

COMMENT

DRAFT NATIONAL POLICY ON INTELLECTUAL PROPERTY, 2013

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A. INTRODUCTION

[1] The opportunity to comment on the draft national policy on intellectual property (IP) of September 2013 is appreciated. It is, however, not possible to comment in any detail on the policy for the reasons that will appear in due course.

This comment is that of the author personally and does not reflect the views of any other person or organisation. My interest is purely academic. If others express similar views it is coincidental. The discussion below focusses on a few legal aspects.

[2] A “written” government policy on IP or aspects thereof is welcomed. The problem which the draft recognises is that different departments in government may have different approaches to IP. The general impression is that the Department of Science and Technology is in favour of IP protection; health and education departments are against it; and the Department of Trade and Industry (the DTI) appears to be somewhat ambivalent.

This is not strange because IP policy requires a balancing of conflicting interests (individual versus public; national versus international; developed world versus developing world; and statutory versus constitutional) and it is difficult if not impossible to attain the right balance.

[3] There is a reason for the divergent approaches to IP. IP law (“IPL”) is not a unified discipline. One could compare it with Transport Law: there is no commonality between maritime law and road traffic law. The same applies to IPL. There is no such thing as an intellectually sustainable concept of IPL because its principal areas have little in common with each other. They serve different interests. The points of incidence between copyright and plant protection or between patents and performers’ rights are difficult to visualise. As explained by Professor James Boyle, we lack a politics and a political economic theory of IP.¹

Separate policies for different IPRs, having regard always to the broader government objectives that may impact on any particular field, would have been preferable.

¹ The policy document did not provide any footnotes and I follow the lead. References required will be provided.

[4] Because IPLs are national laws and IP is territorial it has to follow that any IP policy must be based on what the government of the day perceives will be for the good of its people as a whole and for its economy.

Economic considerations do not relate only to the internal but also to the external market, which means that any IP policy must take note of international trends and the concerns of trading partners, present and future.

South Africa proudly occupies the 18th place on the latest World Competitive Index for IP enforcement. On other IP related aspects it fares less well.

[5] To prevent any misunderstanding about my approach to IPL I wish to state at the outset that I have always maintained that IPL tends to be greedy and that some aspects or manifestations do not necessarily serve the interests of a developing country. There is not a single model that fits all. This I have written and this I teach. Although IPLs should be kept up-to-date in the light of changing technology, social conditions and economic circumstances I am usually not in favour of adopting rules that will extend the scope of IPLs. I believe, for instance, that the Copyright Act requires a proper hair trim.

B. THE CONTEXT OF IPLs NATIONALLY AND INTERNATIONALLY

[6] It is necessary to restate the relationship between national and international law because this aspect is dealt with in the document in a somewhat fragmentary manner and it is important for understanding the discussion that follows.

[7] IPRs are generally based on statute, typically the Patents Act, the Trade Marks Act, the Designs Act and the Copyright Act (other related Acts are mentioned later). There are no “common law” rights to inventions, registered trademarks, copyright or designs.

Our Acts are broadly based on international conventions. The role of international conventions is to establish guidelines for uniform definition and protection.

[8] Countries (such as the RSA) that are members of the WTO are bound by the **Trips agreement**. It incorporates the substantive provisions of the Berne Convention on Copyright and the Paris Convention on Industrial Property (patents, designs, trade marks etc.). The RSA is also a member of these two conventions but that does not add much to the debate.

In most instances it is not necessary to accede to a convention before a country adopts the principles of the convention. The law of the RSA, for example, complies with the Rome Convention (referred to below) without having acceded thereto.

Failure to comply with the provisions of Trips – that is, if the law of a particular country does not comply with its provisions – may lead to serious economic consequences. The Trips agreement (being part of GATT) differs from other IP conventions: it has teeth supplied by the World Trade Organisation.

This requires that our IPLs must be Trips compliant. One may accept from a practical point that the likelihood that Trips will be amended in any significant manner is remote.

Trips has a number of “flexibilities” which entitle countries some scope to deviate. A few were formulated especially to favour developing countries.

[9] A cornerstone of these conventions is the concept of **national treatment** which means in simple terms that a country may not discriminate against foreigners. The relevance of this is the following. The developed world produces or creates the bulk of IP. The developing world is a bulk importer of IP. Generally speaking, the developing world does not produce much by way of IP and has at present little IP to export. It tends to export raw material and labour. The result is that the flow of IP benefits and royalties is a one-way flow. The consequence for IPL is that the developing world often seeks ways to stem that flow by limiting the scope of IPRs and by weakening IP protection.

Since a country may not discriminate in favour of its own people it follows that whenever a country limits IPRs with the eye on developed countries it, at the same time, limits the scope of IPRs and IP protection for its own creative community. This may be counter-productive. For example, to allow educators and learners to photocopy without restraint teaching material dilutes or negates the rights of our own authors and discourages them from creating new works and leaves local publishers with no incentive to publish such works.

C. THE PROPOSED POLICY

[10] The point of departure of the policy is that IPL should serve the broader policies of government bearing in mind that the RSA is developing country “*with the bare minimum of a technological, economic or social base (p 8)*”.

