APPROACHES TO SECURING INTELLECTUAL PROPERTY RIGHTS FOR COMPETITIVE ADVANTAGE FOR SOUTH AFRICAN CORPORATIONS

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ABSTRACT

Corporations fight many battles to match and eventually beat their competitors in the marketplace. The development and usage of intellectual property provides a springboard for competitive advantage, but there are many factors that hamper corporations in order to strategise and benefit fully from their proprietary intellectual property. The objective of this research was to identify these factors and to find out what corporations are doing in order to protect their intellectual property for purposes of competitive advantage.

The research was conducted through in-depth semi structured interviews with respondents from corporations who deal with such corporations' intellectual property on a day to day basis and with respondents from firms of attorneys who specialises in the field of intellectual property law.

The findings of the research are that notwithstanding the fact that corporations in general understand the benefits of identifying, documenting and protecting their intellectual property, that there are many factors that prevent these benefits from being capitalised on.

In order for corporations to fully reap the competitive advantage benefit from their intellectual property, it is recommended that corporations conduct intellectual property audits, employ dedicated intellectual property custodian(s), build a relationship with a firm of attorneys that understand the corporation's intellectual property portfolio, ensure active leadership support for intellectual property portfolio management and develop the necessary documentation, policies and procedures that focus on the protection of intellectual property.

DECLARATION

I, **Charl Henning Clark**, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

CHARL HENNING CLARK

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DEDICATION

To my family and friends whose continued support and understanding made this research possible.

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My sincere appreciation goes out to:

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of the research was to establish: a) under which conditions South African corporations formally register their intellectual property in terms of the South African legal system in order to protect their competitive advantage in relation to their products or services; b) why South African corporations sometimes go without such registered protection; c) how South African corporations protect their intellectual property other than by relying on formal registration.

1.2 Context of the study

In terms of the South African Patents Act of 1978, South African business entities (be they public or private companies, close corporations or sole proprietors) can protect the competitive advantage that attaches to their unique products or services by registering with the South African Intellectual Property Registration Office a patent pertaining to their idea, or by registering a trade mark in terms of the South Africa Trade Marks Act of 1993 pertaining to their corporate identity or product or service identity, or by registering a copyright in terms of the Copyright Act of 1978 in a written work or software program, or by registering a design in terms of the Designs Act of 1993 pertaining to the shape, appearance, pattern, ornamentation and configuration of a product or article. These types of registration afford the registration holder certain rights that can be enforced against anyone who attempts to or actually infringes on the registration holder's right(s).

On the other hand, corporations can consciously decide not to pursue such registration for various reasons, or could protect their intellectual property by other means, such as confidentiality agreements for the protection of trade secrets (Domanski 1993; Knobel 2001) or restraint of trade agreements

(Domanski 1993; Neethling 2003) to prevent others from using their good ideas and developing technologies in order to compete with them.

1.3 Problem statement

1.3.1 Main problem

The purpose of this research was to determine how South African corporations protect their competitive advantage in the market in relation to their service or product, where such competitive advantage is built mainly on intellectual property.

1.3.2 Sub-problems

The first sub-problem is: to identify what forms of intellectual property, together with the value thereof, are available to South African corporations.

The second sub-problem is: to determine the South African legal framework for the protection of intellectual property.

The third sub-problem is: to determine what forms of legal assistance are available to South African corporations in order to manage and protect their intellectual property.

1.4 Significance of the study

Countless South African articles have been published on the legal protection of intellectual property through registration. However, the researcher could not find articles on the extent of success of such methods of protection. It is for this reason that the study was conducted to indicate whether the statutory legal dispensation for the protection of intellectual property is working.

The study indicates the level of importance attached to intellectual property by South African corporations in securing a competitive advantage in the market, which would determine whether corporations should educate themselves better about the various forms of protection available for their intellectual property.

The study provides guidance on which protection methodologies to use under certain circumstances to protect one's intellectual property so as to maintain the competitive advantage that was mainly derived from and built on such intellectual property for as long as it is possible.

Lessons learnt from the corporate and attorney firm respondents will assist corporations that are unfamiliar with formal strategies on how to effectively manage their intellectual property portfolio, and the research results would thus add to the existing literature on the subject (Brown 2006).

In the event that this research assists in understanding the subject matter, then the researcher has succeeded in his goal. In this regard, Madsen (1992:14) writes: "Every time a graduate student's dissertation sheds some light on a dark corner of human understanding and banishes some segment, however small, of the world's mystery, society reaps incalculable benefits."

1.5 Delimitations and limitations of the study

1.5.1 Delimitations

The focus of the study is on the competitive advantages gained by corporations through their intellectual property, and not that gained through other methods, such as contacts/partners or governmental protection, such as import restrictions or import duties.

The researcher conducted research on South African corporations that regularly make use of intellectual property for their business case and did not target corporations that do not extensively rely on intellectual property for such purpose.

The position in South Africa forms the basis for the research, but the comparative international position was used in the literature review in order to gain insight into how the subject matter is dealt with in other countries.

1.5.2 Limitations

Due to the sensitive nature of the research problems, some of the respondents did not want to provide many details about their corporations' intellectual property and they were not willing to provide in-depth information on how they protected their intellectual property. For these reasons, the researcher will not disclose the identities of the individual respondents or the positions that they hold in the corporations listed below.

1.6 Definition of terms

"Aesthetic design" means any design applied to any article, whether for the pattern or the shape or the configuration or the ornamentation thereof, or for any two or more of those purposes, and by whatever means it is applied, having features which appeal to and are judged solely by the eye, irrespective of the aesthetic quality thereof (Section 1 of Design Act of 1993);

"Berne Convention" means the international convention for the protection of literary and artistic works of 1886;

"Copyright" means copyright under the Copyright Act of 1978;

"Counterfeiting" means the prohibited acts as set out in Section 1 (1)(iv) of the Counterfeit Goods Act of 1997;

"Domain name" refers to an internet website address;

"Design" means an aesthetic design or a functional design (Section 1 of Design Act of 1993);

"Functional design" means any design applied to any article, whether for the pattern or the shape or the configuration thereof, or for any two or more of those purposes, and by whatever means it is applied, having features which are necessitated by the function which the article to which the design is applied, is to perform, and includes an integrated circuit topography, a mask work and a series of mask works (Section 1 of Design Act of 1993);

"Intellectual property" means patents, trade marks, copyrights, trade secrets and designs and as further amplified in Section 2.2.1 below;

"Paris Convention" means the Paris Convention on the Protection of Industrial Property of 20 March 1883 as revised or amended from time to time and as acceded to by South Africa (Section 2 of the Trade Marks Act of 1993);

"Patent" means a certificate in the prescribed form to the effect that a patent for an invention has been granted in South Africa (Section 2 of the Patents Act of 1978);

"Trade mark" means a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person (Section 2 of the Trade Marks Act of 1993);

"Trade secret" means inventions or manufacturing processes that do not meet the patentability criteria and can therefore only be protected as trade secrets; or inventions that are patentable but which the inventor decides not to patent (WIPO 2006).

1.7 Assumptions

For the purposes of the literature review from international sources, it is assumed that the terms as defined above have similar to exactly the same meaning in those countries. This assumption is reasonable in that the international sources used in the literature review are from countries that are participants to, amongst others, the Paris Convention and the Berne Convention (defined above), to which South Africa is a signatory.

It is assumed that the corporate respondents have a high level of understanding of the subject matter of the study and that they have sufficient personal knowledge of their corporations' management strategies in order to provide reliable information.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The literature review will assist in analysing the options available for the protection of intellectual property and generally to gain insight into burning issues in the field of intellectual property for the purposes of the problem statement.

The researcher uses this literature review chapter to lay the foundation for comparison of the theory with the outcomes of the research conducted.

The literature review is divided into four sections. Firstly, in order to understand what intellectual property refers to, this concept is discussed with reference to international views on the definition of intellectual property. In the second section, the routes of registered protection for intellectual property are discovered. Thirdly, the balance of available ways to protect intellectual property is discussed. Lastly, an overview is provided of the functions that attorney firms provide to corporations, assisting the corporations with the protection of their intellectual property against infringement or abuse.

2.2. Protection of intellectual property

2.2.1. Forms of intellectual property, together with the value thereof, available to South African corporations

Before delving into the “protection of intellectual property”, it is important to understand what exactly is meant by “intellectual property”. The World Intellectual Property Organization (2008) says: “Intellectual property refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce. Intellectual property is divided into two categories: Industrial Property, which includes inventions (patents), trademarks, industrial designs...; and Copyright, which includes literary and artistic works..."

It is also necessary to describe exactly what is meant by "intellectual property rights". The World Trade Organization (2008) describes the concept as: "Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time."

It has also been said that to understand what intellectual property is, it is necessary to understand what the different types of intellectual property have in common, which commonality is describes by Vavis and Padfield (2005:2) as "abstractness or intangibleness". This quality of "intangibleness" is however embodied in a real, produced object where for instance the "Coca-Cola sign" is a registered trade mark, a best-selling novel is the physical embodiment of copyright and a new drug is the embodiment of a patent (Vavis and Padfield 2005).

It is put forward that, in order to protect intellectual property, it is necessary to commence with the corporation, including the management of its intellectual property portfolio in its corporate strategy (Van der Merwe 2000; Malewicki and Sivakumar 2004; Mourtisen 2005; Friese, Jung, Rohm and Spettmann 2006).

Reasons why small to medium-sized corporations do not rely on formal intellectual property rights registration are sometimes linked to a lack of understanding of how the formal registration system works (Burrone 2003). In addition to a lack of such understanding, the cost involved in registering intellectual property rights are seen as one of the biggest barriers for corporations to secure statutory registered intellectual property protection (Gernholtz 1991; Burrone 2003; Jensen and Webster 2006). The registration of a patent can cost between R7 000 and R10 000, excluding VAT, depending on the technicality of the invention (Candy 2005).

A good intellectual property strategy can assist corporations to maintain their product or service technology advantage; to boost their research and technology, branding and marketing effectiveness and to anticipate new market developments (Van der Merwe 2000; Mourtisen 2005). Companies will be able to gain maximum benefit from their intellectual property if they integrate their intellectual property strategy into their business strategy and critical business processes (Friese et al. 2006). In such strategy-reviewing exercises, corporations have to decide whether they wish to make use of their intellectual property themselves or whether they want to license such intellectual property to third parties (Malewicki and Sivakumar 2004).

In many instances, start-up corporations rely in a very big way on innovative ideas, innovative products or innovative processes for a competitive advantage, and in other instances in order to survive in the marketplace (Lang 2001; Burrone 2003; Brown, Osborn and Jaganathan 2005). The time from when the first mover has used his competitive advantage to gain market penetration to when his nearest rivals catch up to him has changed dramatically over the last 100 years, from an average duration of 33 years to 3½ years (Huebner 2005).

Knowing what intellectual property a corporation has, where it is stored, what other types of intellectual property are necessary and how to manage such intellectual property are crucial for the new-age corporation's existence and future growth (Salt 2006).

Salt (2006:16) comments that:

> "Organisations should develop explicit IP management strategies just as they develop human resource strategies to protect their human assets, addressing questions such as:
>
> - How can we equip workers to respect external and licensed Intellectual Property?
> - How do we develop best practices in Intellectual Property and copyright management?
> - What is the strategic and competitive value of Intellectual Property for our organisation?
> - Who has responsibility for Intellectual Property management? Who establishes and reinforces standards and ethical codes for respecting external Intellectual Property?
> - What are the ways in which we generate original Intellectual Property?

- How do we store and protect Intellectual Property?"

It often happens that corporations forgo excellent opportunities with innovative ideas and that these are exploited by their competitors before they do so, resulting from their short-sighted unwillingness to invest in intellectual property protection, rather spending excessively on assets that are visible (Lamprecht 2005). Lamprecht (2005) says that corporations would be willing to add intellectual property spending to their business plans if they understood the value of intellectual property, and would then not only consider this aspect when court proceedings are necessary.

Due to the ability of intellectual property to add substantial value to a corporation's income streams, it is crucial for corporations to identify the intellectual property that they have and to put in place the necessary protection to preserve such intellectual property to derive maximum benefit (Wheeldon and Burt 2005).

2.2.2. Summary

The literature review undertaken in this subsection sketches the requirements and the value of corporations firstly understanding intellectual property, and secondly understanding the present and future strategic value it holds.

Research question 1:

Are South African corporations aware of their intellectual property, the benefits that it poses and the available protection for intellectual property?

