

# Chapter 37

## Intellectual property

*‘Archimedes was my ideal. I admired the works of artists, but to my mind, they were only shadows and semblances. The inventor, I thought, gives to the world creations which are palpable, which live and work.’*

NIKOLA TESLA (1853–1943)

THE INVENTOR OF ALTERNATING CURRENT, FLUORESCENT LIGHT BULBS, THE RADIO, REMOTE CONTROL, THE ELECTRIC MOTOR, ROBOTICS, THE LASER BEAM AND WIRELESS COMMUNICATION

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**WHY THIS CHAPTER IS IMPORTANT**

The number of fake and pirated goods sold at flea markets and by street vendors demonstrates that many South Africans do not believe that the counterfeiting of brand goods is criminal.

The people who benefit from this illegal activity argue that counterfeiting brings economic benefits: producing and selling counterfeit products provides employment; pirated goods have allowed many consumers to have access to goods, such as software, that they otherwise could not afford. In some cases, counterfeiters have pushed brand-holders into producing new products that have benefited consumers. Apple’s iTunes Music Store, for example, was an innovative response to music piracy. Some people even claim that multinational corporations, the most frequent targets of piracy, are large and profitable enough to bear the costs of losses associated with piracy in emerging markets.

However, the few benefits counterfeiting may bring are far outweighed by its corrosive effects. Counterfeiting is big business. The International Chamber of Commerce states that up to 5 to 7% of global trade can be attributed to counterfeiting – that amounts to over US\$450 billion a year. But because counterfeiters generally do not pay tax on their earnings, they end up depriving the government of revenue. The huge profits and minimal risk

involved has also attracted organised crime. And it's not just watches, clothing and software that are being counterfeited. From aircraft parts and motor vehicles to pharmaceutical drugs, anything with a brand name is fair game. With pharmaceuticals being expensive to produce and buy, it is not surprising that many people look for cheap alternatives. Unfortunately buyers of counterfeit pharmaceuticals are rarely, if ever, aware they are buying fakes. This means it is impossible to work out, for example, how many people die unnecessarily where fake drugs contain no active ingredients, or how many people are disappointed when the pill that is sold as 'Viagra' turns out to be false.

Counterfeit software, watches and digital video discs (DVDs) have a damaging effect on society as well. Although counterfeiters target brand-name products made by multinational corporations, it is local industries that feel the greatest impact. International piracy creates a barrier to entry in affected markets for firms seeking to develop genuine products. When companies close down or withdraw from a market because they cannot compete against vendors of pirate DVDs and CDs, hundreds of people lose their jobs. Few software companies, both local and international, are flourishing in overseas countries such as Vietnam, where counterfeits account for 99% of available software.

For these reasons, and to protect the rights of those who own intellectual property, South Africa has intellectual property laws that target both the counterfeiters, and the people who buy counterfeit goods.

## INTELLECTUAL PROPERTY

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### 1 What is intellectual property?

'Intellectual property' is a real right over intangible property that is the result of creativity.<sup>1</sup> Some of these rights are capable of being registered, and others are not capable of being registered.<sup>2</sup> The registerable rights include: patents; trademarks; registered designs; plant breeders' rights; rights to and in cinematograph films; and domain names. The unregistrable rights include: copyright; know-how; confidential information; and trade secrets.

It is easier to understand intellectual property when compared to other, tangible, forms of property. Where you have rights to an object itself, your rights are infringed if the object is destroyed. The position with intellectual property is different. An example might be a patent for a new machine. The intellectual property rights of the person who held a patent (the patentee) would not be infringed if the machine was destroyed. The reason for this is that it is the invention that is protected, and not the machine.

Intellectual property law is defined as the body of law that regulates the creation and utilisation of immaterial property and the enforcement of resultant rights.

### 2 Patents Act<sup>3</sup>

A patent is an exclusive right granted for an 'invention'. An invention is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem. The patent provides protection for the owner of the patent. The protection is granted for a

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1 Merry, R and Vally, M, Contextualising Intellectual Property, *De Rebus*, Pretoria: Law Society of South Africa October 2013.

2 *Gallo Africa (Ltd) and others v Sting Music (Pty) Ltd and others* 2010 (6) SA 329 (SCA).

3 Patents Act 57 of 1978.

limited period, generally 20 years. Patent protection means that the invention cannot be commercially made, used, distributed or sold without the owner's consent.

In terms of the Patents Act,<sup>4</sup> individuals may file their own provisional patent applications. It is, however, advisable for applicants to seek the assistance of patent attorneys who specialise in this type of law.

If a provisional patent is filed and the invention is then made public, the strength, breadth and scope of protection obtained will depend on the wording and content of the specification, the broad definitions and the detailed description of the invention. Patent attorneys and patent agents are familiar with international requirements and are able to draft provisional specifications that are internationally acceptable. This promotes protection of patents both in South Africa and overseas.

South Africa is one of 108 countries that accepts the Patent Co-operation Treaty (PCT). This treaty allows an individual to file an international patent, along with the national patent, by designating the countries where the patent should be registered. Extra fees are payable for this type of registration.

## 2.1 Administration

The Patents Act<sup>5</sup> provides for the registration and granting of patents for inventions. A patent office has been established in Pretoria. The administration is controlled by the Registrar of Patents.

## 2.2 The register of patents and the *Patent Journal*

Patents are registered with the Registrar of Patents at the Companies and Intellectual Property Commission (CIPC). A register of patents is kept there. It records names and addresses of all applicants for patents and inventors, and copies of all deeds, agreements, licences, and other documents that affect patents. The register is a public document and may be inspected by anyone during office hours on payment of a prescribed fee.

The Registrar arranges for the monthly publication of the *Patent Journal*. This journal contains details of the contents of all complete specifications for inventions that have been accepted by the patent office. The *Patent Journal* can be obtained from Government Printers in Pretoria and online.

## 2.3 Patent agents and patent attorneys

The Act establishes a patent examination board, which sets the curriculum and the examination that a person must pass to be appointed as a patent agent. If a person entitled to be a practising attorney passes the examination, they may be registered by the Registrar as a patent attorney.

## 2.4 Applications for patents

An invention becomes a legal object on its creation and has an independent existence similar to physical things:

- The inventor always has personality rights in the invention.
- The patentee has the right to the granted patent. They can exploit the invention, stop others from applying the invention, or grant licences.
- The licensee has the right to exploit the invention as protected by the patent.

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4 Patents Act 57 of 1978.

5 Ibid.

South African law recognises two theories applicable to patents:

- **Incentive theory:** Patents are granted as a reward for services rendered, as well as a means to promote technical and scientific progress for the general well-being of all.
- **Disclosure theory:** Patents are granted and the details of inventions are published so that they can become known. Knowledge is publicised to advance the particular field of technology.

## 2.5 Patentable material

To be patented, the Act prescribes that an invention must display both 'intrinsic' and 'extrinsic' characteristics:

### 2.5.1 Intrinsic characteristics

An invention must involve an inventive step and be capable of use in trade, industry, or agriculture. Instead of describing what can be patented, the Act categorises things that are not considered inventions and therefore cannot be patented in terms of the Act:

- **A discovery:** Inventions require creative thought. Something that exists (although not yet known) cannot be invented. The discovery of something cannot be patented (for example, electricity), but the application of the discovery can be invented and patented (for example, a light bulb).
- **A scientific theory:** These theories cannot be patented as they do not discover something, but define what already exists. For example, gravity.
- **A mathematical method:** These methods present existing facts in a theoretical way. They do not involve the creation of a technical innovation.
- **A literary, dramatic, musical, or artistic work, or any other aesthetic creation:** These are subject to the Copyright Act.<sup>6</sup>
- **A scheme, rule, or method for performing a mental act, playing a game, or doing business:** These involve a direct activation of human thought and involve rules for the mental activity of others. This means the rules for playing a game cannot be patented, yet a game containing a technical innovation may be patented. For example, a board with special playing pieces.
- **A program for a computer:** Hardware can be patented; software is protected under the Copyright Act.<sup>7</sup>
- **The presentation of information:** This may be protected under the Copyright Act.<sup>8</sup>

Patents may be refused for certain inventions, even though they appear to fulfil all the requirements regarding patentability:

- If the invention may be considered immoral or offensive.
- If the publication or exploitation of the invention generally would be expected to encourage offensive or immoral behaviour.
- If the invention could be used contrary to law, the Registrar may refuse the application, unless a disclaimer is included in the specification. For example, a gambling machine.
- Where the invention is considered by the Registrar to be frivolous, in that it claims to be an invention that is obviously contrary to well-established natural laws.

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<sup>6</sup> Copyright Act 98 of 1978.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

- Where the invention concerns a biological process for the production of animals or plants that is not a microbiological process or the product of such a process. New varieties of plants and animals may not be patented. Technologies that may be patented include those involving genetic engineering, enzymes, and tissue cultures. Rights in respect of new plants can be protected in terms of the Plant Breeders' Rights Act.<sup>9</sup> This Act provides protection for certain varieties of plants if they are new, distinct, uniform and stable. Registration can be obtained, for example, for seedless grapes. Registration gives the right to prevent the reproduction, sale, import or export of the plant concerned. The duration of protection is 25 years in the case of vines and trees and 20 years in other cases.
- Where a method is invented to diagnose or treat an animal or human being by surgery or therapy, the method cannot be deemed capable of use by trade, industry or agriculture.

## 2.5.2 Extrinsic characteristics

These include the following:

### 2.5.2.1 Novelty

When is an invention considered 'new'? A patent will only be valid if the invention was novel on the priority date. This is the effective date of the claim to the invention. The law does not allow old inventions to be patented because this would stifle the industry of a country. Inventions seen overseas cannot be patented in South Africa. Our patent law lays down an absolute measuring stick for deciding what is actually novel.<sup>10</sup> Something is new if it 'advances the state of the art'; in other words, if it is an advance on what currently exists.

Section 25(5) of the Patents Act<sup>11</sup> states that: 'An invention shall be deemed to be new if it does not form part of the state of the art immediately before the priority date of any claim to that invention.' Section 25(6) of the Act states that: 'The state of art shall comprise all matter (whether a product, a process, information about either, or anything else) which has been made available to the public (whether in the Republic or elsewhere) by written or oral description, by use or in any other way.'