[11] Because of its status the RSA should align itself with the developing world. It should not “renounce ‘sovereignty’”. It should not follow the lead of the developed world in IP matters but rather that of “similar economies such as Brazil, India and Egypt”.

[12] The RSA must use the Trips flexibilities and adapt its IP laws to empower “citizens”. It should ensure that pharmaceutical patents do not impede the health care system or that copyright does not limit access to knowledge. It should be careful when joining international IP conventions lest they interfere with government’s social and economic development goals.

[13] At the same time the document seeks the strengthening of patents to make the RSA competitive and it requires that the RSA should comply with its international obligations. It states that the Copyright Act is outdated and that “there is a need to join WIPO treaties” but elsewhere it states that the important one “contains elements that restrict access of developing countries to information” and that the RSA must be careful before it joins. It considers that the IP enforcement mechanisms must be strengthened and that the RSA should “foster the enforcement of IP in its entirety”.

D. PRELIMINARY REMARKS

[14] It is surprising and unfortunate that government presents the RSA to the outside world as a country “*with the bare minimum of a technological, economic or social base*” especially if one of the objects of the policy is “*to engender confidence and attract investment.*” That statement describes a Least Developed Country and not our developing one.

[15] The fact that the RSA compares its economy with those of Brazil, India and Egypt and that it wishes to follow their lead on IP matters raises questions apart from the fact that the content of the lead is never identified.

The selection of countries is not a BRICS selection. Egypt is not part of BRICS and China and Russia are omitted.

One would have thought that the RSA would rather make or seek to make common cause with African countries south of the Sahara with which it shares a common history, culture and destiny and that it would have compared its economy with the most comparable, that of Nigeria.

Brazil and Egypt have legal and IP traditions that are different from that of the English-speaking African countries and they use different languages. India’s unwillingness to have acceded to the Paris Convention is well known.

Although the document speaks in general terms of regional cooperation it is silent on the RSA’s relationship with ARIPO (the African Regional Intellectual Property Organisation). It might be that political sensitivities prevent the RSA to disclose its position.

[16] Having worked through the document with all its lofty ideas one cannot escape the conclusion that as policy it promises candy-floss: it is very sweet but it becomes sticky if you touch it and it disintegrates on eating, leaving no aftertaste.

Consider for instance the meaningless recommendation that “*the Patents Act should be amended to be amenable to issues related to access to public health*”. It might be full of good intentions but it is without any substance.

[17] There are on a quick count 160 bulleted recommendations scattered all over the document. In addition there are a number of un-bulleted ones and then there are implied recommendations (I deal with some later). There is in spite of this –

- no indication of priorities,
- no time frames,
- no impact assessment,
- no cost estimates for either government or the public, and
- no risk assessment especially in relation to the effect on the local economy or on external commercial ties.

[18] Policy documents are usually based on **empirical data** to enable one to assess the validity of any given policy. This document contains no data, empirical or even anecdotal, in support of any proposal. They might have highlighted problems and the policy could have addressed them. A policy document cannot be based on fictions of which there are many in the IP field.

One finds for example a statement that *“the private sector also exploits this lacuna [of a lack of coordinated approach by government] in the public service and may be exporting IP without following a well-co-ordinated approach”*. Leaving aside the broader question as to what this statement means it is not possible to assess its correctness or, if it were correct, its impact.

E. CONSULTATION AND DATA

[19] The following statement appears in the document:

“The South African IP system/"IP Policy" is not informed by other national policies that seek to address national objectives and there is no co-ordinated approach on IP matters by various government departments and other organs of state (p 8).”

Accepting its correctness, the question is whether there was any coordination in preparing the draft policy document.

[20] There was no proper **public consultation** before the policy was settled in its present form and it is unlikely that any outside expert advice was sought.

The **statutory advisory committee** on IP was clearly not consulted if regard is had to the manner in which the document was drafted.

[21] It does not appear that in formulating the document any meaningful **inter-departmental consultation** took place, save possibly with a health department (and related pressure groups):

- The document does not take account of a new bill on plant varieties which is close to completion. It should have considered its policy and provisions. Conceptual errors in chapter 3 (of which later) would not have appeared.
- The report takes no account of the existence or impact of the Intellectual Property Rights from Publicly Financed Research and Development Act which is administered by the Department of Science and Technology. Had it been otherwise the opaque section on “alternatives to IP” (p 22) would have been different.

[22] It also does not appear that any **intra-departmental** consultation took place.

The DTI (or the Companies and IP Commission (“the Commission”)) is actively involved with the administration of the **Counterfeit Goods Act**. The criminal enforcement of IPRs is high on the international agenda and staff members of the Commission attend the Global Conferences under the auspices of WIPO (World Intellectual Property Organisation), Interpol and the World Customs Union regularly, whether in Paris or Istanbul or elsewhere.

However, the policy document is silent about the matter (except in relation to generics in transit, a matter dealt with later) in spite of the fact that a number of contentious issues have been identified both locally and internationally. The Act was under departmental review but does this indicate that the DTI has no policy in relation to counterfeiting and piracy?

