

IPSP033 - Essential Patent Law

Assignment 03 - Exam

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NOTE

Please note that footnotes will be denoted as ¹ and will appear at the bottom of the page.

References will be denoted by [1] and will appear at the end of the document.

¹This is a footnote.

1 Advise Amos whether any of Bongani's argument have merit, and whether he can succeed with proceedings against him [50]

For the discussions that follow, '*priority date*' will be understood as it is described in [section 33][1], to be the date on which the application for the patent was filed with the receiving Office. A similar definition will be used, regarding international patents pertaining to Paris Convention member states as stipulated in [Article 29(1)][2], [Articles 8 and 11][3] and [Article 4][4]. Furthermore identifying whether or not an invention is new, or involves an inventive step is primarily in the domain of establishing infringement or revocation of a patent or license.

1.1 On the merits of Bongani's arguments

Should Amos wish to pursue infringement proceedings against Bongani, he should be made aware that Bongani may counterclaim [section 65(4)][1], for the revocation of Amos' patent as per the provisions of [section 61(1)(c)][1]. As per the definition specified in [section 2][1] and [Article 27(1)][2], Amos' composition need satisfy the provisions for a patent to be granted under [section 25][1], wherein subsection (1) of that section of the Act stipulates that a patent may be granted for a **new** invention, involving an **inventive step** and has application to trade or industry. Moreover the content of the concept "patentable subject-matter" is usually established in the negative sense by statute, i.e. inventions explicitly 'excluded' from qualification for the purposes of patent protection. Amos' composition neither falls into any of the categories listed under [subsections (2), (3) and (4) of section 25][1], nor those articulated in [Article 27(2) and Article 27(3)][2].

1.1.1 The patent 161/09 is invalid for lack of patentable subject matter and lack of novelty

As per the provisions of [section 25(9)][1], even though the ingredient was used fairly generally prior to the date in respect of which Amos' patent application was filed, given that the use of the ingredient for treating AIDS was not known prior to said date, revocation of the patent cannot be argued on these grounds as even though the composition does indeed form part of the state of the art prior to the date of application, the **use** of the composition in the specified manner does not form part of the state of the art at that date.

As per the provisions of [section 25(5)][1], Amos' composition will be deemed to be new provided it does not form part of the '*state of the art*' immediately before it's priority date. Where as per the provisions of [subsections (6), (7) and (8) of section 25][1] respectively, the *state of the art* includes all matter:

- [subsection (6)], related to the device that has been made available to the public within the Republic or elsewhere, by written, or by oral, or through use or by any other means,
- [subsection (7)], given a preceding priority date, a patent application open to public inspection, and
- [subsection (8)], inventions used secretly and on a commercial scale.

Similar wording is stipulated in [Article 33(2)][3], with a detailed description of the reference to prior art given in [Rule 33][5], wherein the International Search Authority is responsible in establishing novelty of the invention.

As per the provisions of [section 25(10)][1], Amos' composition may be considered to involve an inventive step if it is **not obvious** to a **person skilled in the art** having regards to any prior art immediately preceding the priority date of his invention, when **only** considering subject matter made available to the public, within the Republic or elsewhere, by written, oral, use or any other means, as stipulated in

[section 25(6)][1]. With regards to the international instruments, [Article 27(1)][2] deems the notion of inventiveness to be synonymous with the term “non-obvious”. Similar wording is used in [Article 33(3)][3], which stipulates that the Amos’ composition will be considered to involve an inventive step if it is not, at the prescribed relevant date, obvious to a person skilled in the art. Where the concept of prior art is as described in [Rules 64 and 65][5] of the PCT Regulations, as demonstrated above.

There are therefore no merits to Bongani’s arguments in this sense. However it must be noted that without specifications and operating details of device, it is impossible to say whether or not the composition for treating AIDS in humans has any adverse effects on the environment. Should this be the case, then as per [Article 27(2)][2], the composition may be excluded as a patentable invention, given that it circumvents measures put in place to “... *avoid serious prejudice to the environment*” and Bongani may be able to argue for the revocation of Amos’ patent. In doing so however, Bongani would also prejudice his own application.

1.1.2 The experimental work carried out by Bongani does not constitute infringement of the patent in terms of [section 45][1]

This demonstrates misinterpretation of the legislation by Bongani. As per the provisions of [section 45(1)][1] and [Article 28(1)(a)][2], the experimental work undertaken by Bongani amounts to either making, using, or exercising of the composition for which Amos has a patent for, granting him (Amos) the exclusive right to conduct any of the said activities, and hence Bongani’s experimental work does in deed constitute infringement.

Therefore anyone who performs any one of these acts, except where specifically qualified by a statutory provision such as a license [section 53][1] and [Article 28(2)][2], without consent of patentee, infringes the patent, and the patentee is entitled to enforce his patent rights by instituting proceedings against such an infringer, [section 65(1)][1] and [Article 41(1)][2].