#### ***Strix Ltd v Nu-World Industries (Pty) Ltd***<sup>12</sup>

Stix invented and sold a kettle with two thermostat control switches at the base, that could each stop the kettle heating. This provided extra safety by switching off electricity if the kettle was nearly empty and then tilted.

A rival company claimed the additional switch was not novel.

The court disagreed, finding that other kettles with just one switch did not have the same safety protection to prevent overheating when the kettle was tilted.

9 Plant Breeders' Rights Act 15 of 1976.

10 Alberts, W, Intellectual property: What is required for the registration of a patent? *De Rebus*, Pretoria: Law Society of South Africa December 2007.

11 Patents Act 57 of 1978.

12 *Strix Ltd v Nu-World Industries (Pty) Ltd* 2016 (1) SA 387 (SCA).

The novelty of an invention can be destroyed by anyone, including the inventor, in any place, by:

- **Making the invention available to the public:** This may be done through a written description of the invention, for example by a letter, an article in a journal, an oral description such as a lecture or radio transmission, or by conduct such as a demonstration. Publication does not always destroy the novelty of an invention. Section 26(a) of the Act provides that where an invention was disclosed prior to the priority date, this does not destroy the novelty if the applicant for the patent can prove that the knowledge was acquired from the applicant, and as soon as they learned of the disclosure they immediately applied for protection of the invention. Novelty also is not destroyed when the invention is worked on, or experiments are conducted, prior to the priority date.
- **Using the invention secretly and on a commercial scale within South Africa:** A decision must be made at an early stage about whether to keep the invention secret (with the resulting risk of not being able to obtain a valid patent at a later stage), or whether to file a patent application and obtain a patent (with the resulting effect of making the details of the invention known to the public).

### 2.5.2.2 Not obvious

When is an invention 'not obvious'? Section 25(1) of the Act provides that inventiveness, or an inventive step, is considered to exist if '[I]t is not obvious to a person skilled in the art, having regard to any matter which forms, immediately before the priority date of any claim to the invention, part of the state of the art.'

Therefore, if the improvement is so minor that any person involved in the particular field could have easily thought of the improvement, the invention is obvious. The onus of proving that an invention is obvious rests on the person applying for the revocation of the patent rights. The term 'obvious' is easy to use, difficult to define, and occasionally impossible to prove. As a result, patent litigation is sometimes lengthy and costly.

### 2.5.2.3 Utility

When is an invention 'useful'? The Act states that patents only will be granted to inventions that are useful, and not to inventions that are 'unworkable'. If it is unworkable there will be a problem with the invention itself, or in the presentation of the complete specification. This means that the invention cannot be performed, or its operation does not lead to the results set out in its specification, or its operation does not lead to the advantages set out in its specification.

#### ***Marine 3 Technologies Holdings (Pty) Ltd v Afrigroup Investments (Pty) Ltd and another*<sup>13</sup>**

Marine 3 had patented a solution that was used to control dust in mining, wet surfaces in firefighting, and dissolve fertilisers in agriculture. Afrigroup was a distributor of the product. After a dispute arose, the distributor applied to court to revoke the patent on the grounds of inutility, as they said it was not capable of achieving the results that it claimed.

The court held that an invention that could not be performed was obviously not capable of being used or applied in trade, industry or agriculture and would therefore not be patentable and, if patented, the registration for it would be liable to be revoked. Inutility was a question of fact to

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<sup>13</sup> *Marine 3 Technologies Holdings (Pty) Ltd v Afrigroup Investments (Pty) Ltd and another* 2015 (2) SA 387 (SCA).

be decided in the circumstances of each case. An invention was not useful if it did not effectively produce the result aimed at or promised by the specification.

The court found that expert witnesses who testified that the product could not be manufactured, had based their opinion on a theoretical basis only, and not on any actual attempt to manufacture the product. They were contradicted by the fact that the product had actually been manufactured and sold. Perverse attempts to show failure were generally insufficient to show non-utility.

#### 2.5.2.4 Correct documentation

Sections 30(1) to 30(7) of the Act list the documents that must be filed with a patent application. An application is given a 'priority date', which is the date on which it is physically lodged at the patent office.

The application must be accompanied by a 'patent specification', which can be either 'provisional' or 'complete'. A provisional specification provides a basic description of the invention. A complete specification contains an abstract, fully describes the invention and the manner in which it is to be performed, discloses the best method for performing the invention as of the priority date, defines the invention, and contains drawings or illustrations if any are required.<sup>14</sup>

The Registrar examines the application to see that it complies with the Act, but does not do a novelty search. If the complete application is not accepted by the Registrar within 18 months of the date of an application, the application may lapse.

If the application complies with the Act and the Registrar accepts the application, the applicant must be informed that they must publish the acceptance in the *Patent Journal*. On the date of publication, the Registrar seals the application and grants the patent document.

The failure to publish in the time allowed may result in the application lapsing. Legal proceedings can only be instituted for infringement after nine months from the date of publication in the *Patent Journal*.

A person wishing to contest a decision or order of the Registrar must request from the Registrar, within one month, written reasons for the decision or order. The Commissioner of Patents will hear the review or appeal.

If an inventor in South Africa is claiming protection in another Convention country (that is, a country that is a signatory to an international patent convention that also has been signed by South Africa), a copy of the application for each Convention country must be lodged with the Registrar within three months of the date the application was filed in South Africa.

#### 2.5.2.5 Applicability

The invention must hold some applicability to trade, industry, or agriculture.

## 2.6 The effect of a patent grant

The granting of a patent may have two effects:

- **Negative effect:** The patentee has the right to exclude other persons from making, using, exercising, or disposing of the invention.
- **Positive effect:** The patentee has the right to make a profit from exploiting the invention.

<sup>14</sup> Alberts, W, Intellectual property: What is required for the registration of a patent? *De Rebus*, Pretoria: Law Society of South Africa December 2007.

If a patent is over a method of doing things, the use of that method in another country does not infringe on the South African patent rights. If a patent is over an invention, and an article is manufactured overseas using the invention, the South African patent rights will be infringed only when the article is brought into South Africa.

Legal proceedings for the infringement of a patent can only be instituted nine months after a patent has been granted. During that time, no legal action can be taken.

## 2.7 The duration of a patent grant

Patent rights are monopoly rights that expire automatically after a defined period of time. When the patent expires, is revoked, or lapses, the patent rights cease and the public is freely entitled to use the information provided in the patent specification. The period of protection must not be too short (because this would detract from the incentive to exploit the exclusive rights) or too long (because this would create excessive exploitation through monopoly rights and high prices and interfere with industrial and commercial development). A patent is granted for 20 years from the date of the filing of the complete patent application.

Annual renewal fees are payable from the end of the third year after the date of filing of the complete application. In total, 17 annual renewal fees are payable. If the renewal fee is not paid within six months of the due date, the patent will lapse. A patent that has lapsed due to non-payment of a renewal fee, may be restored once the applicant has shown the Registrar that the omission to pay the renewal fee was unintentional and no undue delay occurred in making the application.

## 2.8 Patent Co-operation Treaty

Previously, if an inventor wanted to apply for patent protection in other countries, then individual patent applications had to be made in each respective country. This would involve the preparation and filing of several patent applications, translation costs, the services of patent attorneys in these countries, and fees to the various patent offices. The costs involved could be huge. Also, where the patent office in each country had to carry out a formal examination of the application, and each office had to comply with search procedures, there was significant duplication of effort.

To overcome these problems the Patent Co-operation Treaty (PCT) was entered into by South Africa, and came into effect in March 1999. There are currently 108 countries (including South Africa) that are part of this international treaty.

The PCT is an agreement for international co-operation in the field of patents. It does not provide for the granting of 'international patents'. Instead, the PCT streamlines the international search and examination process.

## 2.9 Infringement of patent rights

Legal action can only be taken nine months after publication of the patent acceptance in the *Patent Journal*. Action then may be taken by the patentee or an exclusive licensee.

Remedies that may be applied for include interdict; delivery to the patent holder of anything involving the infringement; or damages. Damages can be claimed only where the infringer was aware of the existence of the patent rights. If the patentee marked the invention with a patent number, this is notice that patent rights exist in the invention. Damages may take the form of a reasonable royalty which would have been payable by a licence holder.

The defendant may counterclaim for the revocation of the patent on any of the following grounds:

- The patentee was not entitled to apply for a patent.



- The patent rights were obtained fraudulently.
- The invention was non-patentable because it was not new or it was obvious.
- The illustrations or examples set out in the complete specification are incapable of performance, or unable to lead to the results and advantages set out in the complete specification.
- No full description and disclosure of the invention was made in the complete specification, or the best method was not disclosed.
- The claims are not clear, or not fairly based on the matter disclosed.
- A false statement was contained in the declaration filed with the Registrar.
- The invention is expressly non-patentable because it is frivolous and contrary to natural laws, or it would encourage offensive or criminal behaviour.
- The invention concerns microbiological processes or products, and no samples were provided as required.

***Orica Mining Services SA (Pty) Ltd v Elbroc Mining Products (Pty) Ltd*<sup>15</sup>**

O claimed that E infringed its rights by selling a roof bolting machine patented by O. The machine was a double rig that allowed for holes to be drilled in mining tunnels. The device had two arms that supported the wall to prevent collapse, while the drill, which was positioned between the arms, was operated remotely. O's claim was that the E drill was positioned 'between the arms' of the E machine; E argued that its machine was different because the position of that drill was at a right angle, a small distance from the linear line between the arms of the machine.

The court held that it could be difficult to decide if wording set out in a patent specification was an essential or non-essential feature of a claim of infringement. In this case, E had submitted three different interpretations of the word 'between', which indicated that it was also not clear about the precise meaning of the word. The court then decided to take a purposive approach to interpreting the patent specification and the patent document as a whole, which took into account the practical knowledge and experience of a 'person skilled in the art'. Such a person would understand whether strict compliance with a particular word or phrase was intended.

The court held that the patent had been infringed.