2.3. The South African legal framework for the protection of intellectual property

2.3.1. Protection through registration

Under certain circumstances it is wise for corporations to register their intellectual property. For example, a registered patent in terms of Section 45 of the South African Patents Act of 1978 affords the following protection to a patent holder: “The effect of a patent shall be to grant to the patentee in the Republic, subject to the provisions of this Act, for the duration of the patent, the right to exclude other persons from making, using, exercising, disposing or offering to dispose of, or importing the invention, so that he or she shall have and enjoy the whole profit and advantage accruing by reason of the invention.”

In general, in order to determine if an invention has been made, a person should ask if the subject device or process or material is novel, useful and non-obvious (Middendorf 1986, as cited by Vaughan 2001). To register a patent in South Africa, an applicant must show that the invention is novel, has been invented through inventiveness and that it is useful (Blewett 1993).

The country or jurisdiction where you want to have your intellectual property protected determines the technicalities and procedures required to have such protection (Lamy 2004). In the United States of America, for instance, the rule that determines who is entitled to register patent protection is the “first to invent” rule, opposed to the “first to file a patent application” rule which applies in most other countries (Hufker and Alpert 1994; Markovitz 2005; Stankovic 2006; Dolfsma 2006). The knowledge of this difference is essential in order to know and understand what is required (such as evidence) for registration purposes.

2.3.1.1. Patents

The basic premise of the system of patent registration is that inventors are encouraged not to keep their invention secret, but to share it with society in order to stimulate improvement; but, in return for exposing your secret, the inventors get a number of years in which they are granted a monopoly on the use of the invention (Burrell 1999).

It is possible to file a provisional patent application, a complete patent application or an international PCT (Patent Co-operation Treaty covering 133 countries) application (South African Institute of Intellectual Property Law 2008).

If the invention has not been finalised but the inventor would like to commence patent application proceedings to test the commercial viability of the invention, then the provisional patent application is the route to follow, after which one has 12 months to file the complete patent application. If this is not done, the provisional application lapses (South African Institute of Intellectual Property Law 2008).

Section 25(1) and 25(2) of the Patents Act of 1978 determines what is patentable and what not:

> "25 Patentable inventions
>
> (1) A patent may, subject to the provisions of this section, be granted for any new invention which involves an inventive step and which is capable of being used or applied in trade or industry or agriculture.
>
> (2) Anything which consists of-
>
> (a) a discovery;
>
> (b) a scientific theory;
>
> (c) a mathematical method;
>
> (d) a literary, dramatic, musical or artistic work or any other aesthetic creation;
>
> (e) a scheme, rule or method for performing a mental act, playing a game or doing business;
>
> (f) a program for a computer; or
>
> (g) the presentation of information,
>
> shall not be an invention for the purposes of this Act."

In terms of Section 46 of the Patents Act, a patent lasts for 20 years from the date on which the complete patent specification is lodged with the Patent Office (CIPRO).

Burrel (1999:133) states that a patent grants the patentee "... the right to exclude others from making, using, exercising, disposing or offering to dispose of, or importing the invention, so that he shall have and enjoy the whole profit and advantage accruing by reason of the invention."

Burrel (1999) lists the following defences against patent infringement claims:

a) that the patent should be revoked (Section 61(1) and 65(4) of the Patents Act of 1978);

b) invalidity of the patent;

c) licensed right to use (the patentee has licensed the defendant to use the patent in the way complained of (Beecham Group v The BM Group (Pty) Ltd 1977 BP 14 (CP) at 52D – E). Burrel (1999:297) says: "A licence in its simplest form is no more than an authorization given by a patentee to another to invade the patent monopoly ...";

d) waiver by the patentee (Netlon Ltd and Another v Pacnet (Pty) Ltd 1977 BP 87 (A) at 132F); and

e) estoppel (Water Renovation (Pty) Ltd v Gold Fields of SA Ltd 1993 BP 493 (A).

Section 46(1) of the Patents Act of 1978 limits the term of a patent in South Africa to 20 years from the date of application for the patent.

If the invention is patentable and you have the funds to pursue patent registration, the investment in the patenting exercise will be recovered easily by selling the product. In addition, you must be willing to prosecute patent infringements (Heels 2002).

Patents create for their holders a monopoly situation with regard to the use, disposal, non-use or licensing to third parties of the technology to which they pertain (Van Aswegen 2003; Hueber 2005; Bar-Gill and Parchomovsky 2005; Andolsen 2006).

Heels (2002) suggest that a patent be registered under the following circumstances: 1. When competitors will be able to reverse-engineer the product. Otherwise, such a competitor could find out how to produce the product and apply for the patent in his own name and may even prevent you from continuing to produce the product you invented yourself. This observation is shared by Lang (2001) and Eisenberg (2006); 2. When you foresee that one of your competitors would be able to also invent the product and register it as a patent before you can. Eisenberg (2006) also suggests that patents are preferable to keeping your idea as a trade secret due to the certainty that a patent provides. A patent provides you with protection in relation to the application of your idea for a defined duration, in contrast to a trade secret, which can be overridden at any time. A licensee who licenses a certain technology from you will be much more amenable to license from you if the technology is registered, rather than just being a trade secret that can be patented at any time by a third party, which is also proposed by Kline (2003).

Corporations sometimes make use of the following methods instead of patenting: secrecy (confidentiality agreements), ongoing innovation, use of trade marks and being the first mover in marketing their product or service (Burrone 2003).

When a plaintiff proves that his patent has been infringed upon, he will stand a very good chance of being awarded damages, which the infringer will have to pay (Burrell 1999).

Burrell (1999:348) says that "[a]ny person who infringes a patent by the unauthorised making, using, exercising, disposing of, offering to dispose of, or importing the invention, or, it is submitted, procures or induces others to infringe, may be made a defendant and be sued accordingly".

The remedies available to a person whose patent has been infringed, are: a) an interdict; b) forgoing the article or product with which an infringing object has been combined; c) damages; and d) costs (Burrell 1999)

Prominent Supreme Court of Appeal (Appellate Division) decisions:

In the case of AKTIEBOLAGET HÄSSLE AND ANOTHER v TRIOMED (PTY) LTD 2003 (1) SA 155 (SCA), the Supreme Court of Appeal found that a patent specification that accompanies the patent application must be read in its entirety when interpreting the claims in the patent specification, and each word of the patent specification should not be considered in isolation (Juta & Company Ltd 2008).

In the case of ENSIGN-BICKFORD (SOUTH AFRICA) (PTY) LTD AND OTHERS v AECI EXPLOSIVES AND CHEMICALS LTD 1999 (1) SA 70 (SCA), the Supreme Court of Appeal found that the following has to be asked in order to establish whether a patent is invalid due to lack of "inventiveness": (1) the nature of the inventive step said to be involved, (2) the state of the art at the priority date relevant to the inventive step, (3) how the inventive step transcends or differs from the state of the art, and (4) having regard to such difference, whether such inventive step is obvious to a skilled man. The question is whether the claimed invention is obvious, and not whether it is commercially worthwhile (Juta & Company Ltd 2008).

In the case of SCHLUMBERGER LOGELCO INC v COFLEXIP SA 2003 (1) SA 16 (SCA), the Supreme Court of Appeal found that, in order to prove the validity of a patent due to the invention not being obvious, the technical evidence of witnesses should be considered without having regard to their opinions as to whether an invention is obvious (Juta & Company Ltd 2008).

2.3.1.2. Designs

The South African Institute for Intellectual Property Law (2008) describes a registered design as a statutory monopoly granted by the state, allowing the proprietor of such design to prevent another from exploiting the appearance of an article for a limited period of time, and that a registered design protects the physical appearance of an article.

The South African Design Act of 1993 provides for two types of designs, namely aesthetic designs and functional designs.

Section 14 of the Designs Act of 1993 determines that, in order for an aesthetic design to be registrable, it should be new and original, and a functional design must be new and not commonplace in the art in question (South African Institute of Intellectual Property Law 2008).

Designs are divided into different classes, and the selection of the correct class is important as the monopoly right afforded by a registered design is limited to articles that fall within the class registered (Adams and Adams 2008 (2)).

In terms of Section 1 of the Designs Act of 1993, a design might be registered by:

- The author of the design;
- The person for whom the author has made the design in terms of an agreement;
- The employer of an employee who, in the course of his employment, makes the design; or
- The person to whom the ownership of the design has passed, i.e. through assignment by the author.

A proprietor of a design can bring infringement actions against someone who makes, imports, uses or disposes of any article that embodies the registered design so that the proprietor can enjoy the whole profit and advantage that accrues to such design proprietorship (South African Institute of Intellectual Property Law 2008; Section 20 of the Designs Act of 1993).

A design is infringed upon, and a proprietor of a registered design may prevent others from exploiting the design, only if an alleged infringing design is applied to an article included in the class in which the design is registered (South African Institute of Intellectual Property Law 2008).

Section 35 of the Designs Act of 1993 lays down the remedies in case of the infringement of a registered design, which are:

> “A plaintiff in proceedings for infringement shall be entitled to relief by way of -
>
> (a) an interdict;
>
> (b) surrender of any infringing product or any article or product of which the infringing product forms an inseparable part;
>
> (c) damages; and
>
> (d) in lieu of damages, at the option of the plaintiff, an amount calculated on the basis of a reasonable royalty which would have been payable by a licensee or sub-licensee in respect of the registered design concerned.”

In the case of an aesthetic design, the protection of registration is granted for 15 years, and for functional designs it is granted for 10 years, from the date of filing with the Design Office (Section 22 of the Designs Act of 1993).

A registered design can be licensed to a licensee, usually in return for the payment of some kind of royalty, to allow such licensee to perform certain acts which, if he was not so licensed, would have been a contravention of the registered design (South African Institute of Intellectual Property Law 2008).

2.3.1.3. Trade marks

Trade marks are marks used to distinguish a product or service from another’s of a similar nature (South African Institute of Intellectual Property Law 2008).

The South African Trade Marks Act of 1993 defines a “mark” as “...any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the aforementioned”.

The benefits of having a registered trade mark are said to be: a) preventing another from using or registering a trade mark that is confusingly similar to your registered trade mark, without having to prove your prior use of such trade mark; b) prevent dilution or comparative advertising that could have a negative impact on the image of your trade mark; c) registration gives notice to all that you claim the right nationally; and d) your trade mark can be owned indefinitely if you pay the applicable renewal fees (Spoor and Fisher 2008). Further, Adams and Adams (2008(3)) say that the benefits of a registered trade mark are:

- "an easy remedy (an action for infringement) is afforded whereby third parties may be restrained from using the same or closely similar marks;
- it acts as a deterrent to potential infringers;
- the trade mark owner, by being in a position to offer the statutory protection of a registration, is more likely to attract licensees;
- it allows a trade mark owner or licensee to use the legend "Registered Trade Mark" or a suitable abbreviation thereof in conjunction with the trade mark; and
- it affords a *prima facie* (but not, it must be stressed, an absolute) right to use the trade mark concerned."

Similarly to the alternatives to a patent there are two protection options pertaining to a trade mark in South Africa. The first is the common-law protection, based on the law of delict, called "passing-off" (discussed below in Section 2.3.2.1), and then there is the statutory protection provided by the Trade Marks Act of 1993 (Alberts 2007 (3)).

Having a trade mark registered in your name does not necessarily provide you with an "absolute" right to use the mark, as another person might have secured a right to use such a mark in another way, such as a common law right through using the mark, or if his mark has international reputation and is protected under the Paris Convention (South African Institute of Intellectual Property Law 2008).

Section 9(1) of the Trade Marks Act of 1993 says that, "[i]n order to be registrable, a trade mark must be capable of distinguishing the goods or services of the proprietor of the mark from the goods or services of another person". Prior use of the mark, or if the mark is inherently distinguishable, may determine its distinguishability (Visser 1995).

There are 34 classes for goods and 11 classes for services within which trade marks can be registered if you require protection, and the protection is confirmed once the accepted trade mark application has been advertised in the SA Patent Journal (South African Institute of Intellectual Property Law 2008).

In terms of Section 37 of the Trade Marks Act of 1993, a trade mark is valid for 10 years from the date of the original application and is renewable for 10 years at a time on application and payment of renewal fees.

Section 27 of the Trade Marks Act of 1993 provides for the possibility that a person can apply for the removal of a trade mark from the trade marks register, if such trade mark has not been used for a period of five years or longer.

Visser (1995:22) says that "... no registered trade mark will affect the rights of any person at common law to bring an action based on passing-off. Even if a person has registered a trade mark, the use of that mark can amount to passing-off in relation to the common-law rights of another."