Traditionally, Bongani experimenting with a substance composed of a similar composition which embodies all of the essential features or characteristics of Amos’ patent claim, he (Amos) would have been able to seek remedies against Bongani for infringement as per the ‘*doctrine of pith-and-marrow*’, as worded in *Frank & Hirsch (Pty) Ltd v Rodi Wienerberger Aktiengesellschaft* [6].

1.1.3 Even if such experimental work did constitute infringement, Amos did not suffer any damage as a result of said infringement

Should Amos be able to demonstrate that Bongani’s composition comprises all the essential or integral components of his patent, in the manner claimed, even if Amos did not suffer any damages [section 65(3)(c)][1] and [Article 45][2], nor if Amos is unable to seek royalties in lieu of damages [section 65(6)][1], Amos may still seek relief in the form of:

1. an interdict or injunction [section 65(3)(a)][1] and [Article 44][2],
2. delivery of infringing product or articles of which infringing product forms an inseparable part [section 65(3)(b)][1], or
3. disposal or destruction of the infringing articles, outside the channels of commerce and without compensation [Article 46][2].

1.1.4 Since Bongani does not intent to commence selling the composition until after Amos' patent has lapsed, Amos has no cause of action against him

Once Amos' patent has expired no action for infringement may be brought against Bongani, however possession of experimental composition prior to the date on which the patent has lapsed, still amounts to infringement, in that Bongani is exploiting the exclusive rights of Amos to make, use, exercises or dispose of the composition, [section 45(1)][1] and [Article 28(1)(a)][2].

1.2 Whether Amos will succeed with proceedings against Bongani

Amos may submit an application to the High Court in the prescribed manner [section 65(2)][1] requesting an interim interdict, requiring Bongani to immediately cease and desist from making, using or exercising the composition in his experiments. This can then be escalated to a full trial where Amos can seek a final interdict by way of action or application should there be no material factual dispute between Bongani and Amos, [section 65(3)(a)][1]. Amos is likely to succeed in this action, as it will be trivial to demonstrate that Bongani is indeed currently exploiting Amos' exclusive rights granted by his patent, to make, use or exercises the composition. Moreover it is clear that Bongani also intends to dispose or, or offer to dispose of by way of sale, the infringing composition.

Amos may seek delivery up of the infringing experimental materials and articles [section 65(3)(b)][1], arguing that this will enhance the efficacy of the interdict, in that Bongani will be deprived of a means to perform said acts of infringement. Moreover given that Amos' patent grants him the exclusive right to dispose of or offer to dispose of², and enjoy the whole profit and advantage accruing by reason of his composition [section 45(1)][1], he can request that the court also order delivery up of the registration certificate issued to Bongani in terms of [7]. Here Amos could argue that the registration certificate is a product of which the infringing product forms an inseparable part³. In light of the above arguments Amos is indeed likely to succeed and is in fact advised to pursue combined actions for an interdict and delivery up of infringing goods.

Provided that Bongani has not yet commenced with the marketing and sale of the infringing composition, Amos will be unable to demonstrate actual or prospective loss⁴ nor dilution of goodwill through unfair competition [Articles 3(1) and 3(2)][8], and hence will not likely succeed in seeking relief in the form of damages [section 65(3)(c)][1]. Moreover should Bongani have commenced with marketing and sale of the infringing composition, Amos would also be required to demonstrate that on the date of infringement Bongani was indeed aware of Amos' patent [section 66(1)][1].

2 Advise XYZ (Pty) Ltd whether [50]:

As per the provisions of [section 45(1)][1] and [Article 28.1(a)][2] patent 05/3134 grants ABC Inc the exclusive⁵ right to make, use, offering for sale or disposal, to sell or dispose of, or importation in respect of chemical compound X. Moreover ABC Inc holds the exclusive right to assign, transfer by succession and to conclude licensing contracts as per [Article 28.2][2]. However it is interesting to note that, as per the provisions of [section 45(2)][1], the authorized sale of a /'patented article by or on behalf of a patentee or their licensee shall, subject to other patent rights, give the purchaser the right to use, offer to dispose of and dispose of that article'/, thus giving XYZ (Pty) Ltd a mechanism to refute the infringement action

²I.e. to sell.

³Bongani has no right to sell the composition, the certificate grants him this right, hence Amos is entitled to request delivery up of said certificate.

⁴In the form of profit or sales.

⁵In the sense that 'others' may be explicitly excluded from doing so.

of ABC Inc.

As per the provisions of [section 4][1] and [Article 31][2], given that there is a great demand within the Republic for a herbicidal composition containing the compound X, by reason of severe infestation of these plants, XYZ (Pty) Ltd may petition assistance from a Minister of State in securing use of said composition, even in default of agreement with the ABC Inc, on such conditions as are determined by the commissioner, and where XYZ (Pty) Ltd has indeed attempted to secure authorization from ABC Inc. In such circumstances, XYZ (Pty) Ltd exploitation of ABC Inc’s patent would be limited to non-commercial cases of extreme national urgency.