## 2.10 Transfer of patent

Ownership of a patent can be transferred by assignment, which should be in writing and lodged with the Registrar. Similarly, an employment contract can provide that the rights to an invention must be assigned to the employer provided it was discovered in the course and scope of employment or within one year of termination of such employment.<sup>16</sup> Even in the absence of such a specific provision, a copy of an employment contract can be lodged by the employer with the Registrar instead of a written assignment to provide proof that the employer owns the rights to the patent.<sup>17</sup>

<sup>15</sup> *Orica Mining Services SA (Pty) Ltd v Elbroc Mining Products (Pty) Ltd* [2017] 2 All SA 796 (SCA).

<sup>16</sup> *El du Pont de Nemours and Company v SA Nylon Spinners (Pty) Ltd* 1987 BP 282 (CP); *Firm Construction Co Ltd v PG Kusel* 1997 BIP 25 (CP).

<sup>17</sup> Merry, R and Vally, M, *Employing intellectual property wisely*, *De Rebus*, Pretoria: Law Society of South Africa December 2013.

### 3 Copyright Act

Copyright is the legal right granted to an author, composer, playwright, publisher, or distributor to exclusive publication, production, sale, or distribution of a literary, musical, dramatic, or artistic work.

Copyright exists, not in an original idea for a literary, musical, or artistic work, but in the representation of that idea in written or artistic form. This means that two people may each have the same original idea and both may have valid copyright over individual representations of that idea. Copyright is seen as a negative right to prevent the appropriation by another of the labours of the author.

In August 1951, South Africa became a signatory to the international Berne Convention.<sup>18</sup> This means that South Africa grants reciprocal recognition and protection to copyright holders in countries that also have signed this Convention.

Four requirements must be met for copyright to exist and be protected in South Africa under the Copyright Act:<sup>19</sup>

- The work must be original: It must have required the author to use skill and some effort in creating the work.
- The work must be reduced to a material form.
- The author must have been a citizen of, or domiciled in, South Africa or a Convention country.
- The work must have been first published or made in, or sent by satellite from, South Africa or a Convention country.

#### ***Gallo Africa Ltd and others v Sting Music (Pty) Ltd and others***<sup>20</sup>

A company was staging a musical in South Africa and 19 other countries. The musical contained songs of various artists, which were being used without the copyright holder's permission. The copyright holder sued for damages and royalties, and an interdict to prevent the company from performing the songs in future.

The court had to decide if it had jurisdiction to deal with the violation of the copyright in the other 19 countries, as well as in South Africa. It held that our law distinguished between movable and immovable incorporeals. Intellectual property rights, including copyrights, were immovable intangibles and local courts had no jurisdiction over property situated outside the country. This meant that South African courts do not have jurisdiction in respect of foreign copyright issues.

#### 3.1 Copyright defined

The work must be original and fall within one of the following categories. Note that the terms used may have wider meanings than used in the ordinary sense:

- **Literary works, including:**
  - ♦ Novels, stories, and poetical works. (This includes adaptations of the work in dramatic or non-dramatic form, translations, or versions in which the work is conveyed in pictures for reproduction in a book, newspaper, or magazine.)
  - ♦ Dramatic works, stage directions, film scenarios, and broadcasting scripts.
  - ♦ Textbooks, histories, biographies, essays, and articles.
  - ♦ Encyclopaedias and dictionaries.

<sup>18</sup> Berne Convention for the Protection of Literary and Artistic Works, Brussels text of 1948.

<sup>19</sup> Copyright Act 98 of 1978.

<sup>20</sup> *Gallo Africa (Ltd) and others v Sting Music (Pty) Ltd and others* 2010 (6) SA 329 (SCA).

- ◆ Letters, reports, and memoranda.
- ◆ Lectures, speeches, and sermons.
- ◆ Written tables and compilations, including those stored on computer.
- **Musical works:** Excluding any words sung or performed with the music.
- **Artistic works:** Including a transformation of the work in such a way that substantial features of the original remain recognisable. One category includes paintings, sculptures, drawings, engravings, and photographs. A second category includes works of architecture, whether buildings or models of buildings. A third category includes works of craftsmanship not falling within either of the first two categories.
- **Cinematographic films:** Including the soundtrack. Copyright in cinematographic films is registered by the provisions of the Registration of Copyright in Cinematographic Films Act.<sup>21</sup>
- **Sound recordings.**
- **Broadcasts.**
- **Programme-carrying signals passing through satellites.**
- **Published editions.**
- **Computer programs:** Including a version of the program in a programming language, version, code, or notation different from that in the program.

Any work, unless it is a broadcast or a programme-carrying signal, is not eligible for copyright unless it can be written down, recorded, or reduced to a material form.

### 3.2 Nature of copyright

Copyright in a work gives the exclusive right to do any of the following in South Africa:

- Reproduce the work in any manner or form, publish, perform, or broadcast the work.
- Cause the work to be transmitted.
- Make an adaptation of the work.

The copyright in a sound recording gives the copyright holder exclusive right to make a record of the sound recording, or hire a reproduction of the sound recording. Similar provisions exist for copyright held in broadcasts and programme-carrying signals.

Copyright in a computer program gives the copyright holder the exclusive right to:

- Reproduce or publish the computer program or an adaptation of it.
- Perform the program in public.
- Broadcast the program or cause it to be transmitted.
- Hire a copy of the computer program.

#### ***Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd and others***<sup>22</sup>

The author of three computer programs alleged infringement of his copyrights, and applied for an interdict restraining the respondents from copying it. The respondents argued that the reproduction of the program they made was not substantial.

The court held that where a part of a work was reproduced, the question whether a substantial part had been reproduced depended more on the quality than the quantity of what had been taken. Although in this case only 26% of the graphic component had been copied, consisting of 63 lines of several thousand lines of the source code, those lines had been copied because the

<sup>21</sup> Registration of Copyright in Cinematographic Films Act 62 of 1977.

<sup>22</sup> *Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd and others* 2006 (4) SA 458 (SCA).

respondents found it too difficult to write themselves. The components were therefore considered to be a valuable ingredient of the program by both parties. Copying a valuable component therefore amounted to the reproduction of a substantial part of the program and was accordingly an infringement of copyright.

### 3.3 General exception from protection

Copyright is not infringed in certain limited cases:

- **Lecture or address:** If delivered in public, a work may be reproduced in the press or broadcast for information purposes without breaching copyright. An article published in a newspaper or a magazine may be copied in the press or broadcast, provided further publication has not been prohibited and the source is stated.
- **Official text:** No copyright exists in official texts, or translations, of a legislative, administrative, or legal nature; political speeches; or press items of news of the day.
- **Background:** Artistic works, musical works, or portions of films or soundtracks may be included in a film or television broadcast for background effect, or if it is incidental to the matters being filmed or broadcast. Copyright in architecture or drawings will not be breached if the building is reconstructed on the same site and in the same style as the original. Computer programs may be copied for private and reasonably necessary back-up purposes. A copy of a computer program must be destroyed if possession of the original program becomes unlawful.
- **Literary, musical, or artistic work:** Must be used solely, and then only to the extent reasonably necessary:
  - ◆ For the purposes of research or private study by, or the personal or private use of, the person using the work.
  - ◆ For the purposes of criticism or review of that work or another work.
  - ◆ For the purposes of reporting current events in a newspaper, magazine, or similar periodical, or by means of broadcasting, or in a film.

In these situations a copy may not be made of the whole work or even a substantial portion of the work. Where the purpose of copying is for reporting or criticism, the name of the author must be mentioned, as well as the source.

Copyright in a literary, musical, or artistic work is not infringed if the work or a portion of it is used:

- In judicial proceedings, or in reporting judicial proceedings.
- For quoting from the work, provided that the quotation is not longer than necessary to justify the purpose. The source also must be mentioned, as well as the name of the author as it appears on the work.
- For illustrating a point in teaching, provided that the illustration is not longer than necessary to justify the purpose. The source also must be mentioned, as well as the name of the author as it appears on the work.
- By a broadcaster to make a copy of the work using its own facilities, provided the copy is destroyed within six months of the lawful broadcast. Copies of exceptional documentaries may be kept in archives, but not used unless with the author's consent.
- For use in a genuine demonstration of radio or television receivers, or any type of recording or playback equipment, to a client by a dealer in that equipment.

If a person obtains the right to copy a work, the author still will be able to claim ownership of the work and may object to any distortion, mutilation, or other modification of the work where this is prejudicial to the honour or reputation of the author. The right to make an objection is known as the author's residuary right, or moral right.

An author of a work in a film, television broadcast, or computer program cannot object to a modification that is absolutely necessary for technical grounds, or reasons of commercial exploitation of the work.

### 3.4 Ownership of copyright

Copyright normally belongs to the author of the work. It is up to the author to decide whether to allow others to copy it at a fee, or to personally produce and sell copies. Copyright can be enforced in South Africa if the author is a South African citizen, or domiciled or resident in South Africa (if a natural person); the author is incorporated in South Africa (if a company); or if the work was first published in South Africa.

Where the work is produced by the author during the course and scope of employment with another, the work is automatically assigned to the employer, who is then the owner of the copyright. The author has limited 'moral' rights to see that the idea is not misused or misrepresented, but receives no financial benefit. Similarly, where the work is made under the direction of the State, the copyright is owned by the State.

But what of a situation where an employee creates a work at home, or even during breaks during office hours at the workplace? Our courts have held that the phrase 'in the course of employment' is not limited to tasks that are included specifically in a job description or in the employment contract. The courts will look at the facts of each case, such as whether the work was designed to fit with and become a part of the employer's own system and whether the work was directly related to the employer's business and was to the benefit of the employer.<sup>23</sup>

Where an independent contractor makes the work, ownership remains with the contractor. Conversely, where a person commissions and pays for the taking of a photograph, the painting or drawing of a portrait, or the making of a gravure, film, or sound recording, copyright vests in the person giving the commission.<sup>24</sup>

### 3.5 Endurance of copyright

Copyright generally lasts for a period of 50 years:

- **Literary, artistic, or musical works:** Copyright will normally last for the entire lifetime of the author, plus a period of 50 years after the death of the author. If more than one author is involved, then copyright will end 50 years after the death of the last dying joint author.
- **Cinematographic films, photographs, and computer programs:** Copyright will end 50 years from the end of the year in which the work was made available to the public with the consent of the author.
- **Sound recordings:** Copyright will end 50 years from the end of the year in which the recording was first published.
- **Broadcasts:** Copyright will end 50 years from the end of the year in which the broadcast first took place.