Counterfeiting and piracy are not only issues for other countries. Government's own experience with the piracy of the film *Tsotsi* (which it financed at least in part) and the extent of the loss of customs and excise on counterfeit cigarettes is enough proof that it matters for SA. There is also the health issue exemplified by the recent Dettol fakes.

[23] Another important field overlooked is that of the **rights of performers** as per the Rome Convention and the subsequent relevant WIPO Convention. Nothing is said about any of these conventions or the Performers' Protection Act.

One may reasonably conclude that government has no policy concerning our performing artists. (I deal with agreements between performers and recoding companies later, something the document regards as a copyright issue.)

In short, the policy document fails in the same respect about which it complains. It did not co-ordinate with other departments or with the DTI or the Commission.

[24] While on the topic of neglected subjects there is the issue concerning the **visually impaired and other people with disabilities**. They have a problem in accessing published works that are subject to copyright. Government has often been approached to do something by creating a fair use exception for them. In spite of government's general concern for the wellbeing of the disabled this request has not been processed.

The international community is more caring. It adopted, on 28 June 2013, the **Marrakesh Treaty** to facilitate access to published works by such persons. Brazil, Nigeria, Ghana, Kenya and China immediately became contracting parties. The RSA, India and Egypt did not, maybe because they share the same IP agenda.

There is no reference to this in the draft policy document at all. The only conclusion is that government intends to keep its eyes closed.

F. DRAFTING AND EDITING ISSUES

[25] Considering that this document is for international and not only local consumption, it is unfortunate that while much in the policy has merit the document was not drafted with care. The haphazard manner in which it was formulated makes it very difficult to prepare a sensible response. Some examples from the first few pages follow.

[26] The **Executive Summary** (p 6) is not a summary in any sense of the word. It simply lists the chapters and from reading that one does not know what the document says in summary or at all.

One can have sympathy with the decision not to summarize the document. It is not capable of summary.

In some instances it is said that recommendations will be made in the chapters concerned. Because the recommendations are scattered throughout chapters one has to read the whole document to find its essence and the same issue is often dealt with in different places, sometimes even differently (an example will follow).

[27] Reading the list of objectives one can only say that they are of a very general nature and are repetitive and the list does not prioritise anything.

The document is read by some as a passport to a pharmaceutical nirvana but the introduction of a “health perspective” is only item 13, two-thirds down the list.

There is often nothing further in the document on a particular subject listed, for instance, objective 16, “*to engender confidence and attract investment.*” The same applies, I believe, to at least objectives 5 and 10.

[28] Objective 11 is “*to promote public education and awareness on IP*” and objective 18 is to “*promote public education and awareness on IP in South Africa and the region.*” Much of a muchness one could say. There are other instances of virtual duplication in the list but they are not as apparent because of the slightly different wording.

[29] Later examples of duplication suitable for a “spot-the-difference quiz” are these:

“Protection of “confidential information” from clinical trials on indigenous medicines should be protected through the law of data protection in terms of Article 39.3 of the TRIPS Agreement” versus “South Africa should invoke the law of Data Protection in terms of Article 39.3 of the TRIPS Agreement in relation to the protection of indigenous knowledge in traditional medicines”(p 21).

And “*Other economic policies such as IP, competition and trade policies must be in harmony with health policy objectives*” versus “*IP protection regimes must not contradict public health policies and the two should be balanced*” (p 24).

[30] The “**problem statement**” lists seven problems (p 8). The first is that “*the IP legal framework does benefit and empower relevant citizens of the Republic.*” And the second says that “*the existing IP system creates a conducive environment for economic opportunities aimed at empowering South African citizens.*”

It is not necessary to quote the others; they are in equally positive terms. If these are “problems” it is difficult to understand what the problem with the IP regime could be. The intention may have been to state objectives instead of problems but the objectives appear on the preceding page.

[31] To purport to rely in September 2013, on the UN Millennium Development Goals, which would have halved poverty and hunger in 2014, appears to be rather cynical. A policy should rely on attainable goals.

[32] It is possible to give further examples but knowing that I will be accused of nit-picking I shall refrain from embroidering on this subject.

G. KNOWLEDGE OF IP LAW

[33] Embarrassingly, the policy document shows some lack of appreciation of South African IP law. Here are some examples. The sentences in italics are as always quotes from the document.

[34] *“As mentioned earlier, South Africa uses a registration system that is not per se able to scientifically critique ‘newness’, ‘obviousness’, ‘novelty’ and ‘usefulness in trade or agriculture’.”*

This statement appears twice and cannot be a typographical error.

There is no such thing as “newness” in Patent Law. The closest would be “novelty” but the document lists that as a separate requirement.

There is no requirement in Patent Law of “usefulness in trade or agriculture”. The requirement in the Act is that “an invention must be capable of being used or applied in trade or industry or agriculture”. The requirement of “usefulness” (in Patent Law known as “utility”) is a different requirement.