ABC Inc has already granted a number of non-exclusive licenses to a number of manufacturers and distributors, and is hence under no contractual restrictions not to grant additional licenses nor restrict manufacture or sale within the licensed territories, by either themselves or their licensees. In particular, as per the provisions of [section 58(a)][1], the licensees of ABC Inc patent are free to use or offer to dispose of (offer to sell), or dispose of (sell) the patented compound X. Moreover given that ABC Inc has to date, not commenced manufacturing within the Republic the compound X, nor a herbicidal composition containing the compound as the active ingredient, XYZ (Pty) Ltd could in fact argue that ABC Inc has failed to utilize or work their invention with respect to a herbicidal composition containing the compound X. Thus providing strong grounds for XYZ (Pty) Ltd to argue for a compulsory license based on abuse of rights, [sections 55 and 56][1], to be discussed further below.

2.1 Is ABC Inc likely to succeed with such proceedings, and whether they will obtain all relief claimed for?

As per the provisions of [section 90(1)(a)][1], XYZ (Pty) Ltd could argue that ABC Inc is unable to restrict nor prohibit XYZ (Pty) Ltd from purchasing or using any article or class of articles whether patented or not, supplied or owned by any person other than the seller or licensor or his nominee. Moreover as per the provisions of [section 65(4)][1] and [Article 32][2] XYZ (Pty) Ltd may counterclaim for the revocation or forfeiture of ABC Inc’s patent, however in light of ABC Inc’s exclusive right to import composition X, [section 45(1)][1], any counter action from XYZ (Pty) Ltd may prove difficult to substantiate.

In light of the above considerations and on the basis of the ‘*exhaustion of rights*’⁶, there exists strong opposition to ABC Inc being likely to succeed in proceedings against XYZ (Pty) Ltd in the form of an interdict, [section 65(3)(a)][1], for XYZ (Pty) Ltd to cease importation of composition X and use and manufacture of the herbicidal composition. Moreover ABC Inc is again not likely to succeed in proceedings against XYZ (Pty) Ltd in the form of delivery up of the chemical compound X and/or any article or product of which the infringing product forms an inseparable part, [section 65(3)(b)][1], i.e. the herbicidal composition, as the patented compound X has already been freely sold abroad. Lastly there can be no successful proceedings for damages [section 65(3)(c)][1] as ABC Inc does not manufacture the herbicidal composition within the Republic and hence does not have any monopoly in this regard, as was articulated in a similar case withing South African case law *Stauffer Chemical Co and another v Safsan Marketing and Distributioni Co (Pty) Ltd and others* [9] .

2.2 XYZ (Pty) Ltd is likely to succeed with its application for a compulsory license

As per the provisions of [section 55(a)][1] and [Article 31(1)][2], given that ABC Inc have refused to grant XYZ (Pty) Ltd a license, the working of ABC Inc’s prior patent may be applied to the commissioner by XYZ (Pty) Ltd by way of license, on the grounds that it involves an important technical advance of

⁶Given that the chemical compound X has a number of non-exclusive licencees and distributors.

considerable economic significance given the severe infestation of these plants within the Republic.

Moreover by way of [section 56(1)][1], XYZ (Pty) Ltd may argue that they should be awarded a compulsory license to the commissioner on the grounds that ABC Inc has failed to work the patented composition within the Republic to an adequate scale [section 56(2)(a)][1]. Moreover given that there is a great demand in the Republic for a herbicidal composition containing the compound X, XYZ (Pty) Ltd could argue that the demand for the patented compound X in the Republic is not being met to an adequate extent and on reasonable terms, [section 56(2)(c)][1]. Additionally given that ABC Inc imports into the Republic chemical X, in order to supply chemical X and that they refuse to grant a license to XYZ (Pty) Ltd, they are likely to succeed for an application to the commissioner for a compulsory license as per [section 56(2)(d)][1]. Lastly XYZ (Pty) Ltd is indeed likely to receive a compulsory license from the commissioner on the basis that ABC Inc is currently attempting to meet the demand within the Republic for the patented article by way of importation at an excessive price, [section 56(2)(e)][1], such a situation exists in South African case law as per *Syntheta (Pty) Ltd (formerly Delta Scientific (Pty) Ltd) v Jansses Pharmaceutica NV and another* [10].

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- [9] *Stauffer Chemical Co and another v Safsan Marketing and Distributioni Co (Pty) Ltd and others*, 1987 (2) SA 331 (A).
- [10] *Syntheta (Pty) Ltd (formerly Delta Scientific (Pty) Ltd) v Jansses Pharmaceutica NV and another*, 1999 (1) SA 85 (SCA).