<sup>23</sup> *King v South African Weather Service* 2009 (3) SA 13 (SCA).

<sup>24</sup> Merry, R and Vally, M, *Employing intellectual property wisely, De Rebus*, Pretoria: Law Society of South Africa December 2013.

- **Programme-carrying signals:** Copyright will end 50 years from the end of the year in which the signals were transmitted to a satellite.
- **Published editions:** Copyright will end 50 years from the end of the year in which the edition was first published.

Valid ownership in copyright can be transferred contractually by assignment, or even by a will. The assignment must be in writing and signed by the person assigning the copyright. Even if copyright is assigned by a valid contract, the author will keep a residual moral right to object to any distortion, mutilation, or modification of the work that is prejudicial to their honour or reputation.

### 3.6 Infringement of copyright

There are two types of infringement:

- **Primary (direct) infringement:** In this case, a person reproduces, rebroadcasts, or redistributes a copyrighted work without the author's authorisation. This is a criminal offence if the person knew that this was an infringement of copyright.
- **Secondary (indirect) infringement:** Copyright is infringed by a person who, without the author's authorisation:
  - ◆ Imports a copyrighted article into South Africa for a purpose other than domestic or private use.
  - ◆ Sells, or offers for sale or hire in South Africa a copyrighted article.
  - ◆ Distributes in South Africa a copyrighted article for the purposes of trade and the owner of the copyright is prejudicially affected.
  - ◆ Acquires in South Africa a copyrighted article relating to a computer program.

These are criminal offences if the person had knowledge that the act would have constituted an infringement if the article had been made in South Africa.

Copyright in a literary, musical work, or artistic work also is infringed by any person who allows a place of public entertainment to be used for a performance of the work, where the performance constitutes an infringement of copyright. This is a criminal offence if the person was aware and had reasonable grounds for suspecting that the performance would be an infringement of copyright.

### 3.7 Remedies

Where a protected work has been copied, the holder of the copyright has several legal remedies to protect copyright:

- **Interdict to prevent further copying:** However, where copyright is breached regarding the construction of a building, the court will not grant an order to demolish the building or an order preventing the building from being completed.
- **Damages:** Where the defendant was not aware that copyright existed in the work, and had no reasonable grounds for suspecting that it did, then no damages may be claimed. However, in other circumstances damages may be claimed and calculated on the basis of a reasonable royalty which would have been payable. The court will take into account the nature and extent of the infringement, and the amount of lost licensing fees payable to the copyright holder. Additional damages may be awarded by the court considering the flagrancy of the infringement and the benefit accruing to the defendant by reason of the infringement.

- **Delivery of infringing copies, or plates used or intended to be used.**
- **Criminal penalty:** For a first conviction, a fine not exceeding R5 000, or imprisonment for up to three years, or both, for each work or article to which the offence relates. For further convictions, a fine not exceeding R10 000, or imprisonment for up to five years, or both, for each work or article to which the offence relates.

## 4 Trade Marks Act

In terms of the Trade Marks Act,<sup>25</sup> a ‘trademark’ is any sign capable of being represented graphically for use on goods or services. It may be a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods. ‘Graphical’ representation means that the trademark must be clear, precise, self-contained, easily accessible, intelligible, durable and objective.<sup>26</sup>

The purpose of a trademark is to create in the minds of people a connection between the particular goods or services and the holder of the trademark, and to distinguish the trademark holder’s goods or services from other goods or services. The law protects trademarks by allowing them to be registered; this means that only the trademark holder is allowed to use the trademark.

Traditionally, trademarks have been used as brand names, slogans or logos. A ‘brand name’ is a word or combination of words. A ‘slogan’ is a short phrase or a sentence and a ‘logo’ is a distinctive picture or symbol. They provide a distinctive identity in the marketplace.

With advances in technology, traders have developed new ways to distinguish their goods from those of their competitors. For example, marketers may use non-traditional methods to distinguish their goods, such as using tastes, textures, smells, sounds, gestures, motions, holograms and three-dimensional representations.

It may therefore be possible for a non-traditional concept to be registered as a trademark if it is combined with a traditional way of being represented graphically.

### ***Société des Produits Nestlé SA and another v International Foodstuffs Co and others***<sup>27</sup>

Nestlé and Iffco were international competitors in the sale of chocolates. Nestlé had for many years manufactured and sold a four-finger and two-finger-shaped wafer chocolate called ‘Kit Kat’, which was marketed with the slogan: ‘Have a Break, have a Kit Kat’. The slogan was trademarked. Nestlé was in dispute about the physical shape and the name of a wafer chocolate bar marketed and sold by Iffco called ‘Break’.

Nestlé sued Iffco, alleging that ‘Break’ infringed its trademark. Iffco counter-sued, applying to have the ‘Kit Kat’ trademark deregistered.

The court held that the use of the word ‘Break’ on Iffco packaging as a trademark was not confusingly or deceptively similar to Nestlé’s trademark ‘Have a Break, Have a Kit Kat’. However, the use by Iffco of the same shape of finger wafer chocolate as depicted on its packaging and its three-dimensional form would be perceived by the consumer as emanating from Nestlé. Accordingly the court ruled in favour of Nestlé.

<sup>25</sup> Trade Marks Act 194 of 1993.

<sup>26</sup> *Sieckmann v Deutsches Patent- und Markenamt* (case no 273/00, 12-12-2002) ECJ.

<sup>27</sup> *Société des Produits Nestlé SA and another v International Foodstuffs Co and others* [2015] 1 All SA 492 (SCA).

## 4.1 Use of the trademark

When a trademark has been registered, nobody else can use the trademark, or one that is similar. If this happens, legal action may result. There is therefore commercial value in the names or features of certain well-known products.

A basic principle in our trademark law is that the proprietor of a trademark must actually use the mark in relation to their goods and services to distinguish them from those of competitors. This requirement is stated in the Act which defines a trademark as a mark 'used' by a person. This leaves open the question of how much 'use' is required to meet the statutory requirement.

The issue of the amount of use required to constitute 'use' of a trademark has come before overseas courts. Generally, it will be sufficient to establish genuine use even if the amount of use is not high. Even minimal use can therefore be sufficient to qualify as genuine for the purpose of preserving trademark protection.<sup>28</sup>

### ***Vitakraft-Werke Wuhmann and Sohn GmbH and Co KG v OHIM***<sup>29</sup>

The European Court of Justice held that the publication of trade catalogues advertising products bearing the trademark did not constitute sufficient use of the trademark. The publication and advertisement of the products bearing the trademark only created a presumption that the products were available in the market and had been sold to the public. This presumption did not constitute proof of the actual use of the trademark; proof of sales of the products was required.

In general, the following principles will apply:

- Genuine use of a trademark requires actual use of the mark; token use just to preserve the rights conferred by the mark is insufficient.
- Genuine use of a trademark requires use of that mark in the market for the goods or services protected by that mark. It does not include internal use by the undertaking concerned.
- The use of the trademark has to be for goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are underway. For example, through advertising campaigns.
- Factors such as the use of the trademark to maintain or create a market share, the frequency of use and the characteristics of the relevant market have to be considered in order to determine whether the commercial exploitation of the mark is real.<sup>30</sup>

### ***Laboratoires Goemar SA v La Mer Technology Inc***<sup>31</sup>

A company attempting to establish a market for its products in the UK sold products bearing the trademark for a total value of £800, before ceasing trading.

The UK Court of Appeals held that the importation of the products did not constitute internal use of the trademark. Also, the sales, despite being very modest, were evidence of the existence of an economic market for the products. This was sufficient to constitute actual use of the mark.

28 Burt, H, De minimis use of a trade mark – Actual genuine use? *De Rebus*, Pretoria: Law Society of South Africa February 2007.

29 *Vitakraft-Werke Wuhmann and Sohn GmbH and Co KG v OHIM* (case T-356/02).

30 Burt, H, De minimis use of a trade mark – Actual genuine use? *De Rebus*, Pretoria: Law Society of South Africa February 2007.

31 *Laboratoires Goemar SA v La Mer Technology Inc* (2005 EWCA Civ 978).



## 4.2 Types of trademark

The Act provides for the registration of two types of trademarks:

- **Collective trademark:** This is a mark capable of distinguishing goods or services of persons who are members of an association, from the goods or services of non-members. These may include geographical names or places of origin.
- **Certification trademark:** This is a mark capable of distinguishing goods or services in respect of kind, quality, quantity, intended purpose, value, geographical origin, or mode or time of production, from goods or services not so certified.

## 4.3 Duration of registration

The duration of a trademark is only ten years, but it may be renewed for further periods of ten years.

## 4.4 Registration of trademark

The Act creates a Registrar of Trade Marks, who is in control of the administration of trademarks at the Companies and Intellectual Property Commission (CIPC). The basic requirement for registration is that the mark must be distinctive, that is, it must distinguish certain goods or services from those registered by another person.

Although it is not a legal necessity to register a trademark, it is strongly advisable. Exclusive rights to an unregistered trademark can only be defended in terms of common law, whereas registration provides the protection of the Act. The registration procedure results in a registration certificate that has legal status, vesting in the owner of the registered trademark the exclusive right to use that mark.

The following marks will not be registered:

- Any mark reasonably required for use in the trade to designate the kind, quality, quantity, intended purpose, value, geographical origin, or mode of production of goods or services.
- A mark for which the applicant has no genuine claim to ownership, or which the applicant has no genuine intention of using as a trademark.
- A mark consisting of a colour or shape necessary to obtain a specific technical result.
- A mark that is a reproduction, imitation, or translation of any mark entitled to protection under the international Paris Convention,<sup>32</sup> and which is used for similar goods and services.
- A mark for an application that was made in bad faith.
- A mark which contains the coat of arms, seal, or national flag of South Africa or any country that is also a signatory to the Paris Convention.<sup>33</sup>
- A mark indicating State patronage by any level of government in South Africa.
- A mark consisting of a container for goods, or the shape, configuration, colour, or pattern of goods, where registration is likely to limit the development of any art or industry.
- A mark inherently likely to cause deception or confusion, or which is offensive.
- A mark likely to cause deception or confusion due to the manner in which it has been used previously.
- A mark identical to that registered by a different person in relation to similar goods or services.