[35] *“South African legislation should allow strict rules to apply to patenting as competition principles may be undermined. This should exclude diagnostic, therapeutic and surgical methods from patentability, including new uses of known products, as is the case under the TRIPS Agreement.”*

SA legislation has excluded diagnostic, therapeutic and surgical methods from patentability since at least 1978 and no one has ever suggested otherwise.

The proposal that the patenting of new uses of known products should be prohibited (p 23) is motivated with reference to competition principles that are not identified. It is not a competition issue. This is one of the many instances where the early promise that *“a Problem Statement is well stated so that it should be known in advance what the problems are and how such problems would be resolved”* (p 6, if it means what I think it does) is not kept. A conjecture could be that the recommendation seeks to address the issue of so-called ever-greening. However, new use patents are but part of the ever-greening issue and the removal of this bit from the Act may not solve the problem entirely.

The effect of such an amendment on patents based on indigenous knowledge was not considered. Take the patent under which the active ingredient derived from the Hoodia plant for appetite suppression was claimed. Assume that the RSA discovers that it has a new use, eg, as an HIV/AIDS drug. That discovery, which under present circumstances will be patentable, will no longer be so. (I revert to the Hoodia plant later.)

[36] *“Copyright is not an absolute right, but is limited in terms of the Berne and Paris Conventions of which South Africa is a member.”*

What can one say: an official document on IP that does not recognise the difference between the Berne and Paris Conventions? The Paris Convention has nothing to do with copyright as mentioned above. What should have been said is that “Copyright is not an absolute right and may be limited by statute within the parameters of the Berne Convention read with the Trips agreement of which South Africa is a member.”

[37] *“South Africa must adopt a policy and amend copyright legislation in relation to the procurement of computer software programs, with a view to ensuring that options for using low-cost and/or open source software products are considered and their costs are properly evaluated (FOSS policy) and supported.”*

The decision to use open source software has nothing to do with copyright because it is by definition freely available. The Act has no influence on the failure by government departments to act in terms of that policy.

[38] *“South Africa should allow software to be adapted to local needs through copyright legislation that allows reverse engineering of computer software programs consistent with its international treaty obligations.”*

It is difficult to understand what is intended but a wild guess is that our law should allow the writing of software programs that can perform the same function as programs under copyright. This has always been lawful.

[40] *“Fashion designers should be allowed to make use of the design system.”*

Fashion designers have always been entitled to make use of the designs system. A new fashion design falls squarely within the definition of an aesthetic design.

[41] *“Patents are usually used to protect both plant varieties and genetic resources in plants. Due to patents offering a stronger form of protection than PVP, patents offer greater incentives to research in developed countries, in particular those with biotechnological industries (Commission). However, like PVP, patents are also a threat to the reuse, exchange and reselling for poor farmers. Further, patents protection may in this area lead to overconcentration of IP ownership, which may again frustrate access to agricultural biotechnology.”*

“Generally, developing countries should not provide patent protection for plants and animals as is allowed under the TRIPS Agreement.”

The Patents Act does not allow the patenting of animals or plants and patents are not used to protect plant varieties. A patent can also not protect a genetic resource. If other countries wish to allow for plant patents it is their choice and has nothing to do with the RSA’s IP policy.

As elsewhere, reference is made to a “Commission” which is not identified and since there is no bibliography it is impossible to verify the statement.

It would have been meant much for the coherence of the policy document if those responsible for the application of plant breeders' rights had been consulted.

[42] *“Article 6 of the TRIPS Agreement provides that a member state of the WTO may notify (through the WIPO) other states that its emblems should not be used by other states and their agencies or nationals without consent of the member state concerned. Unfortunately at WIPO, certain states like the US are persistent that these emblems can be part and parcel of ‘domain name’ registration.”*

The document presumably had Article 6 *ter* of the Paris Convention in mind. Be that as it may, an “emblem” can in no way form part of a domain name. The dispute must be about something different.

[43] *“IP and health legislations must be amended to allow competition laws to apply.”*

The working of the Competition Act is not affected by either IP or health legislation. There is nothing to amend.

[44] *“Business methods are types of IP in certain jurisdictions and patentable in others such as the United States (US) and Europe.”*

The reference to business methods might be interesting but is irrelevant because the matter does not arise in any recommendation. Having chosen to refer to them the correct facts should have been established.

The statement about Europe is wrong. Business methods as such are not patentable in either the RSA or Europe. I am keen to learn more of the nature of the “types of IP” in business methods in certain unnamed jurisdictions.

H. KNOWLEDGE ABOUT ENFORCEMENT STRUCTURES

[45] The document evidences a lack of knowledge or understanding of the enforcement of IPRs. The low point is to be found in chapter 15 which opens with the ideal that *“South Africa should also foster the enforcement of IP in its entirety.”* The problems are in what follows.

[46] *“As for now, only trademarks and copyright enforcement is emphasised.”*

If the sentence relates to criminal IP enforcement it is correct but the obvious reason is that only certain trade mark and copyright infringements (counterfeiting and piracy) are criminalised and fall under the auspices of the DTI/Commission.