Section 34(1) of the Trade Marks Act of 1993 determines that infringement of a trade mark happens when:

> "(a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion;
>
> (b) the unauthorized use of a mark which is identical or similar to the trade mark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion;
>
> (c) the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception: Provided that the provisions of this paragraph shall not apply to a trade mark referred to in section 70(2)."

In terms of Section 34(3) of the Trade Marks Act of 1993, remedies available to a person whose registered trade mark has been infringed upon are:

a) an interdict;

b) an order for removal of the infringing mark and, if it forms part of a product or material, then the trade mark holder can ask that such product or material be handed over to him;

c) award of damages; and

d) payment of a royalty to the registered trade mark holder, which would have been payable had the trade mark been licensed to the infringer (Visser 1995).

It is necessary for a trade mark proprietor to diligently scan the market for potential infringements. If he does not he could find out later that his trade mark is open for attack by someone who has used the same mark for an extensive period of time (Alberts 2007 (5)).

According to the South African Institute of Intellectual Property Law (South African Institute of Intellectual Property Law 2008), the benefits of registering a trade mark include that it:

- provides easy remedy to prevent others from using the mark;
- is a deterrent to potential infringement;
- attracts licensees (financial benefit);
- allows the use of the words “Registered Trade Mark”; and
- provides *prima facie* right of use of the trade mark.

Prominent Supreme Court of Appeal (Appellate Division) decisions:

In the case of VERIMARK (PTY) LTD. v BMW AG and BMW AG v VERIMARK (PTY) LTD. 2007 (6) SA 263 (SCA), the Supreme Court of Appeal found that, in order to establish that a trade mark has been infringed, it is required to interpret a mark as used by an alleged infringer through the consumers' point of view, that if such usage creates an impression of a material link between an infringer's product and the owner of a trade mark, then infringement is established, but that the use of a mark for purely descriptive purposes does not create such an impression (Juta & Company Ltd 2008).

In the case of NATIONAL BRANDS LTD. v BLUE LION MANUFACTURING (PTY) LTD. 2001 (3) SA 563 (SCA), the Supreme Court of Appeal found that, for the purposes of infringement of a trade mark, the use of a mark similar or identical to a trade mark is used, where “similar” means a 'marked resemblance or likeness' and “marked”, in turn, means 'easy to recognise' (Juta & Company Ltd 2008).

In the case of BATA LTD. v FACE FASHIONS CC AND ANOTHER 2001 (1) SA 844 (SCA), the Supreme Court of Appeal found that, in trade mark infringement proceedings, the use of a mark so nearly resembling a registered trade mark as to be likely to deceive or confuse, that the common elements in marks are of minor significance when marks are considered as a whole, which caused the court to find in this case that the overall impression is that the marks do not resemble each other closely and that the average customer is not likely to be confused or deceived (Juta & Company Ltd 2008).

In the case of COMMERCIAL AUTO GLASS (PTY) LTD v BMW AG 2007 (6) SA 637 (SCA), the Supreme Court of Appeal found that, if the usage of a trade mark was not done with the intent to mislead, then there cannot be infringement of a trade mark (Juta & Company Ltd 2008).

In the case of ARJO WIGGINS LTD v IDEM (PTY) LTD AND ANOTHER 2002 (1) SA 591 (SCA), the Supreme Court of Appeal found in an application for expungement of a registered trade mark, on grounds of lack of bona fide use, that the absence of an intention to trade commercially in particular goods in respect of which a trade mark is registered renders the use of the trade mark statutorily inauthentic (Juta & Company Ltd 2008).

2.3.1.4. Copyright

Copyright of a copyright work exists automatically and no registration is required, but cinematographic films can be registered, providing the copyright holder with *prima facie* evidence of the validity of the copyright (South African Institute of Intellectual Property Law 2008).

Due to South Africa's accession to the Berne Convention, a copyright conferred on a copyright work in South Africa automatically receives protection in more than 148 countries that have acceded to the Berne Convention (South African Institute of Intellectual Property Law 2008).

The South African Copyright Act of 1978 provides protection for "unregistered" rights, which is done by the state in exchange for someone's creativity through the prohibition of unauthorised copying of someone's work (Smith 1995). This protection extends to computer programs, literary works, musical works, artistic works, cinematograph films, sound recordings, broadcasts, programme-carrying signals and published editions, as provided for in the amended Section 2(1) of the Copyright Act of 1978.

It is not necessary to mark a copyrighted work, but there are advantages in marking it with the internationally recognised sign "©", and adding the year in which the work was produced and the name of the copyright owner (South African Institute of Intellectual Property Law 2008).

Smith (1995:4), commenting on Section 23 of the Copyright Act of 1978, says that "...copyright vests in the owner of the specific work the exclusive right to do or authorize the doing of certain acts in relation to the work concerned".

Section 21(1)(e) of the Copyright Act of 1978 provides that parties can vary the principles provided for in the Copyright Act by agreement, which means that two contracting parties can agree, for instance, that the company for whom a certain piece of work (in terms of the Copyright Act) is produced will become the copyright owner of such work, notwithstanding the other provisions of the Copyright Act. This situation is called "assignment" or "transfer" of copyright and is specifically provided for in Section 22 of the Copyright Act (Smith 1995). Section 22(3) requires that transfer or assignment of copyright must be in writing and signed for by the assignor.

Smith (1995:15) says that, “[a]s in the case of other intellectual property rights, it is possible to grant licences in respect of copyrights (s 22).”

In terms of Section 23(1) of the Copyright Act, a person’s copyright is infringed if another does or causes someone else to do something which the copyright owner has the exclusive right to do or to authorise.

Acts of infringement of someone’s copyright have to do with some or other form of “copying” or “reproduction” (Smith 1995). If you produce something, not knowing that it has already been produced (exactly) by someone else, this will not be seen as an infringement of a copyright, in contrast to registered patents, designs and trade marks, where it would be an infringement, even if you were not aware that someone else has produced something similar and registered his protection (Smith 1995).

The South African Institute for Intellectual Property Law, referring to the Copyright Act of 1978, says that the duration of copyright varies as follows:

- “for literary, musical or artistic works other than photographs, the term is the life of the author plus 50 years from the end of the year in which the author dies;
- for cinematograph films, photographs and computer programs, the term is 50 years from the end of the year in which the work is made available to the public or is made (where no publication takes place);
- in the case of sound recordings and published and published editions, the term is 50 years from the end of the year in which the recording or edition is first published.”

Either the owner of a copyright or someone that has been licensed to exclusively make use of such copyright can institute actions against another who infringes on the copyright (Smith 1995).

In terms of Section 24(1) and 24(1)(A) of the Copyright Act of 1978, the relief that could be sought against a copyright infringer includes:

a) Damages;

b) An interdict (In order to be granted an interdict, a plaintiff must i) have an established copyright; ii) prove that a copyright is being infringed on or will be infringed on if the court does not grant an order preventing such infringement; and iii) that the copyright owner will suffer damage as a result of the infringement) (Smith 1995);

c) Delivering of infringing copies;

d) Reasonable royalty (which the infringer would have paid the copyright holder had the copyright been licensed by the copyright holder to the infringer); and

e) Delivering plates or other storage medium etc. intended to be used to make infringing copies.

A person who knowingly infringes a copyright in a way described in Section 27(1) of the Copyright Act of 1978 commits a criminal offence.

<u>Prominent Supreme Court of Appeal (Appellate Division) decisions:</u>

In the case of HAUPT t/a SOFT COPY v BREWERS MARKETING INTELLIGENCE (PTY) LTD AND OTHERS 2006 (4) SA 458 (SCA), the Supreme Court of Appeal found that, for the purposes of including "computer programs" under the protection of Section 2 of the Copyright Act of 1978, the marketing of computer program that contains the source code of a copyrighted computer program entitles the copyright holder to an interdict restraining the respondents from infringing copyright in a computer program. The court further found that the ownership of the copyright in a computer program vests in the person who exercises control over the making of the computer program (Juta & Company Ltd 2008).

In the case of DEXION EUROPE LTD v UNIVERSAL STORAGE SYSTEMS (PTY) LTD 2003 (1) SA 31 (SCA), the Supreme Court of Appeal found that, for the purposes of determining if there was an infringement of a copyright, a two-stage enquiry is required, being (1) whether there is objective similarity to a certain degree and, if so, (2) whether such similarity is connected to the original work, either directly or indirectly (Juta & Company Ltd 2008).

In the case of GOLDEN CHINA TV GAME CENTRE AND OTHERS v NINTENDO CO LTD 1997 (1) SA 405 (A), the Court of Appeal found that the importing of and dealing with copies of video games from unknown manufacturers constitutes infringement of copyright (Juta & Company Ltd 2008).

2.3.1.5. Domain names

A "domain name" is the internet protocol address used to direct anyone wanting to access a certain internet website (SAIIPL 2008 (2)).

In the past, domain name disputes were dealt with either under the subject of trade marks or "passing off", and were dealt with in the normal courts (Alberts 2007:66). However, regulations issued under the Electronic Communications and Transactions Act of 2002 provide for alternative dispute resolution, which is another method that can be used since 2006 to settle domain name registration disputes through adjudication.

One of the accredited entities to provide domain name dispute resolution is the South African Institute of Intellectual Property Law (SAIIPL 2008 (2)).

Alberts (2007:68) say that the basis for laying a complaint is that the registration of a certain domain name is abusive, in that it was registered:

- "primarily to sell it to the complainant or another party for a consideration in excess of the registrant's reasonable costs incurred in the process of acquiring or using the domain name (reg 4(1)(a)(i));
- to block intentionally the registration of a name or mark in which the complainant has rights (reg 4(1)(a)(ii));
- to unfairly disrupt the business of the complainant (reg 4(1)(a)(iii); or
- to prevent the complainant from exercising his rights (reg 4(1)(a)(iv))."

The adjudicator in domain name disputes as indicated above makes use of traditional "trade mark" principles in order to make a decision (Alberts 2007 (5)). An example of this is the case of *Mr Plastic & Mining Promotional Goods v Mr*

Plastic CC ZA2007-0001 (SAIIL 2008 (3)), where the adjudicator found that the party who had a registered close corporation (Mr Plastic CC) did not necessarily have the right to register a domain name “Mr Plastic”, as the other party used the “Mr Plastic” name to trade under for 18 years.

The alternative dispute resolution is used when someone wants to complain that another is infringing on his rights, which, according to SAIIPL (2008 (2)), could take on the following forms:

- "where a domain name has been registered by the owner with the intention of selling the domain name;
- where the registered domain name incorporates the name of a business competitor;
- where the domain name incorporates a well-known company name or trademark;
- where a domain name has been registered by ... or ex-employee; and
- where the domain name is offensive and against the good morals of society.”

The service of the South African Institute of Intellectual Property Law as far as domain name complaints is concerned entails the adjudication by one or three arbitrators of a complaint such as indicated above. In the event that the matter was heard by one arbitrator, the decision of such arbitrator can be appealed against to three arbitrators (SAIIPL 2008 (2)). The arbitrator(s) can, in the event that a complaint is successful, either rule that the domain name be transferred to the complainant, or that it may not be used at all. In either case, the registry (in terms of the Electronic Communications and Transactions Act 25 of 2002) is then notified of the appropriate action (SAIIPL 2008 (2)).

2.3.1.6. Company names

Webster and Morley (1997) say that, in terms of Section 45 of the South African Companies Act of 1973, the Registrar of Companies is empowered to order the change of companies’ names in the event that such names or translations or shortened form thereof:

- are found by the Registrar of Companies to be undesirable (Section 45(1));
- if an objection is lodged on the basis that they are calculated to cause damage to the objector, or on the ground that such names are undesirable (Section 45(2)); or
- if the Registrar of Companies feels that the name of the company is misleading about the activities of such company and could deceive the public.

In terms of Section 45(2A) of the Companies Act of 1973, the court can, on application of an objector that a certain company's name is calculated to cause damage to such objector or on the basis that such name is undesirable, make such order as the court sees fit (Webster and Morley 1997).

The Registrar of Companies has issued directives for the purposes of determining whether or not a company name is undesirable for the purposes of Section 45(1) or 45(2) or 45(2A) of the Companies Act of 1973, which directives were published in the Government Gazette of Government Notice 978 of 1995 (Webster and Morley 1997). The directive includes a provision that a trade mark may only be made part of a company name if the company is the registered proprietor of such trade mark (Adams and Adams 2008 (6)). However, due to the fact that the Registrar of Companies does not do a registered trade mark search prior to registering a company name, it is possible for a trade mark proprietor to register with the Registrar of Companies under the Companies Act (Section 43(2)) a "defensive company name". A registered defensive company name would have the effect that such a name would be "undesirable" for the Registrar of Companies to grant to another's application as a company name, as someone else has a material interest in such name (Adams and Adams 2008 (6)).