<sup>32</sup> Paris Convention of the Protection of Industrial Property, 20 March 1883.

<sup>33</sup> Ibid.

- A mark similar or identical to a registered trademark if the use of the mark would be likely or take unfair advantage of the distinctive character of the registered trademark.

***Online Lottery Services (Pty) Ltd and others v National Lotteries Board and others*<sup>34</sup>**

The National Lotteries Board had registered 'LOTTO' as its trademark in 1991, and had granted licences since then to other companies to operate lotteries. The NLB objected to a company registered under the name of 'LottoFun' because they said it was similar to its 'Lotto' trademark and misled members of the public into believing that the two were related. The company then changed its name to 'Online Lottery Services' but kept using the name 'LottoFun' as a trade name. The NLB applied for an interdict to stop the company using 'LottoFun' as a trading name.

The court held that the word 'lotto' was not a recent invention. On the contrary it had been received into the English language in the late eighteenth century, having Italian and Germanic roots where it referred to a game of chance played with cards. Therefore, the word was alive in South African language usage at the time of its registration as a trademark in 1991 as it had been for many years. Just as the term 'motorcar' generally covered many different forms of vehicle both in design and name, none of which entitled anyone to the sole trading use of the generic name, so it was with 'lotto' at the relevant time.

The court refused to give a monopoly in a descriptive word to one trader at the expense of others. The NLB lost the case, and the court ordered the cancellation of 'Lotto' as a registered trademark.

The register of trademarks is kept at the trademarks office and details all trademarks registered under the Act. The register may be viewed by members of the public.

The owner of a trademark may register it by applying to the Registrar of Trade Marks. On the registration of a trademark, the Registrar issues to the applicant a certificate in the prescribed form sealed with the seal of the trademarks office. On the refusal of any application, the Registrar must supply written reasons. The refusal can be appealed against in court.

The Registrar may cause the owner to publish the application for registration. Any person who objects must do so within two months of the advertisement, setting out the reasons for the objection. The applicant then must lodge a written counter-statement and the Registrar will reconsider the application. The Registrar may decide that the trademark may be registered subject to various conditions or amendments. If the Registrar decides not to register the trademark, the applicant may request that a day be fixed to hear witness testimony and oral argument from the applicant and the objector. The Registrar then may refer the matter to court.

The Registrar will not register a trademark if the mark is a 'generic' term. This means that it just identifies the type of product, rather than a specific product. 'Genericide' is a process by which a distinctive and strong trademark gradually loses its distinctiveness over time to the point it becomes the common name of the type of product. At this point the public associates the name with a type of product rather than a specific one, and once this happens the trademark holder may lose its protected status.<sup>35</sup> For example, the word 'aspirin' was the name of a specific product, but became used as the term to describe all headache tablets

<sup>34</sup> *Online Lottery Services (Pty) Ltd and others v National Lotteries Board and others* 2010 (5) SA 349 (SCA).

<sup>35</sup> Goliath, P, Everyday words can be the death of a trade mark, *De Rebus*, Pretoria: Law Society of South Africa January/February 2015.

and so became generic. Similarly, product names like linoleum, brassiere, trampoline, zipper and Thermos were once trademarked but became generic and lost their distinctiveness.<sup>36</sup>

#### 4.5 Removal from register of trademarks

On application to the court or the Registrar, any trademark may be removed from the register on the grounds that: it was not used for a period of at least three months prior to the application for removal; it was not used for a continuous period of five years or longer from the date of issue of the registration certificate; or if the person in whose name the mark was registered has died or been dissolved over two years prior to the date of application for registration, and no application for assignment has been made.

The registered proprietor bears the onus of proving relevant use of the mark. The applicant for removal will not succeed if the non-use was due to special circumstances of the trade, and not due to any intention to abandon or not use the trademark in relation to the goods or services to which the application relates.

##### ***Truworths Ltd v Primark Holdings***<sup>37</sup>

Truworths, a South African fashion retailer, wanted to register 'PRIMARK' as a trademark. Primark, an international fashion retailer, had registered the same mark in 1976 but had never since opened a store locally. Truworths brought an application for the removal of Primark's mark from the register on the grounds of non-use.

Primark argued that its trademark was well known in South Africa; Truworths argued that the mark was not well known in the group of consumers who were actual customers of the type of good to which the mark applied.

The court held that the issue was whether the mark was well known in the relevant sector in SA, which in this case included actual and potential consumers of the goods. In the relevant market of middle-to-lower-income groups, the mark was not well known. The court granted an order removing the mark from the register.

A trademark can also be removed if it is found to no longer be 'distinctive' in that it is no longer capable of distinguishing particular goods or services from those of others

##### ***Discovery Holdings Ltd v Sanlam Ltd and others***<sup>38</sup>

Discovery was the registered owner of the trademark, 'Escalator Funds'. After registration, Sanlam, which was a direct competitor, applied for registration of the trademark, 'Sanlam Escalating Fund'. Discovery applied for an interdict to stop Sanlam, arguing that the name of the product was confusingly similar. Sanlam counter-sued, arguing that the term 'Escalator Funds' was descriptive of a product, and not distinctive.

The court found the term to be descriptive of the risk in the product, and not distinctive. The term 'escalator' was a common English word in use for decades and was not originated by any of the parties. It ruled in favour of Sanlam.

36 *Linoleum Manufacturing Co v Nairn* LR 7 Ch.D 834 (1878); *Bayer Co v United Drug Co* 272 F 505 (SDNY 1921); *King-Seeley Thermos Co v Aladdin Industries Inc* 321 F 2d 577, 579 (2d Cir 1963); *Coca Cola Co v Overland Inc* 692 F 2d 1250, 1252 (9th Cir 1982).

37 *Truworths Ltd v Primark Holdings* 2019 (1) SA 179 (SCA).

38 *Discovery Holdings Ltd v Sanlam Ltd and others* 2015 (1) SA 365 (WCC).

#### 4.6 Protection of well-known marks under the Paris Convention<sup>39</sup>

Any citizen or person domiciled in a Convention country will be able to protect their trademark from being used or copied without authority in South Africa. Goods for export from a Convention country to South Africa are also protected by the law in South Africa.

Any person who applies for registration of a trademark in a Convention country is entitled to registration of the mark, in priority to other applicants, effective the same date as the date of the first application in the Convention country.

#### 4.7 Infringement

Section 34 of the Act provides that a registered trademark is infringed by:

- Unauthorised use of an identical or similar mark so as to be likely to deceive or cause confusion.
- Unauthorised use of an identical or similar mark that in such use there exists the likelihood of deception or confusion.
- Unauthorised use of an identical or similar mark if that trademark is well known in South Africa and its use would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trademark, notwithstanding the absence of confusion or deception.

One simply has to compare the registered mark and the mark that allegedly infringes it. Any person who falsely represents that a trademark is registered is guilty of an offence and liable on conviction to a fine, or imprisonment for up to 12 months.

##### ***Plascon-Evans Ltd v Van Riebeeck Paints (Pty) Ltd***<sup>40</sup>

The court held that the trademarks 'Micatex' and 'Mikacote' were confusingly similar, so that the latter infringed a registration for the former.

The court also held that onus is on the plaintiff to show the probability or likelihood of deception or confusion. It is not required to show that every person interested or concerned (usually as customer) in the class of goods for which their trademark has been registered would probably be deceived or confused. It is sufficient if the probabilities establish that a substantial number of such persons will be deceived or confused.

The concept of deception or confusion is not limited to creating a mistaken impression in the minds of interested persons. It is enough for the plaintiff to show that a substantial number of persons will probably be confused as to the origin of the goods or the existence or non-existence of such a connection.<sup>41</sup>

This will involve a comparison between the mark used by the defendant and the registered mark and, having regard to the similarities and differences in the two marks.

##### ***Puma AG Rudolf Dassler Sport v Global Warming (Pty) Ltd***<sup>42</sup>

The court held that the question of likelihood of confusion or deception was a matter of first impression. One should not peer too closely at the registered trademark and the alleged

39 Paris Convention of the Protection of Industrial Property, 20 March 1883.

40 *Plascon-Evans Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A).

41 Alberts, W, 'Promotional use' of a trade mark, *De Rebus*, Pretoria: Law Society of South Africa January/February 2003.

42 *Puma AG Rudolf Dassler Sport v Global Warming (Pty) Ltd* 2010 (2) SA 600 (SCA).

infringement to find similarities and differences. A trademark infringement case required an objective comparison between the registered trademark and the respondent's actual use.

The courts will assess the impact that the defendant's mark would make upon the average type of customer who would be likely to purchase the kind of goods to which the marks are applied. The average customer must be thought of as a person of average intelligence, having proper eyesight and buying with ordinary caution.

The comparison must be made with reference to the sense, sound and appearance of the marks. The marks must be viewed as they would be encountered in the marketplace and against the background of relevant surrounding circumstances. The marks must not only be considered side by side, but also separately. It must be borne in mind that the ordinary purchaser may encounter goods, bearing the defendant's mark, with an imperfect recollection of the registered mark and due allowance must be made for this. If each of the marks contains a main or dominant feature or idea the likely impact made by this on the mind of the customer must be taken into account. As has been put, marks are remembered rather by general impression or by some significant or striking feature than by a photographic recollection of the whole. And finally consideration must be given to the manner in which the marks are likely to be used as, for example, the use of name marks in conjunction with a generic description of the goods.<sup>43</sup>

***New Media Publishing (Pty) Ltd v Eating Out Web Services CC*<sup>44</sup>**

The court held that where the trademark alleged to be infringed is descriptive rather than fancy, invented or made up, it would generally be more difficult for a trader to establish that a substantial number of members of the public or of persons in the trade concerned would regard the goods or services bearing that name as coming from a particular single source. The less the similarity between the respective goods or services of the parties, the greater would be the degree of resemblance required between their respective marks before it could be said that there was a likelihood of deception or confusion in the use of the allegedly offending mark.

However, if the respective goods or services of the parties are so dissimilar to each other that there was no likelihood of deception or confusion, the use by the respondent even of a mark which was identical to the applicant's registered mark would not constitute an infringement. Similarly, if the two marks are sufficiently dissimilar to each other, then no amount of similarity between the respective goods or services of the parties would suffice to bring about an infringement.