“Patents enforcement is dealt with under health and SAPS legislation and the enforcement of designs is generally neglected”.

Neither “health” nor the police have anything to do with patent enforcement.

The allegation that the police are involved is not a typing error because a related nonsensical statement appears earlier in the document (p 16): *“The police and members of the Medical Regulation Authority (MRA) in South Africa are involved in proving if a "formula" of a patent has been copied or purported to have been copied.”*

Apart from the fact that patents are not infringed by “copying” the rest of the latter statement is factually wrong.

The factual basis for the allegation that the enforcement of designs is neglected is absent. The enforcement of designs is a civil matter and the DTI/Commission has no interest or duty in relation thereto.

[47] *“Enforcement of IP also involves the settlement of disputes. The current structures in the resolution of IP need some revamping and strengthening. The analysis may be as follows:*

In terms of the Companies Act, 2008, a Companies and Intellectual Property Commission (Commission) has been established. The Commission is responsible for enforcement of IP.”

The enforcement of IP is ordinarily a civil matter. The Commission is responsible for the Counterfeit Goods Act. It has no responsibility for the civil enforcement of IP.

[48] *“The IP arm of the Commission has the (1) Trade Mark Tribunal (Tribunal), which resolves disputes related to trademarks during pre-granting of marks. (2) The Tribunal is effective, but is (3) dominated by lawyers and (4) the Rules of the High Court apply in preparing such disputes. This means that the Tribunal has highly technical and legalistic procedures.”*

I have divided this statement into four propositions, which to the knowledge of the DTI/Commission are either wrong or require qualification.

Before dealing with them it should be pointed out that the Commission is not at all involved in the enforcement of trade marks. It deals with registration. Enforcement is a post registration issue. There is no reference in this “enforcement” section about the trade mark enforcement structures. For general information, for criminal cases it may be either a magistrates’ court or the High Court and for civil it is the latter.

- (1) There is no such thing in the Trade Marks Act as a “Trade Mark Tribunal”. The registrar performs certain pre-registration judicial function and as said, he/she is not an enforcement structure.
- (2) The policy document elsewhere admits that the trade mark office has problems. It states at p 18 that *“Parliament has approved ratification of the Madrid Protocol on International Registration of Marks and the Hague System on the International Deposit of Designs. However, the Instruments of Ratification were not deposited with the Director-General of WIPO due to other policy considerations, e.g. backlogs at IP offices.”*

This appears to be a case where institutional challenges (backlogs) determine policy. Countries such as Botswana, Lesotho, Swaziland and Zambia do not suffer the same challenges because

they were able to join Madrid.

The document keeps the public in the dark as to what “other policy considerations” override parliamentary approval.

It is common knowledge that the registrar is unable to deal with the backlog of cases and it is in that regard accordingly not “effective”. (The DTI/Commission might consider disclosing the statistics.) Attempts by the private sector to have the problem solved by using provisions of the Trade Marks Act designed for that purpose have not been successful for reasons that have not been made public. Attempts by the registrar to have the cases heard by the High Court have also not met with success.

- (3) The “Tribunal” is not dominated by lawyers. It consists of staff members of the Commission. There is no obligation for a lawyer to appear. In any event, since the registrar acts in a judicial capacity, proceedings will be “dominated” by lawyers.
- (4) High Court rules need not apply. The minister always had the right to introduce other rules – if they were required or if one could visualise them. The High Court rules that apply are the same as those that regulate matters in the magistrates’ courts.

[49] *“The Copyright Tribunal also functions as the Trade Mark Tribunal and is highly technical and legalistic. Same arguments that have been advanced . . . above apply.”*

The Copyright Tribunal does not function “as the Trade Mark Tribunal” or in the same manner. The latter is concerned with registration of trade marks; copyright is not registered.

The Copyright Tribunal has nothing to do with enforcement of IPRs. Enforcement issues are dealt with by either the High Court or a magistrates’ court, whether in civil or criminal matters.

This tribunal has limited jurisdiction and a judge of the High Court hears the matters and not someone from the registrar’s office.

[50] *“Patents Commissioner (Judge of the High Court) deals with disputes related to patents disputes. In this regard, a tribunal may have to be established as proposed . . . above. This should be dealt with without compromising the high standards that apply to resolving sophisticated cases.”*

It is not clear what point is being made. Is the suggestion that there should be a specialist IP court or that IP cases should be taken away from court in the Justice system and be placed in the DTI? If that is the intention, why not say it? One can then debate the policy.

It might be of interest to note that the Commissioner of Patents also deals with registered design enforcement.

[51] *“The arbitration process is highly legal and expensive as legal costs for senior counsel are involved.”*

The statement that arbitration proceedings are expensive because “senior counsel are involved” is without any foundation. The parties to arbitration proceedings are entitled to choose anyone to appear on their behalf and may appear personally. Obviously, litigation, especially IP litigation, is expensive, more so when senior counsel are involved. The stakes are, quite simply, high.

“The Department of Communications also has dispute resolution mechanisms relating to IP and domain names. The process is run by legal experts and that may stifle access and speedy resolutions.”