<u>Prominent court decisions:</u>

In the case of Peregrine Group (Pty) Ltd. and Others v Peregrine Holdings Ltd. and Others 2001 (3) SA 1268 (SCA), the Supreme Court of Appeal found, in relation to Section 45(2A) of the Companies Act, that the test for "calculated to cause damage" usually resolves around an inquiry into the likelihood of confusion or deception (Juta & Company Ltd 2008).

In the case of Deutsche Babcock SA (Pty) Ltd. v Babcock Africa (Pty) Ltd. and Another 1995 (4) SA 1016 (T), the High Court (known as the Supreme Court at the time) found that, for the purposes of Section 45 (1) and 45 (2) of the Companies Act, it could still find that a company name is "undesirable" notwithstanding the fact that the two companies are not engaged in similar types of products or services, and that the "company name" could still be found to be calculated to cause damage (Juta & Company Ltd 2008),

2.3.2. Protection other than through registration

Reasons why corporations do not want to patent their inventions are: that during the filing of a patent application, the essence of the invention has to be disclosed and only limited-duration protection is afforded to such invention through patenting it; and that one can protect your trade secret in perpetuity, whereas a patent only allows you limited-duration protection (Apke 1998; Hannah 2006). In many situations, trade secrets can provide an invention holder with sufficient protection, such as in an employer/employee situation where trade secrets are enforced by employers by having employees sign contracts to provide for the secrets during such employment with the employer and after leaving the employer's employment (Hautman 1989).

In the case of Matthews v Young 1922 AD 492, referred to by Smith (1995), the court found that "imitation" is generally acceptable, unless it goes so far as to be an "improper interference" in some one else's right.

2.3.2.1. Passing off

“Passing off” happens when a person puts forward that his goods or services are those of another (could be a competitor), and the public could be confused into believing such representation (Adams and Adams 2008 (4)).

In the case of Capital Estate and General Agencies (Pty) Ltd v Holiday Inns Inc. 1977 2 SA 916 (A), the highest Court of Appeal described “passing off” as follows: “The wrong known as passing off consists in representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another, and, in order to determine whether a representation amounts to a passing off, one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the business of one is, or is connected with, that of another ... Whether there is a reasonable likelihood of such confusion arising is, of course, a question of fact which will have to be determined in the light of the circumstances of each case.”

In order for a complainant to claim damages on the basis of “passing off”, the normal delictual requirements must be met, which requirements, according to Neethling (2008), are:

- An act – which, for purposes of “passing off” is the situation of being competitive;
- Wrongfulness – which in the case of “passing off” is established when a complainant’s “right to goodwill” of his business is infringed on;
- Fault (either negligence or intent);
- Causation – on a preponderance of probabilities the competitive act must have infringed on the goodwill of the competitor or must have caused one to have lost customers;
- Damage – for instance that clients have bought a competitor’s products.

In most cases where a complainant does not set out to claim damages if his competitor passes off his products as that of the complainant, he applies to the court for an interdict, which could either be prohibitory (not to do something, i.e.

not using the deceptively similar distinctive mark) or mandatory (required to actively do something, i.e. delivery of the goods concerned or containers or advertising material) (Neethling 2008).

The highest Court of Appeal confirmed in the case of Sanachem (Pty) Ltd v Farmers Agri-Care (Pty) Ltd 1995 2 SA 781 (A) that the three requirements in order to be granted an interdict are:

- An act by the respondent, which could either be threatening or already commenced with;
- That the act is wrongful – which undermines the complainant's "clear right", which in the case of "passing off" is the complainant's right to goodwill of his business;
- That the complainant has no other remedy.

Neethling (2008:107) says that "goodwill" (as referred to above) can have the following different meanings:

- "Goodwill as the force or power attracting or drawing clientele;
- Goodwill as the favourable attitude of clientele; and
- Goodwill as the reputation of the undertaking."

In order to be successful against another on the basis of "passing off", you must prove your reputation and that the person complained against is creating confusion with his own product or services. The reputation in relation to a trade mark used on goods can be evidenced through your turnover gained through sales and advertising costs incurred (Alberts 2006 (2)).

Where a South African corporation is the licensee of a product imported from another country, the courts have found that such licensee may institute an action in his own name based on unlawful competition (see case of Prok Africa (Pty) Ltd. v NTH (Pty) Ltd. & others 1980 (3) SA 687 (W)). However, such a licensee will not be entitled to rely on "passing off" if he did not establish his own reputation in relation to the goods (Alberts 2007 (4)) see case of Premier

Trading Co (Pty) Ltd & another v Sporttopia (Pty) Ltd. 2000 (3) SA 259 (SCA)). In contrast, a trade mark user could institute actions in his own name if the trade mark proprietor from whom he licensed to use the trade mark does not want to pursue a trade mark action (Alberts 2007 (4)).

Adams and Adams (2008 (4)) say that, "[i]n considering whether the alleged infringer's representation is likely to confuse or deceive, the relevant trade names, trading styles and get-ups must be compared from visual, phonetic and ideological points of view".

Prominent Supreme Court of Appeal (Appellate Division) decisions:

In the case of CATERHAM CAR SALES & COACHWORKS LTD. v BIRKIN CARS (PTY) LTD. AND ANOTHER 1998 (3) SA 938 (SCA), the Supreme Court of Appeal found that "reputation" is the only component of goodwill that is protected by passing-off. Furthermore, the locality of a business and the extent of its reputation are relevant in determining the existence of potential clients and whether the business is harmed by misrepresentation (Juta & Company Ltd 2008).

In the case of WEBER-STEPHEN PRODUCTS CO v ALRITE ENGINEERING (PTY) LTD AND OTHERS 1992 (2) SA 489 (A), the Court of Appeal granted an interdict to the original product manufacturer, so that the competing product's shape had either to be changed so that it did not resemble the original product, or that the competitor had to stop trading in it (Juta & Company Ltd 2008).

In the case of BRIAN BOSWELL CIRCUS (PTY) LTD AND ANOTHER v BOSWELL-WILKIE CIRCUS (PTY) LTD 1985 (4) SA 466 (A), the Court of Appeal found that, in order to prove that a person is not "passing off", but trading under his own name, the court would enquire into whether such a person had sufficiently distinguished his goods or business from that of a rival trader by taking sufficient steps to eliminate the likelihood of deception or confusion (Juta & Company Ltd 2008).

2.3.2.2. Merchandise Marks Act

The purpose of the South African Merchandise Marks Act of 1941 was to prevent incorrect descriptions to goods and to outlaw the use of certain marks. The Act provides for a number of criminal offences with regard to the unlawful use of trade descriptions and emblems (Adams and Adams 2008 (5)). The Merchandise Act of 1941 also allows the Minister of Trade and Industry to prohibit the usage of certain marks, and the act creates a couple of offences with regard to the usage of trade description and emblems in an unlawful way, which, according to Adams and Adams (2008 (5)), include:

- false trade description of goods;
- alteration of any trade mark;
- sale, letting, offering for sale or hiring of any goods bearing false trade descriptions;
- sale of imported goods showing the name or mark of a South African manufacturer that are not accompanied by indication of origin;
- sale of imported goods with marks or trade descriptions in an official language of the Republic that are not accompanied by an indication of origin; and
- use by any person, in connection with their business or in connection with a registered trade mark or mark or trade description applied by him or her, of certain emblems, such as the coat of arms of the Republic of South Africa, the name or portrait of any current or former president of the Republic of South Africa or other marks or emblems prohibited by the Minister of Trade and Industry.

A person who sees or knows about an offence in terms of the Merchandise Marks Act of 1941 can either lay a complaint at the South African Police Services or approach the South African High Court for relief (Adams and Adams 2008 (5)).

Section 6 of the Merchandise Marks Act of 1941 makes it an offence for a person to apply any “false trade description” to goods, if such person knows or has reason to suspect that the “trade description” is not genuine or if a person did not take all reasonable steps to avoid commissioning of the offence.

Section 1 of the Merchandise Marks Act of 1941 defines a “trade description” as “...any description, statement or other indication, direct or indirect, as to the number, quantity, measure, gauge or weight of any goods, or as to the name of the manufacturer or producer or as to the place or country in which any goods were made or produced, or as to the mode of manufacturing or producing any goods, or as to the material of which any goods consist, or as to any goods being the subject of an existing patent, privilege, or copyright, and includes any figure, word or mark which, according to the custom of the trade, is commonly taken to be an indication of any of the aforementioned matters, but does not include a trade mark”.

Section 1 of the Merchandise Marks Act of 1941 defines a “false trade description” as “...any trade description which is false in a material respect as regards the goods to which it is applied, and includes every alteration of a trade description, whether by way of addition, effacement or otherwise, if that alteration makes the description false in a material respect”.

2.3.2.3. Trade secrets

It is not possible to “patent” all types of inventions, such as for instance “know how”, which is not patentable under the statutory dispensation, and for which protection as “trade secrets” would be more appropriate (Pooley 1989).

Pooley (1989:5) says that, “[g]enerally speaking, proprietary information (trade secrets or confidential information) can be defined as ‘commercially useful ideas’. It does not involve the novelty or obviousness of ideas, considerations that would arise with Patents. However, for anything to be ‘proprietary’, whether it is technical data or customer information, it must not be generally known.”

Examples (Pooley 1989) of “proprietary information” include:

- A method for mixing structural concrete;
- An electronic circuit diagram;
- Computer software;
- A chocolate chip cookie recipe;
- A process for stretching wire;
- A customer list;
- Marketing plans;
- Competitive studies;
- Financial reports; and
- A sealed bid.

When one decides on whether to patent an invention or whether to keep its workings a secret (trade secret), one has to consider whether it would be possible to keep the working of the invention secret, such as the case with the formula for “Coca-Cola” cool drink, which is said to have been developed over 100 years ago. If the Coca-Cola formula had been registered as a patent, the limited time benefit of a registered patent would have lapsed a long time ago, but because the inventors of the Coca-Cola formula kept such formula a trade secret, the formula is still a secret today (FreeAdvice 2008).

The two most widely used commercial agreements/contract types to protect trade secrets are non-disclosure or confidentiality agreements and non-compete or restraint of trade type agreements, which could be used in your relationship with your employees or in your relationship with any third party, such as partners (Santa Clara University School of Law 2008).

Notwithstanding the ability to have many types of contracts in place to maintain the confidentiality or secrecy of your confidential information or trade secrets, you will still be able to use the delictual legal or interdict route to approach a court in the event that someone acquires and uses your confidential information or trade secret (Neethling 2008). In order to qualify as confidential information, such information should, according to Neethling (2008:214) be i) "...capable of application in trade or industry"; ii)".. be secret or confidential. The information must accordingly – objectively determined – only be available, and thus known, to a restricted number of people or to a closed circle"; and iii) "...objectively viewed … of economic (business) value to the plaintiff".

2.3.2.4. Counterfeit goods

Counterfeiting is the unlawful production and distribution of goods that are so intimately similar to the branded or trade mark product of someone else with the intent to mislead or confuse the public to think that they are dealing with the authentic branded product (Adams and Adams 2008 (1)).

Olivier (2007:71) says that "...the Department of Trade and Industry's latest data … showed that an "alarming" loss of revenue of R540-million between April 1, 2005, and March 31, 2006 due to counterfeited goods floating around in the South African market. The same study also revealed that, between 2003 and 2005, loss of revenue due to fake goods was running into R2-billion".

Early examples of counterfeit goods include watches, sunglasses, shoes and clothing, but recently more sophisticated branded goods, such as business software, entertainment software, ink cartridges for computer printers, automotive parts and components, and pharmaceuticals are being counterfeited (SAIIPL 2008 (1)).

The counterfeiting of genuine branded goods causes the brand owners to suffer relationship problems with their distributors and the genuine branded goods' exclusivity value could be affected incredibly (Bowman Gilfillan 2008).

Regarding counterfeit goods, Spoor and Fisher (2008) say that "[c]ounterfeit goods (or pirate merchandise) are imitations of the genuine article. Counterfeit goods are usually imported into South Africa, mostly from the Far East, but are sometimes also manufactured in the country itself. The counterfeit goods are sold or otherwise traded in a variety of manners, such as through retailers, stalls at organised flea markets, over the Internet, at roadside stalls and generally in the informal market."