***Swatch AG (Swatch SA) v Apple Inc*<sup>45</sup>**

S was the owner of the SWATCH trademark. It opposed the registration of the IWATCH trademark filed by A.

A argued that the likelihood of confusion was very little because of its longstanding established brand with a family of i-prefixed trademarks. A consumer who came across a product with the i-prefix would recognise the product as part of the Apple family of products.

S argued that both marks consisted only of words. There was no logo or distinguishing mark. Both used the same word 'WATCH' with a single letter prefix. This was the only visual difference and when spoken the marks sounded the same.

43 *Plascon-Evans Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A).

44 *New Media Publishing (Pty) Ltd v Eating Out Web Services CC* 2005 (5) SA 388 (C).

45 *Swatch AG (Swatch SA) v Apple Inc* 2021JDR 0095 (SCA).

The court held that where marks contain a descriptive word, emphasis must be placed on the prefix. That was what differentiated the marks from one another. Neither trademarks nor copyright should secure a monopoly over a descriptive word.

A registered trademark will not be infringed by any of the following:

- The good faith use by a person of their own name or place of business, or those of their predecessors.
- The good faith use by any person of any description or indication of kind, quality, quantity, intended purpose, value, geographical origin, or other characteristics of their goods or services, or the time or mode of production of the goods or services.
- The good faith use of a trademark in relation to goods and services where it is reasonable to indicate the intended purpose of the services and goods, including spare parts and accessories.
- The importation into South Africa, distribution, or sale of goods, to which the trademark has been applied with the consent of the proprietor.
- The good faith use by any person of any utilitarian features embodied in a container, shape, configuration, colour, or pattern which is a registered trademark.
- The use of the trademark outside of the purposes for which it is registered.
- The use of any identical, confusing, or seemingly similar trademark which is registered.

***Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as amicus curiae)***<sup>46</sup>

The court considered the balance between the guarantee of free expression in the Bill of Rights and the protection of registered trademarks.

Laugh It Off Promotions (LIOP) sold T-shirts making fun of well-recognised brands bearing registered trademarks belonging to SAB. LIOP had used the general layout and colours of Carling Black Label, but substituted the words 'Black Label' with 'Black Labour', and the words 'Carling Beer' with 'White Guilt'. The phrases 'America's lusty lively beer' and 'Enjoyed by men around the world' were replaced by 'Africa's lusty, lively exploitation since 1652' and 'No regard given world-wide'.

SAB applied to the High Court for an interdict and claimed it was entitled to protection under section 34(1)(c) of the Trade Marks Act.<sup>47</sup> This section of the Act prohibits the use of a well-known mark where the use would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the mark, even in the absence of confusion or deception. LIOP's mark was said to be in bad taste, to show racial prejudice, and to be of an inflammatory nature.

LIOP stated that its actions should be seen in the context of its aversion to the perceived use of intellectual property legislation by large corporate entities to stifle freedom of expression and thought. LIOP said it was engaged in 'culture jamming' that used 'subvertisements' to provide social comment on brands and branding. SAB's response was that LIOP operated a commercial enterprise geared towards making money and thus did not really have an altruistic motive.

The Supreme Court of Appeal (SCA) held that the message on the T-shirt was materially detrimental to the repute of SAB's trademarks. It also held that parody was not a defence against trademark infringement but was only a factor to be considered in determining whether a

<sup>46</sup> *Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as amicus curiae)* 2006 (1) SA 144 (CC).

<sup>47</sup> Trade Marks Act 194 of 1993.

defendant's use of a mark contrary to the Act was constitutionally protected. The SCA held in favour of SAB.

On appeal, the Constitutional Court held that the dilution of a trademark protected by the Act could take two forms: blurring (the reduction or weakening of the distinctive character of the brand) or tarnishment (the creation of unfavourable associations between a well-known mark and the mark of an unauthorised user). In the case of tarnishment, the object of protection was the repute of the brand.

The Constitutional Court held that the SCA had made a mistake in following a two-stage approach in deciding the merits of the infringement claim: by deciding 1) whether infringement had occurred and then 2) whether the right to freedom of expression afforded jurisdiction for the infringement. The SCA had failed to give proper weight to the right to freedom of expression. What was necessary was an interpretation of the Act most compatible with the right to free expression. The anti-dilution provision had to be given the meaning that was least destructive of free-expression rights.

The Constitutional Court held that infringement will occur only if 'unfair advantage' or 'unfair detriment' was shown. The detriment had to be substantial in the sense that it was likely to cause substantial harm to the uniqueness and repute of the marks. The interests of SAB had to be balanced against the claim of free expression by LIOP. To succeed, SAB had the onus of proving the likelihood of substantial harm or detriment which amounted to unfairness. In this case SAB had failed to provide the slightest suggestion, let alone proof of likelihood of economical harm by, for example, proof of a drop in beer sales after the T-shirts were printed and distributed by LIOP.

LIOP accordingly won the appeal, with costs.

## 4.8 Remedies

Where a registered mark has been infringed, the proprietor of the trademark has several possible legal remedies:

- **Interdict:** To prevent further copying.
- **Order for the removal of the infringing mark from all material:** Where the mark is inseparable from the material used, an order may be granted that all the material be delivered to the proprietor of the trademark.<sup>48</sup>
- **Damages:** These may be calculated on the basis of the infringement of the rights. The court will take into account the nature and extent of the infringement, and the amount of lost licensing fees payable to the owner. Additional damages may be awarded by the court considering the flagrancy of the infringement and the benefit accruing to the defendant by reason of the infringement.
- **Royalty:** In lieu of damages, a reasonable royalty which would have been payable by a licence holder.

## 4.9 International trademark protection<sup>49</sup>

South Africa has ratified a treaty called the Madrid Protocol, and joins the whole of Europe, Australia, Japan, China, Singapore and the United States of America in a trademark registration system that operates internationally.<sup>50</sup>

Previously, if a South African trademark owner wanted to protect a trademark in these countries, the owner would have to make a separate application for protection in each

<sup>48</sup> *Bergkelder Bpk. v Vredendal Koöps Wynmakery and others* 2006 (4) SA 275 (SCA).

<sup>49</sup> Mühlberg, H, It's a Brave New World For Trade-Mark Owners, *De Rebus*, Pretoria: Law Society of South Africa September 2003.

<sup>50</sup> *Ibid.*

country. Now, only one application needs to be made to secure trademark protection in all of the member countries. To do this, an application for international registration must be made to the Companies and Intellectual Property Commission registry in South Africa, which then forwards the application to the World Intellectual Property Organisation.<sup>51</sup>

## 5 Merchandise Marks Act

### 5.1 Introduction

The purpose of the Merchandise Marks Act<sup>52</sup> is to provide for the marking of merchandise and coverings in which merchandise is sold. This includes anything embossed, engraved, printed, or woven onto any covering, label, box, frame, container, or wrapper.

The Act creates an offence for supplying a false 'trade description'. This is a representation regarding the number or weight of any goods, the name of the manufacturer or the place or country of production, the materials of which the goods consist, or the method of production.

It is also an offence to supply a false mark on goods which are the subject of an existing patent or copyright.

### 5.2 Powers of inspectors

An inspector may obtain a warrant to search premises if they suspect that an offence in terms of the Act is likely to be committed on the premises. The inspector does not need to obtain a warrant if the owner or person controlling the premises gives permission to enter and search, or if there are reasonable grounds for believing that a warrant would be issued and that the delay would frustrate the purposes of entry. The inspector may use reasonable force to overcome resistance to the entry, search, or seizure.

The inspector may require information from the owner or person in control of the premises. Further, they may seize any document or thing on the premises that has bearing to the offence, or even seal the premises.

### 5.3 Offences

A person commits an offence in the following circumstances by:

- Obstructing an inspector in performance of their duties.
- Applying a false trade description.
- Using a name or mark that falsely purports to be a local manufacturer, producer, or trader, or the name of any local place or district.
- Using a local official language to create a false impression that the goods are local, unless there is added the name of the country in which the goods were made or produced, with a statement that they were made or produced there.

### 5.4 Powers to label and describe goods and to indicate origin

The Minister of Trade and Industry, by proclamation in the *Government Gazette*, may prohibit goods being imported into South Africa, unless they comply with the following:

- Conspicuous wording stating the country of manufacture or production.
- Compliance with any standard prescribed by the mark the goods bear.

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<sup>51</sup> Muhlberg, H, It's a Brave New World For Trade-Mark Owners, *De Rebus*, Pretoria: Law Society of South Africa September 2003.

<sup>52</sup> Merchandise Marks Act 17 of 1941.



- Visible wording describing the materials of which they are comprised, and their weight or volume.
- Clear words stating if the goods have been rebuilt, reconditioned, or remade.
- Disclosure of the country of origin of labour and materials.

### 5.5 Unauthorised use of certain emblems

If the written permission of the Minister of Trade and Industry is not obtained, it is also an offence to use, in connection with trade, business, profession, or occupation, any of the following:

- The coat of arms of South Africa, or one so nearly resembling the coat of arms of South Africa as to be likely to deceive.
- The style, title, name, portrait, or effigy of the President, the Deputy President, or a Minister of South Africa.
- The name, portrait, or effigy of any former President or other Head of State, Deputy President, or a Minister of the Republic of South Africa.
- A reproduction of any monument, relic, or antique defined in the National Monuments Act,<sup>53</sup> or the Union Building, or any official residence of the President or Deputy President of South Africa.

Without written permission, it is also an offence for any person to use any device, emblem, title, or words in a manner likely to lead other persons to believe that their trade, business, profession, or occupation is carried on under the patronage of, or that they are employed by, or that they supply goods to, the President, the relevant State department, or the relevant provincial government.

### 5.6 Powers of the Minister to prohibit

The Minister of Trade and Industry, by notice in the *Government Gazette*, may prohibit the use of the national flag in connection with any trade, business, profession, occupation, or event.

### 5.7 Penalties

The following penalties are available to the court in the event of an offence:

- Where an inspector is obstructed in the course of their duties, a fine or a maximum of six months' imprisonment.
- In the case of a first conviction, a fine not exceeding R5 000 for each article to which the offence relates, or a maximum of three years' imprisonment, or both.
- In the case if any subsequent conviction, a fine not exceeding R10 000 for each article to which the offence relates, or a maximum of five years' imprisonment, or both.