It is not clear what the recommendation is unless the idea is that these highly technical matters should be decided by a lay person or a jury and not by legal experts. Casual statements have no value.

[52] *“Regarding monitoring for compliance as well as investigation, the model in the Companies Act 2008 can be adapted to deal with these matters. Monitors and investigators can be capacitated to deal with both companies and IP matters.”*

What is there for the “capacitated” investigators to investigate in IP matters?

[53] *“Penalties to be imposed can be done in terms of the Companies Act 2008.”*

This is another example of a throwaway line without any tie to the rest of the document. What are the crimes referred to? How can company law crimes conceivably be made applicable to the enforcement of IPRs? The IP crimes are defined and penalties prescribed in the Counterfeit Goods Act (and to a lesser extent in the Copyright Act).

I. TRIPS FLEXIBILITIES

[54] The document contains many references to Trips flexibilities and recommends that SA should adopt flexibilities.

For some inexplicable reason this important recommendation does not appear in the executive summary, the objectives or the problem statement.

The appropriate Trips flexibilities that can be used have not been identified and there is no assessment of the extent to which our law requires amendment.

[55] There are two types of flexibilities. The first applies to all countries. For example, prior use of a trade mark is as a rule not required for registration. However, countries are permitted to insist on such a requirement.

The second applies to developing countries. They are limited and the document appears to concentrate on them. It is unarguable that developing countries should adopt flexibilities if they are to the benefit of any particular country.

[56] The RSA joined Trips on 1 January 1995 as a developed country. There are difficult issues around the fact that it in due course changed its status to developing because of time frames for adopting flexibilities (Art 65.5). This aspect requires elucidation and consideration.

[57] There is a problem with adopting flexibilities. If, for instance, the RSA introduces a limitation on, say, patent rights within the scope of any flexibility that limitation will also apply to any South African invention falling within the flexibility: it will not be patentable. This is because of the principle of national treatment referred to earlier.

There is a knock-on effect. Because a particular invention may not be patentable locally the inventor will not be able to apply for a convention patent in a convention country based on the local invention, and this in spite of the fact that the invention could have been patented in that country.

This means that the development of local technology may be stifled by the adoption of a particular flexibility.

[58] One could, since access to health care is of major concern, legitimately ask why, in the nearly 10 years since Doha, its flexibilities have not been adopted. The delay indicates that the issue was either not serious enough to pursue, that it was neglected, or that it was due to unwillingness to accept that malaria, TB and HIV/AIDS could have given rise to a “national emergency” – a prerequisite for the application of the Doha exception.

Any adoption of Doha has to be carefully calibrated in the light of section 25 of the Constitution.

[59] The second Doha flexibility allows for compulsory licences for export to countries without the ability to produce pharmaceuticals. This implies that the exporting company must have the necessary manufacturing capacity. The document suggests the RSA does not have the capacity to manufacture drugs (p 23). There is also no indication that there a demand from other countries to justify such a law. Empirical data would have been useful.

[60] It would also have been useful to know why the introduction in 1997 of section 15C of the Medicines and Related Substances Act 101 of 1965, which was hailed as the end to apartheid in medicines by providing the necessary access to medicines, has never been used. (At the same time one could ask why the 1998 amendments to this Act have not, after 15 years, been put into operation but that would be a question for another department, I suppose.)

It would also have been useful to have statistics about applications under sec 56 of the Patents Act for compulsory licences for drugs and, if there are not any, an attempt to find a reason should have been made.

J. PATENT SEARCH AND EXAMINATION

[61] Another major recommendation, which is found in many forms scattered throughout the document, relates to the introduction of a “search and examination” system for patents.

Once again, nothing is said about this issue in the executive summary, the objectives or the problem statement.

[62] There is nothing wrong with the principle. The problems have always been the cost factor, delay and particularly the lack of institutional capacity mentioned in chapter 8. This is the reason why the provision, which was in the 1952 Act, was dropped in 1978.

One would have assumed, since this is not a new issue, that there would have been some investigation and empirical data on the institutional capacity. Simply to refer to possible options without any investigation into institutional capacity is not good enough.

[63] In adopting such a system it is necessary to consider the effect on local enterprises. Government wishes to extend the use of the patent system by the smaller business enterprises but long and costly examinations may create a disincentive.

The system will not eliminate the weak patents that will be on the register by the time the system is introduced in say (being kind) five years. This means that weak patents will still be around for 25 years.

[64] There appear to be three policies. The first proposal is the introduction of a search and examination system for patents. This is said at least four times:

- *“There is an outcry by users of the patent system that South Africa needs strong patents that can survive the test of competitiveness throughout the world. This can be achieved if a substantive Search and Examination of Patents system is followed.”*
- *“Cabinet should consider approving the establishment of a substantive Search and Examination of Patents to have strong technologies.”*
- *“This also means that South Africa may need to create a Substantive Search and Examination since it is using a depository system that inherently grants weak patents.”*
- *“Cabinet should consider approving the establishment of a Search and Examination Office to have strong technologies.”*

In relation to the first quote it need be said that “strong” local patents have nothing to do with international competitiveness. The reason is that a local patent has no force or effect in any other country. Its validity is determined by the laws of that country because of the principle of territoriality.

