign entity and, in particular, whether approval in terms of regulation 10(1)(c) of the Exchange Control Regulations is required for such transactions from the SARB.

These cases resulted in an amendment to the Regulations with the introduction of Regulation 10(4) dated 8 June 2012, which confirmed that *"for the purposes of sub-regulation (1)(c) [of Regulation 10]-(a) "capital" shall include, without derogating from the generality of that term, any intellectual property right, whether registered or unregistered; and (b) "exported from the Republic" shall include, without derogating from the generality of that term, the cession of, the creation of a hypothetic or other form of security over, or the assignment or transfer of any intellectual property right, to or in favour of a person who is not resident in the Republic. "*

Thus, IP assignment from a resident to a non-resident would require exchange control approval.

In 2017, the National Treasury issued Circulars 7 and 8 of 2017 and made corresponding amendments to the Currency and Exchanges Manual for Authorised Dealers (Manual). In terms of Exchange Control Circular numbers 7 and 8 of 2017 issued by FinSurv, Authorised Dealers may approve the outright sale, transfer and assignment of intellectual property by a South African resident… *to unrelated non-resident parties at an arm's length and a fair and market related price, provided that authorised dealers view the sale, transfer or assignment agreement, the provision of an auditor's letter or intellectual property valuation certificate confirming the basis of calculating the sale price and proper tax treatment of the consideration flowing back into South Africa.*

As such Authorised Dealers may now approve IP assignment to an offshore entity provided the requirements, as set out in these circulars are met.

In addition to Exchange Control/Authorised Dealer approval, where the South African entity applicant, or co-applicant, is also a South African research institution, compliance with the IPR Act is required.

In terms of Section 12 (1) of the IPR Act, offshore intellectual property transactions are subject to the following conditions: "*(a) A recipient must advise NIPMO of its intention to conclude an intellectual property transaction offshore; (b) subject to paragraph (c), offshore intellectual property transactions may occur only in accordance with prescribed regulations and any guidelines contemplated in section 9 (4) (e); and (c) any*

intellectual property transaction which does not comply with the regulations and guidelines requires prior approval of NIPMO. (2) A recipient wishing to undertake an intellectual property transaction offshore in the form of an ***assignment*** *or exclusive licence must satisfy NIPMO that- (a) there is insufficient capacity in the Republic to develop or commercialise the intellectual property locally; and (b) the Republic will benefit from such offshore transaction."*

The effect of non-compliance, in terms of Regulation 17 to the IPR Act, is that the transaction, as well as the relevant agreement is void *ab initio.*

There is the view that where two co-applicants, one being South African and the other being a foreign non-South African entity, that each inventor assigns his/her pro-rata share to its employer and that the South African and foreign entity each own their pro-rata share as a consequence of the inventor assignment. As such, there is no assignment by a South African resident to a non-resident and thus no exchange control, or NIPMO approval required.

It is also the view of NIPMO, in a recent opinion received by one of the authors from NIPMO, that in terms of Section 4 of the IPR Act, the institution is already the owner of the IP and that there is no assignment necessary as each inventor has assigned its rights to its respective employer and as such there is no assignment to a foreign entity. As such, the only compliance requirement is that of Sec 15(2) and that for the purpose of NIPMO approval, assignment in the mentioned scenario is not one that would trigger Sec 12 of the IPR Act.

The authors are of a different opinion. The law is clear, co-owners each hold an undivided share (which is a half share in the absence of agreement to the contrary) to jointly owned IP. The argument that the employer can apply for patent protection of half an invention; with the foreign entity and its inventors doing the same, is an argument that simply cannot hold. The question remains, can an application be filed by joint applicants, without the assignment of each respective right to the other co-owner.

The moment that any part of an undivided share in, and to, an invention between a South African applicant and/or inventor, with a foreign entity and/or inventor is transferred, it has the characteristic of a cross-border transaction.

The transaction could be that of an assignment between the co-inventors and the non-employer co-applicant(s) of an undivided share to the invention, as well as an assignment between the co-applicants, each of their undivided share in and to the invention. It is the view of the authors, that these transactions, where it involves South African entities and South African inventors in joint IP ownership with a foreign entity, constitute exporting of intellectual property and therefore requires regulatory approval from a foreign exchange perspective, and if relevant, in terms of the IPR Act.