In addition to any other penalty, the court may order the confiscation of the goods.

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<sup>53</sup> National Monuments Act 28 of 1969.

## 6 Legislation protecting emblems

The South African Red Cross Society and Legal Protection of Certain Emblems Act<sup>54</sup> creates an offence punishable by a fine or up to five years' imprisonment, or both, for unauthorised use of the 'red cross' or 'red crescent' emblems. These are the symbols used by the International Federation of Red Cross and Red Crescent Societies. The objects of these organisations are to prevent and alleviate human suffering and to foster human dignity in all communities. The emblems are used as signs that persons or equipment fall under the protection of the Geneva Conventions and Protocols.<sup>55</sup>

## 7 Designs Act<sup>56</sup>

The Act provides for the registration of two types of designs:

- **Aesthetic design:** A design applied to an article for the sake of pattern or shape, and which has features that appeal to the eye, irrespective of aesthetic quality.
- **Functional design:** A design applied to an article with features that are necessitated by the function to be performed by the article. It also includes the circuitry of integrated electrical circuits.

The Act creates a designs office at the Companies and Intellectual Property Commission with a registrar responsible for its administration. A register is kept detailing all names and addresses of all applicants for the registration of any design, and all agreements and licences in respect of those designs. The register is a public document and may be inspected by any person on payment of the prescribed fee.

### 7.1 Application for registration

Application may be made for the registration of a design by the proprietor of the design as follows:

- **Aesthetic design:** Must be new and original.
- **Functional design:** Must be new and not commonplace in the art in question.

When is a design 'new'? The Designs Act provides that a design is new if it is different from or if it does not form part of the state of the art immediately before the date of application for registration. The design does not have to be absolutely identical with the prior art to prove lack of novelty. Only substantial identity is required.<sup>57</sup>

<sup>54</sup> South African Red Cross Society and Legal Protection of Certain Emblems Act 10 of 2007.

<sup>55</sup> Conventions: Geneva Convention for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field of 12 August 1949; Geneva Convention for the Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of Armed Forces at Sea of 12 August 1949; Geneva Convention relative to the Treatment of Prisoners of War of 12 August 1949; and Geneva Convention relative to the Protection of Civilian Persons in Time of War of 12 August 1949. Protocols: Protocol Additional to the Geneva Conventions of 12 August 1949, and relating to the Protection of Victims of International Armed Conflicts (Protocol I); Protocol Additional to the Geneva Conventions of 12 August 1949, and Relating to the Protection of Victims of Non-International Armed Conflicts (Protocol II).

<sup>56</sup> Designs Act 95 of 1993.

<sup>57</sup> *Clipsal Australia (Pty) Ltd v Trust Electrical Wholesalers* 2007 SCA 24 (RSA).

Our courts have introduced a number of tests for determining novelty and infringement of design registrations. Expert evidence on consumer eye appeal is unnecessary:<sup>58</sup>

- **Mosaicing:** Two or more pieces of other designs are placed together to demonstrate that the contested design was obvious at a time before the application for registration was made.<sup>59</sup>

***Clipsal Australia (Pty) Ltd v Trust Electrical Wholesalers***<sup>60</sup>

The disputed design registration was for a set of single and double electrical plug sockets.

The court held that mosaicing is not permissible in design law: 'A design is not novel if it forms part of the prior art – meaning that it is to be found in the prior art – and not if it can be patched together out of the prior art.'

- **Trade variant:** A trade variant differs only in insubstantial respects from the design. Insubstantial differences over the prior art will not render a design novel. In the early 1900s design registrations were kept secret, and so a potential infringer had no way of determining whether or not they would infringe a design registration. The concept of an ordinary trade variant was introduced to ensure that no design was to be counted as new and original unless it distinguished from what previously existed by something 'essentially new or original which was different from ordinary trade variants which had long been common matters of taste or choice in the trade'.<sup>61</sup> An addition or omission will not be considered as new or original if it is immaterial or if it is functional.<sup>62</sup>

***Schultz v Butt***<sup>63</sup>

A design was held to be invalid because it was an ordinary trade variant, which is not enough to create novelty. In that case the design related to a boat and differed from a previous design by the addition of a novel and original window structure. This addition did not make the design new. Its function was to protect the occupants against spray and wind. Since it was an ordinary trade variant and since the design as a whole was not substantially novel, the design was held to be invalid.

- **General disclosure:** One test for novelty is that the more general the disclosure on the prior art documents, the less likely it renders the particular design identifiable.<sup>64</sup>
- **Originality:** The design must be different in a significant way from previous designs.<sup>65</sup>

## 7.2 Registration

Provided the Registrar of Designs is satisfied that the Act has been complied with, they may register the design. A design may be registered as an aesthetic design and a functional design simultaneously.

<sup>58</sup> *Oren and Tiny Love Ltd v Red Box Toy Factory* [1999] EWHC Patents 255.

<sup>59</sup> Moubray, H, 'A case of electrical plug sockets,' SCA sheds light on design issues, *De Rebus*, Pretoria: Law Society of South Africa October 2007.

<sup>60</sup> *Clipsal Australia (Pty) Ltd v Trust Electrical Wholesalers* 2007 SCA 24 (RSA).

<sup>61</sup> *Phillips v Harbro Rubber Co* [1920] 37 RPC 233.

<sup>62</sup> Moubray, H, 'A case of electrical plug sockets,' SCA sheds light on design issues, *De Rebus*, Pretoria: Law Society of South Africa October 2007.

<sup>63</sup> *Schultz v Butt* 1986 (3) SA 667 (A).

<sup>64</sup> *Gentiruco AG v Firestone SA (Pty) Ltd* 1972 (1) SA 589 (A).

<sup>65</sup> Moubray, H, 'A case of electrical plug sockets,' SCA sheds light on design issues, *De Rebus*, Pretoria: Law Society of South Africa October 2007.

It is also possible to register a set of articles. A set is defined as a number of articles of the same general character which are ordinarily on sale together or intended to be used together, and in respect of which the same design, or the same design with modifications or variations not sufficient to alter the character of the articles or substantially affect their identity, is applied to each separate article.

On registration, the Registrar issues a notification of registration, and requires the proprietor to publish it in the *Patent Journal*. After publication, the Registrar issues the proprietor with a certificate of registration.

### 7.3 Effect of registration of design

The proprietor is able to prevent anyone else from making, importing, using, or disposing of any article included in the class in which the design is registered.

The registration of the design of an integrated circuit does not prohibit another person from:

- Making an article for private purposes using the design, or for the sole purpose of evaluation, analysis, research, or teaching.
- Importing and selling a circuit using the design, provided that the person has no reasonable grounds at the time for believing that the circuit was unlawfully produced. In that event, they may dispose of the circuits, but will be liable to pay the registered proprietor a sum based on a reasonable royalty which would have been payable otherwise.

Any interested person who can show that the rights in a registered design are being abused, may apply to court for the granting of a compulsory licence in respect of the registered design.

### 7.4 Duration of registration

- **Aesthetic design:** Maximum of 15 years from the date of registration.
- **Functional design:** Maximum of ten years from the date of registration.

The Registrar may require a fee to be paid on each renewal of the registration of the design. If the fee is not paid, the registration will lapse.

### 7.5 Transfer of ownership of a design

Ownership of a design can be transferred by assignment, which should be in writing and lodged with the Registrar. Similarly, an employment contract can provide that the rights to a design must be assigned to the employer provided it was created in the course of employment or within one year of termination of such employment.<sup>66</sup> Even in the absence of such a specific provision, a copy of an employment contract can be lodged by the employer with the Registrar instead of a written assignment to provide proof that the employer owns the rights to the design.<sup>67</sup>

66 *El du Pont de Nemours and Company v SA Nylon Spinners (Pty) Ltd* 1987 BP 282 (CP); *Firm Construction Co Ltd v PG Kusel* 1997 BIP 25 (CP).

67 Merry, R and Vally, M, 'Employing intellectual property wisely,' *De Rebus*, Pretoria: Law Society of South Africa December 2013.

## 7.6 Infringement

The aesthetic features of the designs must be substantially different before the courts will hold that there has been infringement.<sup>68</sup>

The registered proprietor, or any other person who appears from the register to be interested in the registered design, may oppose the court application. The court may refuse the application, or grant a compulsory licence subject to conditions. The court also may grant exclusive or non-exclusive licences.

## 7.7 Remedies

Where the rights in a registered design have been infringed, the proprietor of the design has several possible legal remedies:

- **Interdict.**
- **Surrender:** The surrender of the infringing product or any article of which the infringement forms a part.
- **Damages.**
- **Royalty:** Instead of damages, a sum calculated on the basis of a reasonable royalty which would have been payable otherwise.

## 8 Counterfeit Goods Act

The purpose of the Counterfeit Goods Act<sup>69</sup> is to make it an offence to possess, manufacture, produce, or make, or in any way to deal commercially in counterfeit goods. The South African Police Service has powers to enter, search, and seize counterfeit goods or suspected counterfeit goods. The Commissioner for Customs and Excise may seize counterfeit goods or suspected counterfeit goods imported into or entering South Africa. These goods can be kept pending civil or criminal proceedings.

‘Dealing in counterfeit goods’ means doing the following without authority:

- Manufacturing, producing, or making, whether in South Africa or elsewhere, any goods which are substantially identical copies of goods protected by intellectual property rights.
- Using marks in relation to goods in terms of the Merchandise Marks Act.<sup>70</sup>

The goods also must have infringed the intellectual property right in question.

### 8.1 Prohibition

Dealing in counterfeit goods is prohibited and an offence. Goods that are counterfeit goods may not be:

- In the possession, or under the control of, any person in the course of business for the purpose of dealing in those goods.
- Manufactured, produced, or made, except for the private and domestic use of the person by whom the goods were manufactured, produced, or made.
- Sold, hired out, bartered or exchanged, or offered or exposed for sale, hiring out, barter, or exchange.

<sup>68</sup> Moubray, H, ‘A case of electrical plug sockets,’ SCA sheds light on design issues, *De Rebus*, Pretoria: Law Society of South Africa October 2007.

<sup>69</sup> Counterfeit Goods Act 37 of 1997.

<sup>70</sup> Merchandise Marks Act 17 of 1941.