[65] The second policy proposal is that there should be a two-tier system:

“South Africa should consider adopting the Search and Examination of Patents to co-exist with the current registration of patent system.”

Nothing in the document explains this. Does it mean that some patent applications will be examined and others not? Is there a hidden agenda somewhere?

[66] The third policy statement is similar to the second but adds a tail:

“South Africa should adopt a multifaceted approach in as far as registration of patents is concerned; that is, use the depository (registration), substantive search and examination and the utility patent systems.”

Although utility patents are mentioned elsewhere in passing there is no recommendation that the RSA should consider their adoption. They are also not mentioned in the executive summary, the objectives or the problem statement. Is this then to be read as an implicit recommendation?

If it is one, the document does not take account of the effect of the existence of functional designs in SA law. Utility patents (as known in other jurisdictions) and functional designs overlap. The introduction of the one will have serious implications for the other.

K. CONFISCATION OF GENERIC MEDICINES “IN TRANSIT”

[67] As the document correctly points out, generics should not be confused with counterfeit drugs (p 16) but the document itself is unclear as to the meaning of “counterfeit drugs”.

Generics are drugs manufactured by third parties that were patented but are no longer under patent protection. This means anyone may make and sell them. No IP issues arise.

Counterfeit drugs can be either patent-infringing drugs or non-infringing generic drugs. They are counterfeit if they are sold under a counterfeit trade mark.

[68] The problem, which is universal and not appreciated in the document, is that generics are sometimes sold under counterfeit trade marks. In other words, instead of selling them under an own trade mark they are sold under the former patentee’s trade mark. The commercial advantage of this is apparent. The generic may not undergo the MCC’s registration procedure and it has no marketing expenses – it rides on the back of the former patentee. Nigeria has useful material on the subject.

In terms of the Trips agreement it must be and under the Counterfeit Goods Act it is a crime. There are no flexibilities. Police and customs are obliged to confiscate all pharmaceuticals, generic or not, if they are counterfeit. The Act has sufficient provisions to deal with its abuse.

[69] The recommendation is limited to drugs “in transit”. Elsewhere (p 36) there is a complaint about a practice in the EU, which is of no concern to the IP policies of the RSA, when it is said that *“seizures of generic drugs in transit from one developing country to others are taking place under the pretext of seizure of counterfeiting.”* The information is out-of-date.

The document appears to be based on some misinformation or misunderstanding. Under our law goods “in transit” do not fall under customs and may not be seized, whether counterfeit or not. There is a difference between “goods transported” and “goods in transit” (a technical customs term), something not said in the discussion of the same subject 20 pages apart.

L. ACCESS TO MEDICINES AND PATENT LAW

[70] This issue, which is on the international agenda, tends to raise conflicting arguments and emotions – understandably. It is a complicated issue which requires a more coherent discussion than the one in the document.

The problem is there for all to see. This may over-simplify it:

- The world, more particularly the developing world, has serious health issues that require novel pharmaceuticals.
- Pharmaceutical research and development is usually carried out by companies that are in business to make money.
- They find it more profitable to invest in life style pharmaceuticals – which governments do not require – than in life saving ones.
- They are not prepared to invest unless they receive the protection and return that they believe is appropriate. This requires a strong patent system.
- Because of the delay between invention and marketing the effective patent life is not 20 years but much shorter.
- Governments in developed and developing countries are unable to pay what these companies claim as a fair return on their investment.
- It is consequently necessary to find an appropriate balance between the innovator's interests and public interest. Some would deny the innovator any rights; others would give them more than what is objectively fair.

[71] The world has not found the answer but the recommendation that *“the Patents Act should be amended to be amenable to issues related to access to public health”* is also not an answer; it is a pacifier.

To comment on the random policies is impossible. Some of the statements are meaningless and the recommendations are often so vague that one cannot determine the underlying policy unless it is just that drugs should be cheap.

The policy is clearly not that they should not be patentable on ordinary principles; otherwise the policy of protecting drugs based on ITK and genetic resources will be undermined.

A different IP policy for drugs patented by international drug companies and those that flow from ITK and genetic resources does not appear to be advocated.

[72] *“A patent in the area of medicines is important since drugs are approved after clinical trials have been conclusive. Drugs, therefore, are based on a valid patent. It is contended that if "weak" patents are granted, it stifles the possibility of having access to public health.”*

The first sentence is a non sequitur. The second is wrong. We are not told who made the contention contained in the third sentence and there is no empirical or anecdotal evidence to justify it. Can one base a policy on someone's contention? Strong patents are more valuable for any commercial concern than weak ones because they create better monopolies.

[73] *“Government departments should integrate their databases for the purposes of sharing information so as not to grant patents on medicines that may be expiring as this may undermine access to public health.”*

How does one grant a patent on an “expiring” medicine? What databases are available in this regard and how is this to be done?