Counterfeited goods are eroding the markets of producers of genuine branded products, and fake products such as medicines, toys and car parts not only cause huge losses to the brand owners, but pose huge safety and health risks to the public (SAIIPL 2008 (1)).

Protection against counterfeiters can be secured in various ways dealt with herein, but, more specifically, the Counterfeit Goods Act of 1997 can be used. In terms of Section 2 of Counterfeit Goods Act of 1997, dealing (which includes possessing them, manufacturing them, selling them, exhibiting them, distributing them and importing them) in counterfeit goods is a criminal offence, subject to the condition that the person performing the criminal offence must have known or had reason to suspect that such goods are counterfeited goods (Dean 2008). The Counterfeit Goods Act can be relied on if the "counterfeited goods" in question cause a trade mark or copyright infringement (Dean 2008), as dealt with above.

The Counterfeit Goods Act provides for the appointment of "inspectors" who have the power to search for and seize and detain goods which are under suspicion of being counterfeit goods (Dean 2008). In terms of Section 3(1) of the Counterfeit Goods Act, such inspector can act upon a complaint of the owner of a trade mark or copyright, importer, exporter or distributor of subject goods.

Sections 4, 5 and 6 of the Counterfeit Goods Act of 1997 provide the inspector with the power to:

- enter any premises or vehicle to inspect suspected counterfeit goods;
- secure evidence about the suspected counterfeit goods;
- search a person if reasonably required;
- seize and detail tools used in the manufacturing of suspected counterfeit goods;

- question people suspected of knowing about the counterfeit goods;
- seal off any premises or vehicle where suspected counterfeit goods are found; and
- take steps to terminate acts of dealing in counterfeit goods.

Dean (2008) comments that "[g]oods that have been seized by an inspector acting in terms of the Act must be stored and kept in safe custody at a counterfeit goods depot until the person in charge of that depot is ordered by the court to return, release, destroy or otherwise dispose of those goods as specified in the order, or is instructed by the inspector concerned in the matter ... to release those goods to the suspect."

Section 10 of the Counterfeit Goods Act of 1997 determines what orders a court can make in relation to those goods, being:

- release of the seized goods;
- that the goods be delivered to the complainant or intellectual property rights owner;
- that the complainant must pay damages and the person's costs whose goods were seized on suspicion of being counterfeit goods;
- that the accused or defendant can be ordered to disclose where the counterfeit goods came from and the identity of the people who supplied them; and
- that the court may order attachment pending the institution of civil proceedings, to preserve the evidence.

For the purposes of the Counterfeit Goods Act of 1997, a person can prove his intellectual property right by producing a certified extract from the Register of Trade Marks for the purpose of a trade mark, and for a copyright infringement through the production of an affidavit attesting to the infringement (Dean 2008).

In terms of Section 19 of the Counterfeit Goods Act of 1997, on conviction of a person of a criminal offence in terms of the Counterfeit Goods Act, such a person can be sentenced to pay a fine of between R5 000 and R10 000 and/or to imprisonment of between three and five years.

Apart from the provisions for criminal offences in the Counterfeit Goods Act of 1997, the Act also provides for provisions relating to civil proceedings, which are a "search and seizure" procedure to secure evidence for later usage in civil litigation (Dean 2008).

Adams and Adams (2008 (1)) comment that "...the reputation of the brand owner will be seriously prejudiced if these inferior products are confused with the genuine product emanating from the owner."

2.3.2.5. Advertising Standards Authority of South Africa

The mission of the Advertising Standards Authority (2008) is: "The Advertising Standards Authority of South Africa (ASA) is an independent body set up and paid for by the marketing communications industry to regulate advertising in the public interest through a system of self-regulation. The ASA works closely with government, statutory bodies, consumer organisations and the industry to ensure that the content of advertising meets the requirements of the Code of Advertising Practice."

In the advertising industry, the Advertising Standards Authority is a regulating body, of which membership is voluntary, with the purpose of ensuring that the Code of Advertising Practice ("Code"), containing certain criteria, is conformed to (Bertasso 2008).

A trade mark owner or proprietor uses mainly advertising as a method of promoting his "brand" and the consciousness of his brand in the public's eye (Bertasso 2008).

In summary, contraventions of the following criteria of the code most often form the source of complaints (Bertasso 2008):

- The advertiser must be able to substantiate all objective claims made in the advertisement;

- An expression of opinion in an advertisement may not be expressed as an opinion of fact;

- The advertiser may not misuse the trade mark or distinguishing mark of a competitor to either downplay the competitor or create confusion in the minds of the public on whose product is being advertised;

- Existing advertisements (either local or international) may not be copied without permission.

In terms of the Code, a complaint can either be lodged by the public or by a competitor of an advertiser. The Code also provides for an appeal process from the "directorate" to the Advertising Industry Tribunal.

Past findings of the Advertising Standards Authority include (Bertasso 2008):

- Removal of advertisements (in all mediums, such as television, radio, magazines, newspapers, pamphlets, posters, leaflets and packaging) in their current format;

- Amendment of the advertisement and submission to the Advertising Standards Authority prior to re-advertisement;

- If an advertiser has transgressed the Code more than once in 12 months, then the Advertising Standards Authority can insist that all future advertisements of such an advertiser are pre-approved by the ASA prior to the advertisement being published or communicated to the public.

2.3.2.6. Restraint of trade

The principle of "restraint of trade", which finds its way into certain types of contracts, refers to two types of situations, one being the position where a seller of a going concern or business agrees with the buyer of such business that the seller will not compete with the buyer in a certain area and for a certain period of time, and the second form of restraint of trade is where an employee agrees with his employer that he will either not set up his own business competing with his employer or accept a position at a competitor of his current employer (Neethling 2008).

On the basis that it goes against public policy, however, an agreement of restraint of trade can be found not to be enforceable by the courts (Neethling 2008).

Referring to the case of Magna Alloys and Research (SA) (Pty) Ltd. v Ellis 1984 4 SA 874 (A), Neethling (2008) says that, in order to determine if an agreement of restraint of trade is against public policy, one should consider that parties to an agreement are free to agree whatever they want to, but one also has to take into consideration that a person should be free to operate a business or practise a profession. In determining whether a restraint of trade agreement is against public policy, the reasonableness of such restraint should be considered.

<u>Prominent Supreme Court of Appeal (Appellate Division) decisions:</u>

In the case of AUTOMOTIVE TOOLING SYSTEMS (PTY) LTD v WILKENS AND OTHERS 2007 (2) SA 271 (SCA), the Supreme Court of Appeal found that it would not be an action contrary to an agreement of "restraint of trade" if a person acquires knowledge during his employment with a company, where such knowledge becomes a part of the person's trade and skills set (Juta & Company Ltd 2008).

In the case of REDDY v SIEMENS TELECOMMUNICATIONS (PTY) LTD 2007 (2) SA 486 (SCA), the Supreme Court of Appeal found that, when you oppose court proceedings based on "restraint of trade", you have to prove that such restraint of trade is against public policy. The applicant who brings the court proceedings based on restraint of trade needs not prove that he has suffered damages, but only has to show that there is a possibility of him suffering damages (Juta & Company Ltd 2008).

2.3.3. Summary

The literature review conducted in this subsection describes the multitude of ways in which corporations can legally strategise and react in order to protect their valuable intellectual property.

The purpose of including summaries of prominent court cases in the literature review is to highlight the need to have a very good understanding of the legal positions under each type of intellectual property and, further, to indicate that the position with regard to interpretation of the law remains fluid due to the ability of law being made or changed with each court decision. This emphasises the need for corporations to draw on experts such as attorneys to provide the necessary guidance on intellectual property law.

Research question 2:

Which factors influence the way that corporations manage and protect their intellectual property?

2.4. Legal assistance available to South African corporations in order to manage and protect their intellectual property

2.4.1. What attorneys are doing for South African corporations

In terms of the South African Patents Act of 1978, an applicant for the registration of a patent has to secure the signature or sign-off of a patent attorney in order for a patent application to be accepted by the Registrar of Patents. This requirement means that a corporation or an individual cannot apply for a patent without the help of a patent attorney.

Trade mark or trade secret protection without statutory registration requires one to rely on the common law to enforce one’s intellectual property right. The nature of the burden of proof and presentation of such an action based on the

South African common law requires the expert attention of a legal representative (Michau 1995). It thus appears that attorneys or legal representatives are vital for the enforcement of any intellectual property rights.

Attorneys' services relating to anti-counterfeiting

- This include the preparation of affidavits and assisting with search and seizure procedures, lodging complaints with SARS, lodging complaints with the SAPS and civil and criminal litigation with respect to counterfeit goods (Adams and Adams 2008 (2)).

Attorneys' services relating to patents

- Drafting, filing and prosecuting patent applications and renewals of patents (Adams and Adams 2008 (2));
- Preparation of licensing agreement related to technology transfer (Adams and Adams 2008 (2));
- Novelty of invention patent searches, which include infringement searches and name searches (Adams and Adams 2008 (2));
- Litigation proceedings in relation to infringement of patents and revocation of patent proceedings (Adams and Adams 2008 (2));
- Valuation of patents and forensic auditing of patents (Adams and Adams 2008 (2)).

Attorneys' services relating to designs

- Preparation, filing and prosecution of design applications, which could cost between R3 500 and R5 000 (Adams and Adams 2008 (2));
- Preparation of license agreements relating to designs (Adams and Adams 2008 (2));
- Litigation on all aspects of design rights (Adams and Adams 2008 (2));
- Searches on designs (Adams and Adams 2008 (2)).

Attorneys' services relating to trade marks

- Preparation of and filing and prosecuting trade mark applications, and renewals of trade marks (Adams and Adams 2008 (2));
- Development and provision of trade mark portfolio management software to enable corporations to manage their trade marks (Adams and Adams 2008 (2));
- Litigation on trade marks, including infringement and opposition of trade mark application proceedings (Adams and Adams 2008 (2));
- Preparation of license agreements pertaining to trade marks, including franchise agreements (Adams and Adams 2008 (2));
- Valuation of trade marks and brand names (Adams and Adams 2008 (2));
- Forensic audits on trade marks (Adams and Adams 2008 (2)).

Attorneys' services relating to domain names and disputes

- Domain name registrations with the registry in terms of the Electronic Communications and Transactions Act 25 of 2002 (Adams and Adams 2008 (2)).

Attorneys' services relating to copyright law

- Copyright protection proceedings, litigation and disputes (Adams and Adams 2008 (2));
- Preparation of licensing and assignment of copyright agreements (Adams and Adams 2008 (2));
- Copyright protection proceedings with regard of computer software (Adams and Adams 2008 (2)).

Attorneys' services relating to unlawful competition

- Litigation on any aspect of unlawful competition (Adams and Adams 2008 (2)), such as "passing off" and restraint of trade proceedings.

Attorneys' other intellectual property-related services

- Formation and registration of companies and close corporations (Adams and Adams 2008 (2));
- Preparation of joint venture, collaboration and franchising agreements (Adams and Adams 2008 (2));

2.4.2. Summary

Certain firms of attorneys provide the full range of services required in order for South African corporations to best protect and conserve their intellectual property for whatever purpose, but mostly for competitive advantage.

Research question 3:

What are the functions of attorneys in assisting corporations to protect their intellectual property?

2.5. Conclusion

The literature suggests that South African corporations need to develop an intellectual property strategy in order to know how to go about protecting their valuable intellectual property to maintain its competitive advantage for as long as possible. The help of legal representatives in the designing of such a strategy appears to be an imperative.

The literature review indicated that South African corporations, as with corporations in other countries, can decide whether to register or not to register their intellectual property for protection purposes.

The following continuum (from least protection to most protection) can be constructed pertaining to the protection of intellectual property rights: 1. Informal protection practises – lead time advantage over competitors; 2. Non-registrable legal rights – confidentiality clauses in customer, supplier and employment contracts; 3. Registrable intellectual property rights – patents, copyright, designs and trade marks (Kitching and Blackburn 1999).

The literature suggests that corporations should carefully consider registering their intellectual property. A corporation's strategy on intellectual property management should be part of, if not central to, its product or services strategy going forward. The protection required for a corporation's intellectual property is directed towards either acquiring a competitive advantage over competitors or maintaining a competitive advantage. In the end, the question is with which form of protection of intellectual property the corporation would gain the most financial benefit.