Regulatory compliance in deal making should not be overlooked. The consequence for doing so, is dire and might render a transaction null and void.

South African Corporations, universities and advisory consultants should be aware of the pitfalls when negotiating a transaction that concerns IP assignment, particularly where it concerns IP assignment to non-South African (offshore) entities.

Rather safe than sorry!

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From the Juta Law Reports

The following judgments were reported August to November 2020

Design — Infringement — Interdict — Sports bar and nudge bar for bakkies SUVs and trucks — Both plaintiff and defendant selling bars having the same frame tube but different crossmember — Whether such falling within scope of registered design — Defence that novelty plaintiff's design and hence ambit of its design registration small, and that differences sufficient to avoid infringement — Court finding, apart from in the case of one of defendant's designs, which was sufficiently different from plaintiff's to avoid infringement, in favour of plaintiff and interdicting defendant from further infringing its designs. *Maxe (Pty) Ltd v Artav Stainless Steel CC* GJ case No 39199/18 and 10452/18, 7 October 2020, Neukircher J, 41 pages

Patent — Infringement — Respondent seeking to introduce special please of unclean hands — In main action, patent-holder Bayer seeking to protection for chemical substance called spirotetramat, intended for plant protection and sold under brand name 'Movento' — Bayer instituting action for infringement against Villa Crop Protection as defendant, seeking to protect Movento from competition by Villa Crop's 'Tivoli' product, which also contained spirotetramat — Commissioner of Patents pointing out that if spirotetramat was in public domain before priority date of patent, it could not be validly protected by South African patent — Villa Crop disputes that the patent has at all material times been valid and pleads that the patent is therefore incapable of being infringed — Villa Crop also arguing that patent liable to be revoked because Bayer's invention not new and because its declaration lodged in terms of the application for the patent contained a false statement or representation — Villa Crop then also filing application to amend plea by inserting special plea *in limine* that Bayer was approaching the court with unclean hands because it had previously stated to European authorities that spirotetramat was in the public domain — Those representations, argued Villa Crop, directly contradicted and undermined the case it was advancing in South Africa — Bayer objected to the proposed amendment — The commissioner discussed his discretion to allow the introduction of a special plea where it might defeat Bayer's claim — He pointed out that the necessary enquiry would result in the trial being dragged out unnecessarily and that the main issue in dispute, the validity of the South African patent, would remain alive, which was for Villa Crop to prove — Since it was not in the interests of justice to conduct the clean hands enquiry, the commissioner refused to exercise his discretion in favour of granting the amendment — Application to amend therefore dismissed. *Villa Crop Protection (Pty) Ltd v Bayer Intellectual Property GmbH* Commissioner of Patents case No 2005/00230 3 September 2020, Basson J, 12 pages. JDR serial No 1998/2020

Unlawful competition — False representation as to the character, composition or origin of product — Scotch Whisky Association (SWA) seeking to prevent appellants from manufacturing and distributing of alcoholic beverages made to look like Scotch Whisky but which was nothing of the kind — Label designed to convey Scottish origin and beverage called a 'WHISKY flavoured spirit aperitif' — Products having every appearance of being whisky and consisted of artificially coloured liquor (in fact, it was vodka-based) — SWA's case resting on two legs, namely misrepresentation by the appellants as to the particular attributes, character, composition and origin of the 'Royal Douglas' and 'King Arthur' products (misrepresentation as to own performance) and secondly, trade in such products in contravention of the Liquor Products Act 60 of 1989 — Central question whether the products were they being marketed in a way that was likely to lead a significant section of the public to think they had some attribute or attributes which they did not possess, thereby giving rise to confusion, or the likelihood of confusion, in the minds of the public — Supreme Court of Appeal ruling that court a quo correctly held that there was likelihood of confusion — Trade in the appellants' products also offending s 11 and s 12 of the Liquor Product6s Act 60 of 1989 for being represented as a whisky or Scotch whisky or a whisky with a Scottish connection, being whisky-flavoured and having an alcohol content of 43 % or 43,5 % when, in fact, it has an alcohol strength of 34,98 %. *Milestone Beverage CC and Others v Scotch Whisky Association* SCA Case No 1037/2019 [2020] ZASCA 105, 18 September 2020, Ponnan JA, Makgoka JA, Schippers JA, Sutherland AJA and Poyo-Dlwati AJA, 37 pages. JDR Serial No 1961/2020.