[74] Statistics sometimes tell a story and they do not always lie.² During the early 1990s the number of patent applications filed in South Africa and in Australia was more or less on par. After a drop from about 12 000 to 4000 the position is the RSA has recovered and stands at about 10 000. But Australia, in contrast, has risen to 2.6 times that figure and China, unsurprisingly, from 19 000 to 315 000.

Another comparison concerns Ghana and (South) Korea. In 1960 the per capita income in Ghana was the same as that in Korea. The ratio today it is about 1:18. During 1997, 33 patent applications were granted in Ghana, 25 000 in Korea. The number of patent application filed since in Ghana is not known but if we assume that it similar to the 70 filed in Kenya we may compare that figure to the 164 000 filings in Korea.

Trends like these ought to have been considered. To the extent that a proportion of patent applications is local a fair conclusion to be drawn from these figures is that there has been no growth in innovation in the RSA or, for that matter, in Africa. To the extent that the rest of the applications are foreign based one may conclude that foreign inventors are losing interest in South Africa and never had much interest in the rest of Africa. Whether one can draw other inference, also from the growth of patent filings in China and Korea and their economies, is left to the imagination of others.

[75] Another issue touched on but not dealt with in any detail can be explained with reference to the discovery and isolation by the CSIR of the active ingredient (P 57) in the Hoodia plant which suppresses appetite. It concerns the effective term of a pharmaceutical patent: it is not even remotely 20 years. The P 57 patent, I believe, is dated 1995, which means that it is due to expire in 2015 – two year hence. It is nowhere close to commercialisation. Efficacy and safety trials required for registration have to be conducted and subsequently one has to wait for the registration process which, the document implies, is subject to serious delays. In short, the patentee or the San will never benefit from any commercialisation. In the meantime an Australian research institute is about to begin with its own experiments on Hoodia.

The best the policy document could think of is to recommend that the MCC be pressurised to get its act together (p 15). This provides little comfort to the San in the example. Maybe the document should not have skirted around the issue by reducing it to a non-issue; instead it should have identified and considered the viability of other options.

M. RANDOM COPYRIGHT ISSUES

² These were available in 2011. The picture may have changed somewhat since.

[76] The document quite correctly points out that the Copyright Act was enacted before the advent of the digital era and that it is, accordingly, in part outdated. It also states that the principles of copyright should not change simply because the medium has changed.

These statements appear to be contradictory but they are not. The Copyright Act applies to digital works as it applies to “traditional” (in the copyright sense) works. However, the digital era has brought new challenges which have to be addressed. There is little indication what the challenges are or what the policy is. The document does identify the fair use/dealing area as requiring reconsideration. I am in full agreement but since the document does not state how this is to be approached it is not possible to comment.

[77] There are also other parts of the Act that need to be revisited to enable freer access to material. These are not mentioned. It may be that the **Farlam Committee** has made relevant proposals but the adoption of its proposals is not part of the policy.

[78] I have reservations about some statements made in this context. The first is that the adoption of the WIPO Copyright treaties requires some kind of infrastructure. That is not so and cannot be an excuse for not giving urgent attention to the digital agenda.

It is then said that “*no innovation will occur without the principle of fair use/fair dealing*”. Copyright has nothing to do with innovation; that is something for patent law.

As mentioned before, adoption of a convention does not mean that its provisions apply in SA – one has to pass the necessary legislation and that can be done with or without acceding to any convention.

[79] The recommendation (p 20) that “*contracts [between artists and recording companies] must contain only minimum conditions as per contract law*” is meaningless. The two sentences on p 18 on which it is based do nothing to clarify the issue.

[80] And last, there is the recommendation that government must compile a database of all IP it owns, including copyright (p 43). Since practically every document, including letters, created at all levels of government for the last 50 years is subject to copyright one can only sympathise with government if it accepts this recommendation.

N. CONCLUSION

[81] No one can argue with most of the “broader objectives” (p 7). All are in favour of the empowerment of our people, the development of the economy, synergy between IP and government policies, and so forth.

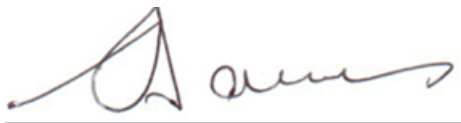
The devil is sometimes in the detail and sometimes in the lack of precision.

[82] As to detail: The promise that “*a Problem Statement is well stated so that it should be known in advance what the problems are and how such problems would be resolved*” was not kept and it is impossible to deal sensibly with the 160 plus recommendations which are sometimes based on

material errors of fact and law, without any empirical data and without any proper studies, comparative or otherwise.

[83] As to lack of detail: I accept that a policy document need not contain detail but it must at least give a general idea of the effect of the policy. The real issue from a legal perspective is not so much the “what”; it is the “how”. On this the document is silent. Is the intention to reinvent the wheel?

Other countries have grappled with the issues and there is much to be learnt from them. But then, a peek at the rest of Africa, Singapore, Hong Kong and Australia is discouraged. How sad.

A handwritten signature in black ink, appearing to read 'LTC Harms', enclosed in a thin black rectangular border.

LTC HARMS
19 September 2013
Pretoria