2.6. RESEARCH QUESTIONS

The literature does not deal specifically with all the factors that play a role in corporations as far as the methodologies applied in assessing the value of their intellectual property, neither with the influences of how the different forms of intellectual property are protected in order to reap a competitive advantage benefit from this property.

Further, the available literature does not deal extensively with the question of whether the usage of external legal consultants or attorneys is generally more advantageous than managing a corporation's intellectual property portfolio in-house.

These research questions will provide the essential information required to address the problem statement.

2.6.1. Research question 1

In line with the first sub-problem, which is to identify what forms of intellectual property, together with the value thereof, are available to South African corporations, the first research question is:

Are South African corporations aware of their intellectual property, the benefits that it poses and the available protection for intellectual property?

2.6.2. Research question 2

In line with the second sub-problem, namely to determine the South African legal framework for the protection of intellectual property, the second research question is:

Which factors influence the way that corporations manage and protect their intellectual property?

2.6.3. Research Question 3

In line with the third sub-problem, which is to determine what forms of legal assistance are available to South African corporations in order to manage and protect their intellectual property, the third research question is:

What are the functions of attorneys in assisting corporations to protect their intellectual property?

CHAPTER 3: RESEARCH METHODOLOGY

This chapter describes the research methodology that was used to gather the required research information in order to answer the research questions stated in the previous chapter.

The qualitative research method that was used is dealt with next, followed by writings on the research design used and a description of the population and sample subject of the research. The questionnaires used as the basis for the interview questions are dealt with and attached, and thereafter a description is provided of the data analysis, the limitations of the study are discussed and the reliability and validity of the research information are then provided.

3.1 Qualitative research method

The methodology used was the qualitative research method based on in-depth, semi-structured interviews, which culminated in an evaluative research construct (Hofstee 2006). The researcher felt that, due to the range of corporate and attorney firm respondents and the range of different industries represented by the respondents, the qualitative research method was the most appropriate.

According to Rudestam and Newton (2001), it is more likely that qualitative research will result in more theory than it will test a theory, due to the nature of qualitative being inquisitive rather than deductive. With this in mind, the researcher set about the research, realising that the answers to the posed research questions could be very complicated due to evolving theory.

Ulin, Robinson, Tolley and McNeill (2002:22) propagate that “[t]he theoretical framework for most qualitative research emerges from an interpretavist perspective, a paradigm that sees the world as constructed, interpreted and experienced by people in their interactions with each other and with wider social systems.” The answers to the research questions could therefore only be accurately derived if the researcher was able to place himself in a position where his interpretation of the data gathered in the research was done with the necessary background knowledge that emerged from the literature review and the in-depth interviews.

The researcher felt that getting to grips with and having insight into the subject matter would be more beneficial than using a statistical analysis (Walker 1985; Bell 1993; White 2002), which is what the result would have been if the quantitative research method was used (Thorpe and Holt 2008).

Addressing some of the assumptions regarding qualitative research, Clarke and Dawson (1999:39) are of the view that the researcher must obtain insight and understanding of the subject matter – in a way he must step into the position of the interviewees. They say: "The issue is one of scientific objectivity versus phenomenological subjectivity."

Brynard and Hanekom (2006:37) suggest that "[t]he fundamental theme of qualitative research is a phenomenological one, where the actor's perspective is the empirical point of departure. It is a focus upon the real-life experience of people."

The research is appropriate for this theory in that the research questions could most probably only be successfully addressed after the researcher was placed in a position to understand the respondents' personal points of view in order to interpret the research data. Due to the limited sample size, the qualitative research methodology was appropriate.

3.2 Research design

The Researcher chose the interview methodology because "… interview permits probing into the context of, and reasons for, answers to questions." (Kerlinger 1964:468). Easterby-Smith, Thorpe and Lowe (2002:87) comment on the use of the interview method of collecting data for research as follows:

> "Interviews, both semi-structured and unstructured, are therefore appropriate methods when:

> 1 it is necessary to understand the constructs that the interviewees uses as a basis for her opinions and beliefs about a particular matter or situation; and
>
> 2 one aim of the interview is to develop an understanding of the respondent's 'world' so that the researcher might influence it, either independently, or collaboratively as in the case with action research.
>
> In addition they are useful when: the step by step logic of a situation is not clear; the subject matter is highly confidential or commercially sensitive; and there are issues about which the interviewee may be reluctant to be truthful other than confidentially in a one-to-one situation."

The interview method is most suited for the subject of the research due to the many variables involved and the extent of difference in approach that the different corporate respondents that were interviewed have due to their different internal requirements. The researcher felt and experienced that the in-depth interviews exposed more than what a questionnaire would be able to uncover, mainly due to the ability to ask follow-up questions as a result of the answers given by the respondents.

During the interviews conducted by the researcher, every effort was made not to direct the line of questioning in a certain direction (Bell 1993), but to allow the respondents to provide full details in substantiation of their answers, a view propagated by Bryman (1992) and Walker (1985).

The researcher considered whether to conduct the intended interviews without making use of a questionnaire and if this would be the best way to collect information (Bell 1993). Questionnaires were used to serve as probes or prompts (Brown and Dowling 1998) in the discussions with the respondents. After the literature review, the researcher was in a position to know which types of data were required in order to perform the qualitative research through the interview method. The questionnaires functioned as a basis to start and coordinate the interviews and to ensure that the required areas were covered (Bryman, 1992). They also assisted the researcher to ask follow-up questions (Clarke and Dawson 1999).

Regarding unstructured interviews, Welman and Kruger (1999:196) comments that "[n]ot only do unstructured interviews differ from structured interviews in that they are not bound to a previously compiled list of questions, the interviewer also departs from his or her role as a detached interviewer and interacts with the individual with whom the interview is conducted." Thus, some of the standard questionnaire questions were leading questions that either had a "yes" or "no" answer. The researcher was well aware of the potential difficulties with such leading questions, as pointed out by writers such as Welman and Kruger (1999). However, during the interviews the researcher felt that the leading questions made the respondents feel more at ease, as the answers were not difficult. The researcher then followed the short answers up with further detailed questions in order to record much more detail. The fact that the average interview time was more that one hour is evidence that the answers to the leading questions were not left at that.

3.3 Population and sample

3.3.1 Population

The population of this research was twofold: firstly, corporations that rely to a great extent for their competitive advantage or monopoly in their market segment on intellectual property and, secondly, attorney firms that specialise in the area of the law of intellectual property.

3.3.2 Sample and sampling method

Locke, Silverman and Spirduso (2004) say that, through selection and usage of a sample and through establishing such sample's characteristics the characteristics of the true (and much larger) population, can be estimated.

Regarding sampling in qualitative research, Leedy and Ormrod (2005:145) comment that it selects "those individuals or objects that will yield the most information about the topic under investigation".

The sample must be of such a nature that it is representative of the population (Locke et al. 2004; Leedy and Ormrod 2005).

The researcher chose those respondents who he thought would be best suited for the subject of the research (Henning, Van Rensburg and Smit 2004).

The sample size of the corporations was eight respondents (refer to Table 1 below), which resulted in six interviews that were conducted and two written replies to the introductory questionnaire received. The researcher consciously targeted corporations from different industries, namely the information technology, petrochemical, chemical and explosives, consumer and industrial products, automotive, pharmaceuticals and banking industries. This was done in order to get a broad as possible view of the different corporations' approaches to the protection of intellectual property, but also to understand which categories of intellectual property are relevant in each industry. It is noteworthy that Microsoft South Africa was not allowed to participate in the research because their head office in the United States of America refused them permission to take part in the research.

Due to the potential unmanageable quantity of data, the researcher had to limit the number of corporate respondents interviewed. It would have been possible to focus on one industry only, such as banking, but the purpose of the research was much broader than concentrating on one industry and the researcher wanted to focus the research in order not to get sidetracked (Bak 2004; Madsen 1992).

The sample size of the attorney firm respondents was three (refer to Table 1 below), but interviews were conducted with two representatives of each of the attorney firms. There are a limited number of attorney firms in Gauteng (and South Africa) that specialise in intellectual property law, and therefore the researcher decided to interview the most well known of such attorney firms.

Table 1: Profile of respondents

Respondent corporation	Number of interviewees	Respondent attorney firm	Number of interviewees
Standard Bank	1	Adams & Adams	3
First National Bank	1	Spoor & Fischer	2
BMW South Africa	1	Bowman Gilfillan	2
Bytes Technology	1		
AECI	1		
3M	2		
Sasol	1		
Toyota South Africa	1 (questionnaire only)		
Aspen	1 (questionnaire only)		

3.4 The research instrument

The researcher personally contacted the potential respondent corporations and attorney firms telephonically in order to enquire if they were willing to assist him with the research and be interviewed. In the case of the corporations, the researcher had to establish through enquiry which department and which person dealt with their intellectual property matters and, in the case of the attorney firms, the researcher had to establish which attorney would be willing to assist the researcher with the research. The telephone conversations were followed up with e-mails (see Appendix A), indicating to the respondent interviewees what the research was about. This was followed by an exchange of e-mails to arrange a date, time and venue for the interviews. The researcher also attached different questionnaires to the e-mails. These were applicable to the corporate respondents (see Appendix B) and the attorney firm respondents (see Appendix C), indicating to the potential interviewees what type of questions would be asked during the interviews.

3.5 Procedure for data collection

In the case of the corporate respondents that were interviewed, the researcher generally called the general enquiries switchboard number and requested to speak to someone in their legal department. This process sometimes took a couple of attempts before the researcher was connected to the legal department. Once the researcher was connected to the corporation's legal department, the next step was to request to speak to someone who specialised in intellectual property. Due to workload and meetings, the researcher in most instances was not successful in speaking to the correct person in the corporation's legal department straight away, but either had to call back later, or leave a message. The researcher's messages were mostly answered by return call. Once telephonic communication with the correct person was established, an explanation followed, informing the potential respondent of the subject matter, being that of collecting information for the purpose of an MBA at Wits University.

Only two instances out of a total of nine corporations to whom the questionnaires were sent did not result in an interview, due to unavailable time to see the researcher. However, in both cases the corporations' representatives provided the researcher with written answers to the questions posed in the e-mails and questionnaires.

The researcher made extensive notes during all the interviews and captured the essence of the respondents' answers to the researcher's questions. The notes were typed up as soon as possible after the interviews (Watson 1987) and the necessary internet searches were done in order to formulate the data in as much detail as possible for further usage during the analysis of the data. The reason for the internet searches was that, in most instances, the respondents provided the researcher with clues to further subjects that the researcher could or should consult. For instance, BMW South Africa referred the researcher to the court case of VERIMARK (PTY) LTD. v BMW AG and BMW AG v VERIMARK (PTY) LTD. 2007 (6) SA 263 (SCA), where the topic of the researcher's interview with the respondent was discussed and decided by a court. Thus, the researcher deemed it necessary to consult these sources of data in order to better understand the subject matter of the research and in order to incorporate such sources by reference in the research report.

All the interviews with the corporate and attorney firm respondents took place at their respective places of work in order to limit the respondents' time required to assist the researcher. The duration of the interviews ranged from 40 minutes to one and a half hours, depending on the level of discussion and the flow of information.

3.6 Data analysis and interpretation

Walker (1985:40) says about the analysis of qualitative material that "... it is the function of the researcher to impose order and structure upon them".

Easterby-Smith et al. (2002:117) say that "[t]he big problem with qualitative data is how to condense highly complex and context-bound information into a format which tells a story in a way that is fully convincing to the reader", a view shared by Rugg and Petre (2007:152). The latter authors (2002:117) also distinguish two types of qualitative data analysis, namely "content analysis" and "grounded analysis." "Content analysis" is done through numbers and "grounded analysis" is done "...by feel and intuition, aiming to produce common or contradictory themes and patterns from the data, which can be used as a basis for interpretation."

Creswell (2003) proposes the following six "generic steps" for analysing qualitative date: 1) organise and prepare the data for analysis; 2) read through all data; 3) begin detailed analysis with a coding process; 4) use the coding process to generate a description of the setting or people as well as categories or themes for analysis; 5) advance how the description and themes will be represented in the qualitative narrative; and 6) interpret the data.

Badenhorst (2008) proposes the following four basic steps of data analysis: 1) organise data in files and indexes; 2) analyse data by pulling the threads apart; 3) synthesise your analysis by pulling together the codes and extracting the relationship between them; and 4) evaluate your analysis.