- Exhibited in public for the purposes of trade.
- Distributed for the purposes of trade, or any other purpose, to such an extent that the owner of an intellectual property right in respect of any particular protected goods suffers prejudice.
- Imported into or through, or exported from or through, South Africa, except if done for the private and domestic use of the importer or exporter.
- Disposed of in any other manner in the course of trade.

***AM Moolla Group Ltd and others v The GAP Inc and others*<sup>71</sup>**

The court held that it was not unlawful under the Counterfeit Goods Act<sup>72</sup> or the Trade Marks Act<sup>73</sup> to export or import through South Africa goods bearing would-be infringing trademarks, provided that the marks were placed on the goods outside South Africa and were not for sale within the country.

## 8.2 Offence

There are two requirements to be found guilty of an offence:

- At the time of the prohibited conduct, the alleged counterfeit dealer knew or had reason to suspect that the goods to which the conduct relates were counterfeit goods.
- The alleged counterfeit dealer failed to take all reasonable steps in order to avoid the conduct relating to the counterfeit goods.

## 8.3 Complaints

An owner, licensee, importer, exporter, or distributor of protected goods, may make a complaint to an inspector if that person reasonably believes that an offence has been, or will be, committed. The inspector should be supplied with information regarding the distinctive features and characteristics of the counterfeit goods, or a specimen, and also information about the validity of the intellectual property rights being violated. The inspector must satisfy themselves that the goods are protected, that the intellectual property rights do exist, and that the suspicion of the violation of the rights is reasonable in the circumstances.

## 8.4 Powers and duties of inspectors

An inspector may apply for a warrant granting powers of entry, search, and seizure. The inspector also may be allowed to question people and remove evidence. The warrant may be issued by any judge of the High Court or magistrate of the magistrates' court with geographic jurisdiction over the place where the alleged dealing in the counterfeit goods is taking place.

Following the seizure of any goods, the inspector must seal, identify, and categorise the goods and prepare an inventory of them. The person from whom the goods were seized must sign the inventory, and be issued a copy as a receipt. The seized goods must be transported to a safe place, or their location sealed and locked, in which case the place is known as a 'counterfeit goods depot'.

Both the complainant and the suspect counterfeiter must be issued a written notice with the address of the counterfeit goods depot. Within three days of this notice, the complainant must be notified of their right to lay a criminal charge against the suspect. If a charge is not

<sup>71</sup> *AM Moolla Group Ltd and others v The GAP Inc and others* 2005 (2) SA 412 (SCA).

<sup>72</sup> Counterfeit Goods Act 37 of 1997.

<sup>73</sup> Trade Marks Act 194 of 1993.

laid, the goods must be released to the suspect. Once stored in the counterfeit goods depot, the goods may be inspected by the complainant, and tested or analysed.

Goods seized also must be released to the suspect if:

- The State fails to inform the suspect within ten working days after the date of the notice, that it intends to prosecute them criminally, and the complainant fails within that time to inform the suspect of their intention to institute civil proceedings against the suspect.
- The State or the complainant fails to institute proceedings within ten court days after the date of the notice advising of the intention to do so.
- The complainant has given a written instruction to the inspector to release the goods to the suspect, provided no criminal proceedings have commenced.
- The court orders the goods to be released.

### 8.5 Import of counterfeit goods into South Africa

The holder of an intellectual property right may apply to the Commissioner for Customs and Excise to seize and detain counterfeit goods entering South Africa in terms of the Customs and Excise Act.<sup>74</sup> The Commissioner has powers and duties similar to those of an inspector.

### 8.6 Wrongful seizure

Any person suffering damage or loss caused by the wrongful seizure, removal, or detention of goods alleged to be counterfeit goods is entitled to claim compensation for that damage or loss only from the complainant, and not against the State, the inspector, or the person in charge of the relevant counterfeit goods depot.

### 8.7 Remedies

The court may order any or all of the following:

- **Delivery:** The counterfeit goods must be delivered to the owner of the intellectual property rights. Removal of the portion of the goods infringing intellectual property rights does not entitle the goods to be released into the channels of commerce. Similarly, if the goods were imported, they may not be exported unaltered.
- **Damages:** The complainant pays damages to the person from whom the goods were seized and pays that person's costs.
- **Disclosure:** The counterfeiter must disclose the source of the goods, as well as the identities of the persons involved in the importation, exportation, manufacture, production, or making of the counterfeit goods, and the distribution and channels of distribution of those goods.
- **Interdict:** This is a court order to prevent someone from doing something, and would be worded to restrain the suspect from continuing to deal in counterfeit goods.
- **Rule nisi:** This is a court order granting a temporary remedy, and calls on the aggrieved party to come to court by a specified date to argue why the order should not be made permanent.

The court, in certain cases, may grant an *ex parte* application, which means that the other side is not informed of the court application before it is heard. The application normally would direct the sheriff to search certain premises and seize certain goods, and require a suspect to disclose to the sheriff all documents and materials relevant to the counterfeit goods.

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<sup>74</sup> Customs and Excise Act 91 of 1964.

The court will not grant an order in camera (that is, a court where the public is not allowed to be present), unless it believes that the goods are likely to be destroyed or hidden to frustrate normal court proceedings.

- **Reward:** Any person who submits any counterfeit goods purchased by them to an inspector, together with proof of the price paid, may be entitled to receive payment of a sum of money equivalent to three times the amount of that price, in the following circumstances:
  - ♦ The dealer in the counterfeit goods must have been convicted of an offence, or have had a court order issued against them, directing that those goods be delivered to the owner of the intellectual property right.
  - ♦ The aggrieved person must have co-operated fully in the prosecution of the dealer in counterfeit goods for that offence.
  - ♦ The court convicting the dealer in counterfeit goods, or making the order, must make an order awarding that sum of money to the aggrieved person and directing the dealer in counterfeit goods to pay that award.
- **Criminal penalties:** In addition to granting civil remedies to the holders of intellectual property rights, the court may impose criminal penalties on persons found guilty of dealing in counterfeit goods:
  - ♦ On a first conviction, a dealer in counterfeit goods is liable for a fine of not more than R5 000 in respect of each item, or up to three years' imprisonment, or both.
  - ♦ On second and subsequent convictions, a dealer in counterfeit goods is liable for a fine of not more than R10 000 in respect of each item, or up to five years' imprisonment, or both.
  - ♦ Anyone who fails to provide the necessary assistance to an inspector, or breaks a seal on goods sealed by an inspector, or who without authority removes goods from a counterfeit-goods depot, is liable for a fine or up to six months' imprisonment.

## 9 Consumer Protection Act

### 9.1 Disclosure of reconditioned or grey market goods

In terms of the Consumer Protection Act,<sup>75</sup> a person who offers or agrees to supply any goods that have been reconditioned, rebuilt or remade, and that bear the trademark of the original producer or supplier, must apply a conspicuous notice to those goods stating clearly that they have been reconditioned, rebuilt or remade.

A person who markets any goods that bear a trademark, but have been imported without the approval or licence of the registered owner of that trademark, must apply a conspicuous notice to those goods in the prescribed manner and form.

### 9.2 Business names

A person is only allowed to carry on business, offer to supply any goods or services, or enter into a transaction with a consumer, using their own full name or a business name that is registered.

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<sup>75</sup> Consumer Protection Act 68 of 2008.



The Consumer Protection Act<sup>76</sup> requires all business documents to include the name of the business and its address. These documents include any trade catalogue, trade circular, business letter, order for goods, sales record or statement of account.

Failure to use their own full name or a registered business name could lead to a compliance order being issued, which requires the person to apply for registration of the relevant business name or discontinue the business. If someone uses a business name registered to another person, the aggrieved person can apply to court for an order directing the person to stop using that name.

Applications for registration must be made to the Registrar at the Companies and Intellectual Property Commission for a prescribed fee. The Registrar may also cancel an existing registration if the person to whom a business name is registered has not carried on business for at least six months. A person affected by a decision of the Registrar may apply to the National Consumer Tribunal to review the decision.

A business name may comprise words in any language, together with any letters, numbers or punctuation marks; the symbols +, &, #, @, %, =; or round brackets used in pairs.

A business name must not be the same as, or confusingly similar to a name of an incorporated juristic person or a registered trademark belonging to another person (unless the applicant is the registered owner of the mark or has been granted a licence to that mark).

A business name must also not falsely imply that the business is associated with any other person or entity supported by the State or by a court; or that is owned or conducted by persons having a particular educational designation or who are regulated persons or entities; or is owned or supported by any foreign state, head of state, head of government, government or administration; or any international organisation.

A business name may not include any words, expression or symbol that incites violence or hate speech.

## THIS CHAPTER IN ESSENCE

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- 1 A patent is an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem.
- 2 The patent provides protection for the owner of the patent for a limited period, generally 20 years.
- 3 South African law recognises two theories applicable to patents: incentive theory and disclosure theory.
- 4 Instead of describing what can be patented, the Act categorises things that are not considered inventions and therefore cannot be patented.
- 5 A patent will only be valid if the invention was novel on the priority date, which is the effective date of the claim to the invention.
- 6 Copyright exists, not in an original idea for a literary, musical, or artistic work, but in the representation of that idea in written or artistic form. Copyright in a work gives the exclusive right to reproduce the work, cause the work to be transmitted; or make an adaptation of the work. Copyright is not infringed in certain limited cases.
- 7 Copyright generally lasts for a period of 50 years.

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<sup>76</sup> Consumer Protection Act 68 of 2008.

- 8 A 'trademark' is any sign capable of being represented graphically for use on goods or services. It may be a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods. The purpose of a trademark is to create in the minds of people a connection between the particular goods or services and the holder of the trademark, and to distinguish the trademark holder's goods or services from other goods or services.
- 9 The duration of a trademark is only ten years, but it may be renewed for further periods of ten years.
- 10 The Merchandise Marks Act creates an offence for supplying a false trade description, which is a representation regarding the number or weight of any goods, the name of the manufacturer or the place or country of production, the materials of which the goods consist, or the method of production.
- 11 The Designs Act provides for the registration of aesthetic designs and functional designs, which can be registered for periods of 15 and ten years respectively.
- 12 The Counterfeit Goods Act makes it an offence to possess, manufacture, produce, or make, or in any way to deal commercially in counterfeit goods.