Brynard and Hanekom (2006:62) say that "[m]ind-mapping enables the researcher to identify topics (data) critical to the particular investigation; it helps to simplify the research for, and the collection of, topic-relevant data needed for in-depth analysis." The researcher used the mind-mapping methodology to identify the factors that influence the way in which corporations manage their intellectual property, as discussed in Section 4.3 below.

Merriam (2002:14) says that, "[i]n qualitative research, data analysis is simultaneous with data collection". The researcher found this method of simultaneous analysis very useful because of the volume of information that was collected.

As proposed by authors such as White (2002), the interview answers were scrutinised for the appearance of any similarity in answers given, and those answers that appeared to be similar was grouped for pattern-building purposes, notwithstanding the fact that the research was done on a qualitative and not on a quantitative basis.

Regarding the analysis of data collected through qualitative research, Brynard and Hanekom (2006:60) say that "[t]he researcher has to filter the massive amount of data available until only that which is critical to the research remains."

The method used to analyse the data collected by the researcher could have been done "grounded theory", "phenomenology", "narrative", "ethnography" or "case study", but the researcher chose the "interpretive study" combined with "phenomenology" (Merriam 2002).

When using the “phenomenology” method of data analysis, the researcher puts aside his own views and has to rely on the subjects’ experiences, and through this the phenomenon is closely identified and described (Locke et al. 2004). Leedy and Ormrod (2005:139) comment that “[a] phenomenological study is a study that attempts to understand people’s perceptions, perspectives, and understandings of a particular situation”.

The researcher also used the “content analysis” method to analyse the data collected through the interviews. Patterns, themes and biases are identified through the process of content analysis of the collected data (Leedy and Ormrod 2005).

The strengths and weaknesses of the interview answers were considered in detail for the purpose of constructing the ideal intellectual property portfolio management strategy for a corporation. The researcher understands that the personal evaluation of the answers will determine the degree of success of the research and that the support to be provided for the evaluation made will be crucial.

The collected data and interview questions were scrutinised thoroughly in order to address the problem statement (main and sub-problems), for confirmation purposes of the stated literature and the resultant research questions.

In order to find meaning in the collected data, the researcher analysed the data and then, through a process of interpretation, distilled the results of the analysis (Kerlinger 1964).

Walker (1985:56 and 65) propagates that there are no set rules on how to analyse collected qualitative data, and he goes on to say that ”[t]he analysis of qualitative data is a process of making sense, of finding and making a structure in the data and giving this meaning and significance for ourselves, and for any relevant audiences”.

The results of the analysis must be interpreted, as stated by White (2002:118): “Interpretation shows how your results fit, or do not fit, with the theory and background of the subject investigated.”

Creswell (1998), as cited by Leedy and Ormrod (2005:140), says that the data analysis of phenomenological research data is done through the following four steps: "1. Identify statements that relate to the topic. 2. Group statements into "meaning units". 3. Seek divergent perspectives. 4. Construct a composite." The researcher applied these four steps in the analysis of the data, in combination with the three-step content analysis proposed by Leedy and Ormrod (2005:142) below.

Merriam (1998:15) proposes that, "[i]n the conduct of phenomenological study, the focus would be on the essence or structure of an experience (phenomenon)."

From a "content analysis" point of view, the following steps are proposed by Leedy and Ormrod (2005:142) as a method of analysing the data: 1. Identify characteristics to be examined; 2. Break data down into manageable pieces for analysis; 3. Scrutinise the data/material for the identified characteristics.

3.7 Validity and reliability

White (2002) says that validity in research design has to do with dealing with all the aspects required in order to address the research question(s).

Easterby-Smith et al. (2002) believe that qualitative research through the interpretative method should not be made subject to principles of validity and reliability, as this could have the implication that there is only one correct answer. They refer to David Silverman (Siverman 2000), who provided a couple of alternatives to the principles of validity and reliability for qualitative research through interpretative methods. These alternatives are "refutability", which looks at examples to detract from current beliefs; "constant comparison", which looks at new opportunities to enhance available theory; "comprehensive data treatment", which requires analysis of all available data before making conclusions; and "tabulations", which organise data better.

Clarke (2000:88) says that “methodological triangulation” is a method of overcoming bias and measurement errors, and serves as a safeguard against threats to validity and reliability.

3.7.1 External validity

Clarke (2000:116) says that “external validity” describes the extent to which a certain research finding can also be attributed to other situations. External validity can be described as the potential application of a research finding to another situation (Emroy and Cooper 1991; Merriam 2002; Locke et al. 2004; Leedy and Ormrod 2005). Ways of ensuring that a research finding is externally valid are: i) case-to-case transfer (such as in law); ii) rich and in-depth description (lots of detail) and iii) multi-site design (collecting data from many background areas) (Merriam 2002).

Notwithstanding that the sample was not randomly selected, the research meets the validity criteria in that the researcher managed to collect data from a wide range of corporations representing many industries, and from attorney firms serving diverse market segments. The research delivered rich and in-depth descriptions of the corporate strategies or the lack of corporate strategies and recommendations made by the respondents. For these reasons it should be possible to apply the research findings to other corporations.

3.7.2 Internal validity

The question that has to be answered regarding the internal validity of research is whether the findings of the research are a fair reflection of reality (Emroy and Cooper 1991; Merriam 2002; Locke et al. 2004; Leedy and Ormrod 2005).

Triangulation is a method that is recommended by many in order to assure internal validity, and is done through the collection of data from multiple sources in order to confirm correctness (Woods 2006; Merriam 2002). Another way of assuring internal validity is member checks, where for instance the researcher’s interpretations of what a person has said and meant during an interview is double checked by letting the interviewed person review the finding and confirm its correctness (Woods 2006; Merriam 2002; Leedy and Ormrod 2005). Peer review by someone checking to see if a researcher's findings are plausible is a third way of assuring internal validity (Merriam 2002; Locke et al. 2004; Leedy and Ormrod 2005).

Due to the fact that the data was collected from multiple sources, from interviews and from a literature review, the research does have internal validity. The researcher would have wanted all the interview notes to be checked by the respondents for correctness, but after asking a couple of respondents during the interviews and thereafter if this was possible, the majority responded that the questions posed during the interviews were clear and that the answers to the questions were clear and that it was not necessary to check the interview notes. Notwithstanding the forgoing, one attorney firm did request a transcript of the interview notes, which the researcher forwarded to the attorney to check the correctness of the notes.

3.7.3 Reliability

In terms of the reliability of the data gathered from the corporations and attorney firms, the question that the researcher constantly had to ask was "am I comparing apples with apples?" in order to triangulate the results of the data collected. Bell (1993:64) says that reliability under these circumstances "...is the extent to which a test or procedure produces similar results under constant conditions on all occasions".

"Reliability" refers to the ability to reproduce certain research results (Clarke 2000; White 2002).

Merriam (2002) says that reliability is the extent to which research findings can be repeated. Similar to "internal validity", "reliability" of a research finding can be ensured through triangulation and peer review, but it can also be ensured through the researcher's position and experience and the audit trail of the research (Merriam 2002).

Locke et al. (2004:128) say in relation to the relationship between “validity” and “reliability” that ”...you cannot tell the truth unless you are consistent, but you can be consistent and not tell the truth”.

The researcher kept an audit trail of the research data collected, capturing detailed interview notes and transcribing the interview notes, and this audit trail assisted in the research being reliable and repeatable under similar conditions. Furthermore, the sample respondent interviewees are subject experts in their field and therefore their views should be repeatable by other, similar subject experts.

CHAPTER 4: PRESENTATION OF RESULTS

4 Introduction

This chapter commences with a description of the demographic profile of the respondents in the context of their positions in the corporations (relating to the corporate interviewee sample), and the attorney firms (relating to the attorney firm interviewee sample).

Next, the results relating to each of the research questions are presented and described. In order to arrive at such presentation, the data recorded throughout the in-depth semi-structured interviews are discussed.

4.1 Demographic profile of respondents

The reason for not mentioning the positions of the respondents in their corporations and attorney firms is because of requests from most of the respondents, both from the corporate and attorney firms, for their identity not to be disclosed. If the positions are provided in relation to the corporations and attorney firms, it would have been possible in most instances to determine which persons were interviewed.

4.1.1 Corporate respondents

The corporate respondents varied in many ways. The departments in which the respondents worked included the following: group legal department, divisional legal department, group legal department specialising in intellectual property, group branding department, group marketing department and technology department. The respondents' positions included the following: general counsel (Sub-Saharan Africa), technical manager traffic and safety systems, intellectual property legal counsel, legal services: director, manager: corporate image, group legal manager, legal adviser: intellectual property and legal consultant.

All of the corporate respondents interviewed managed or were actively involved with the management of their corporations' intellectual property. This was exactly what the researcher set out to achieve in identifying the corporate respondents to be interviewed.

4.1.2 Attorney firm respondents

The positions of the respondents in the attorney firms included the following: senior patents and trademarks officer, candidate attorney, director, professional assistant – patent attorney, associate – trade marks, partner, and HR manager.

The researcher was able to interview attorneys covering the whole spectrum of intellectual property law, which was what was intended. Due to the limited number of attorney firms in South Africa that specialise in intellectual property, it was not difficult to identify them and to commence the process of identifying attorneys within such firms who were keen to assist the researcher in the research.

4.2 Are South African corporations aware of their intellectual property, the benefits that it poses and the available protection for intellectual property?

4.2.1 Introduction

In order to answer this research question, the researcher firstly had to pose questions to the corporate respondents in order to gauge their personal knowledge of the subject area. Once the level of the respondents' knowledge of the subject area was established, the discussion and questioning was steered away from the respondents in order to gauge the broader understanding of the corporation, other than on the level of the respondents.

4.2.2 Awareness of intellectual property

4.2.2.1 Respondents

Most of the respondents were aware and in most cases experts in the field of intellectual property, especially those respondents working in the legal departments of their corporations. Such legal department representative respondents mostly had knowledge of all aspects of intellectual property, be it patents, trade marks, copyright, designs, and other derivative forms such as company names, domain names, counterfeited goods, advertising standards authority, restraint of trade and trade secrets.

The respondents who worked in the marketing, branding or technology departments seemed to have a good understanding of some aspects of intellectual property. For instance, the marketing and branding department respondents (who did not have any law qualifications) had a very good understanding of trade marks, what is required to register a trade mark and how much it costs to register and renew a trade mark. However, when it comes to understanding proceedings against third parties relating to infringements of the corporation's intellectual property, these people relied totally on external legal assistance in the form of firms of attorneys.

The respondents that work in their corporations' legal departments were able to identify extensively where in the corporation's day-to-day existence and business the different forms of intellectual property feature and what they look out for and teach others to look out for in order to maintain or protect the corporation's intellectual property.

4.2.2.2 Other areas of the corporation

The respondents that work in their corporations' legal departments commented that, in general, there is a lack of understanding within their corporations of what intellectual property is. This is exacerbated by the fact that intellectual property is not something that is tangible and physically observable.

Further, the majority of the corporate legal department respondents had programmes in place in their corporations to emphasise what intellectual property is, how it is identified and how it can be protected.

4.2.3 Awareness of benefits of intellectual property

Similarly to what is indicated above, it appears from the research data that the "legal-type" respondents are the most aware of the benefits of intellectual property and, more importantly, of the protection of intellectual property. They see the competitive advantage in maintaining the secrecy of trade secrets, and of the registration of patents, trade marks, designs and domain names. However, the researcher picked up that there is an area where the "legal-type" respondents lacked specific knowledge as far as understanding the benefits of intellectual property and its protection is concerned, and that is where they do not understand their corporations' competitors or do not understand the nature of their corporations' products as far as the duration of competitive advantage is concerned. In other words, if they do not have intrinsic knowledge of their corporation's business, they could be maintaining the benefits of intellectual property or the protection thereof, where the costs involved in doing so might not outweigh the available protection.

The non-legal respondents understood the benefits of the areas of intellectual property with which they are familiar. Both the branding and marketing department respondents seemed to have an excellent understanding of their corporations' products or service offerings, and about their corporations' competitors. The benefits of intellectual property, such as the limited duration of the monopoly provided to a patent holder, are well known by the marketing department respondents.

The respondents' views of the understanding that the balance of their organisation had of the benefits of intellectual property and the protection thereof were very mixed. They ranged from different corporate departments' understanding to individuals' (from various corporate department) understanding of the subject area. The result was that there is not enough understanding of the benefits of intellectual property and of the benefits of protecting intellectual property

4.2.4 Awareness of available protection for intellectual property

As with the areas covered in the previous two subsections, the corporate legal respondents had various degrees of expert knowledge on the types of protection available for corporations' intellectual property. The non-legal respondents showed a good understanding of the forms of "registered" protection for intellectual property, but they were not as familiar or not familiar at all with other forms of protecting intellectual property.

In general, the respondents commented that, depending on their experience with the various forms of protection for intellectual property, their colleagues throughout the corporation were aware of the forms of protection for intellectual property. For instance, where "anti-counterfeiting" legislative protection is used, the technical department representatives get involved to identify "fake" items that are similar to the corporation's original products. These technical department people are then required to give evidence at later proceedings and, as a result of sanctions that befall the perpetrators of such counterfeiting offences, these technical people are very aware of these types of protection for intellectual property.

4.2.5 Conclusion of research question 1

It is noteworthy that the corporate respondent all seem to have knowledge of intellectual property, how to protect it and the benefits that its holds. However, the depth of their knowledge is dependent on many factors, which are discussed in Section 4.3 below.

4.3 Which factors influence the way that corporations manage and protect their intellectual property?

4.3.1 Introduction

Corporations have the ability to build their intellectual property portfolios and provide for all kinds of protection for such intellectual property, as discussed above. However, many factors were identified by both sets of respondents as reasons why corporations approach intellectual property in certain ways.

4.3.2 Cost

Asked about their average annual expenses for making use of external legal firms to provide them with all the facets of legal assistance on intellectual property, including legal advice and assisting with infringement matters, none of the respondents' costs were more than R1m per annum. Some commented that they negotiated "good" deals with the firms of attorneys and view the legal costs pertaining to intellectual property protection as being very small in comparison with costs such as those for research and development. It is to be noted that these external legal costs do not relate to the salaries of the employees employed by the corporations to manage their intellectual property portfolio or of the internal legal advisers.

The respondents generally said that these external legal costs could be budgeted for in certain areas, such as renewals of trade marks, appointment of external attorney firms on "watching briefs", and estimated numbers of new trade marks and patents to be registered. What cannot be estimated is the legal cost related to defending intellectual property infringement claims from third parties, or the institution of intellectual property infringement proceedings against third parties. These vary depending on the complexity of the matter or the number of matters to be attended to annually.

Nearly all of the corporate respondents were of the opinion that the legal costs related to the registration of intellectual property rights, which granted a registered holder with a *prima facie* protection entitlement in infringement litigation, were costs spent in mitigation of potentially huge cost which could follow in the event that a matter has to be pursued against a third party based on common law type rights such as “passing off” and “restraint of trade”. These statements of the corporate respondents were confirmed by the respondents from attorney firms.

4.3.3 Custodians of intellectual property

Getting a good understanding of who or which position in a corporation has the ultimate say on whether, for instance, intellectual property should be registered or not, opened up the proverbial “can of worms” in relation to those corporations that do not have a formal intellectual property portfolio policy and procedure or similar processes. In these corporations it seems that there is no consistency in adjudging whether developed or acquired intellectual property should be registered or how it should at least be protected against potential loss with respect to competitive advantage over competitors.

It seems that there is a lot of infighting in these types of corporations between four potential centres of power, namely “the head office” or “holding company”, the “legal department”, the “marketing department” and the “technical/ operations department”. It also appears that the individuals working in these departments determine where the balance of power lies.

4.3.4 Knowledge of available protection

As indicated in Section 4.2.4 above, in a couple of instances the corporate respondents confirmed that the extent of their corporation’s reliance or emphasis on intellectual property in the day-to-day operation of the corporation was limited to the extent of the in-house knowledge in relation to the protection of or reliance on intellectual property. These respondents felt that if more in-house knowledge was available, such corporations would most probably have relied more on intellectual property than they currently did.

4.3.5 Knowledge of infringements

Those corporations that relied considerably on the competitive advantage gained through intellectual property that they had developed, and which competitive advantage was maintained through some form of protection, as set out in Section 2.3 above, felt that they were aware of their competitors and the potential infringements of their competitors' intellectual property, and that such infringements or potential infringements would come to their knowledge sooner rather than later. They felt that the following methods or centres of knowledge identified the potential infringements or actual infringements:

- External attorneys;
- External attorneys on watching brief;
- The corporation's own employees;
- The public;
- The police;
- Other governmental authorities, such as the South African customs and excise department;
- Other competitors; and
- The media.

Ways in which these infringements are discovered include:

- Advertisements;
- Notices in the South African Patents Journal;
- Products available for sale;
- Imports of products such a counterfeited goods;
- Trade fairs;
- Product brochures;
- Display shelves in shops; and
- The internet.

4.3.6 Time

The corporate respondents whose corporations have standard policies on the registration of patents mostly specialise in products that would have long-term application, such as medicines and chemical products. Similarly, these corporations' policies of preventing competitors from taking over a portion of their market share are meant to keep such competitors out of their market for a considerable time. The deduction then is that the products of these types of corporations are not "fashionable" products of short duration, and would not easily be bettered through new technology. The chances are that these products are best in their class and that significant improvements to these products would not be likely.

4.3.7 Reliance on intellectual property for competitive advantage

Corporate research and development costs constitute a large proportion of "product" costs. Some of the corporate respondents mentioned that, as a result of the costs invested by their corporations in the development of new technologies and applications, they are strategically forced to protect these developed technologies. This applies both to technologies that would be destined for immediate production and the market, and technologies that are developed for future usage. Under these circumstances, it is not only the "first to market" status of the corporation that drives it to protect its intellectual property with whatever is possible, but also the invested cost factor.

4.3.8 Top management's prerogative

In some circumstances, the ultimate corporate leader dictates how the corporation's intellectual property is managed. A number of corporate respondents felt that some of their superiors' egos go a long way to setting a rule that intellectual property must be protected through the available registration. Under these circumstances it might not be necessary to do so from a "competitive advantage" point of view, but ultimately the registration has that effect in any event. They felt that a by-product of the focus on the corporation's intellectual property, and its rights relating thereto, is the detailed scrutiny and codification or documenting of the corporation's immaterial assets such as intellectual property, and that in some way the corporation as a whole could be functioning better, even if that was not the initial intent.

4.3.9 Building of intellectual property "treasure chest" for takeover

Some of the respondents felt that the codification or documentation of the corporation's intellectual property was a way of enhancing the corporation's value for the purposes of "takeover" or "acquisition". Some of the corporate respondents stated that the valuation of the corporation's "brand" value, for instance, which relates to its trade marks or distinguishability, sometimes inflates takeover bids. They felt that the strategy of some corporations of codifying or documenting their intellectual property was driven with the intent of capturing and proving the corporation's value for such purposes.

4.3.10 Help vs. policy

Some of the corporate respondents commented that the corporation's legal department (sometimes the interviewees himself or herself) only provided a "help" function as and when required by the operation's business units or departments. In other words, such legal departments did not actively look out for and ensure protection (registered or other) for the corporation's intellectual property. This "passive" legal function in relation to the corporation's intellectual property is determined by the other factors described herein.

In other corporations, the respondents commented that the legal departments were central to all corporate activities concerning the corporation's intellectual property. They are intrinsically involved, from the research and development of new technologies, through the lifecycle of the product's production, to the marketing and sales of such products. Such involvement is usually dictated to the organisation through standard policies and procedures adopted in relation to intellectual property.

4.3.11 Protection vs. marketing

The extent of the aggressiveness of a corporation's marketing strategy and drive can very easily undo a lot of the effort that goes into the protection of such a corporation's intellectual property. Some of the respondents indicated that their marketing departments had at some times "thrown all caution to the wind" in relation to the protection of intellectual property. They mentioned that this strategy sometimes coincided with financial hardship in the corporation, new products of a short-term nature, recklessness or inexperience.

One of the respondents admitted that one of their main trade marks was prone to attack because it is a recreation of an old mark with new features. But, due to the launch of the new "brand", no-one thought of clearing the launch from a legal point of view with regard to future protection. The trade mark was thus used without registering it first, or by using the "tm" sign. During events following the launch of the new brand, the corporation ("X") realised that it also had not renewed the old trade mark from which the new one was developed. This led to the old trade mark lapsing. A much smaller competitor of X then took the opportunity and used a similar (almost identical) distinguishing mark, which left X without any direct objection based on a registered trade mark or the "prior use" of such distinguishing mark.

4.3.12 Protection vs. market share

Some of the respondents felt that, in the event that a corporation dominated a market in the field of certain products or product ranges, the corporation's management sometimes felt that intellectual property protection should sit in the background, and wait until it is really necessary. This attitude is viewed by the respondents with a legal background as being short-sighted and not a long-term strategy, which could actually open the opportunity for its market share to be eroded.

4.3.13 Pace of development /research and development

It appears from the research that, when a corporation is in a market where research and development change the technology rapidly or technologies easily and quickly become redundant, it sometimes causes these corporations to relax their intellectual property protection strategies. This opens the door to derivatives of its products by existing and new competitors, again allowing entry to a market which would have been closed if the original technology had been protected sufficiently.

4.3.14 Nature of product or service

The nature of a corporation's products or services largely determines whether the corporation creates intellectual property, and what types of protection are available for such corporation's intellectual property.

According to the respondents from the financial sector, trade marks and domain names were the dominant types of intellectual property encountered in their industry, whereas the respondents from the chemical, petrochemical and consumer products industries relied to a large extent on registered patents, trade marks and the anti-counterfeiting solutions, discussed above. In the automotive industry it is registered designs and trade marks that dominate. In the information technology industry, trade marks, copyright (software) and domain names feature dominantly.

4.3.15 Police services

The corporate respondents who suffered "counterfeited goods" invading or infringing on their corporations' intellectual property commented that the South African Police Service's (SAPS) knowledge and the nature of their understanding of the principles of intellectual property to a large extent determined how and when counterfeited goods are identified and actions taken to prevent the production, import and distribution of such goods in South Africa. It was further commented that the SAPS should employ and train people to actively guard against intellectual property rights infringements.

4.3.16 Knowledge

Having employees with knowledge of the available avenues to protect a corporation's intellectual property plays a huge part in the emphasis that a corporation places on such protection. From the respondents interviewed it is clear to the researcher that, in some circumstances, it is not the size of the organisation, its "turnover" or its reliance on technology that determines the extent to which the corporation makes protection of its intellectual property part of its corporate strategy, but simply the knowledge of the employees employed by the corporation that influences this.

One of the corporate respondents (a legal adviser) replaced a previous legal advisor who knew absolutely nothing about the law in relation to intellectual property, which was an area of the law in which this specific respondent specialised in an attorney practice before joining the corporation. As a result of the previous legal adviser's ignorance of intellectual property, this specific corporation's valuable intellectual property portfolio was not secured and therefore not as valuable to the corporation as it would have been had this specific respondent joined the corporation one or two years earlier.

4.3.17 Brand value

Some of the respondents commented that their corporation's "brand" value was an area that had received a lot of attention over the previous five years or so. This was mainly driven by industry assessments done by advertising agencies. The exposure which such corporations received after their "brand's" valuation was published led to a huge focus on protecting the brand through ensuring that trade marks are registered and that trade marks and other forms of the corporations' distinguishing marks or features are protected.

4.3.18 Multinational vs. local corporations

It was clear to the researcher that the multinational corporations with origins in the United States of America were the most conscious of intellectual property of all the corporations interviewed. This is particularly true of Microsoft, which did not afford the researcher an opportunity to interview a representative in South Africa, fearing that such person might provide an incorrect answer, thereby exposing Microsoft to leakage of confidential information. Nevertheless, the other respondent corporations with American roots seemed to be very mature in dealing with all forms of intellectual property, a standard approach to provide such corporations with competitive advantage as and when it is available. The protection strategy for these American multinationals' intellectual property was not only dictated by the USA head office, but also seemed to be directly managed through the head office. In one instance, the South African wholly-owned subsidiary had to pay a standard annual royalty payment to the holding company in the USA to cover the holding company's costs pertaining to all proactive and reactive protection of intellectual property.

4.3.19 Size of corporations

The respondents commented that smaller corporations are much more capable of managing their intellectual property due to the ability of those in the corporation with a good understanding of intellectual property to be able to keep tabs on the development or creation of different forms of intellectual property. They also emphasised that those organisations that have grown at a rapid pace usually neglect to keep protection strategies for intellectual property in place, unless policies and procedures are enforced in pace with the corporations' growth.

The "size" of the corporation includes factors such as the number of employees, the number of subsidiary corporations, the number of products or product or services ranges, the top management structure, the middle management structure and the workforce, geographical distribution and financial turnover of the corporation.

4.3.20 Dedicated intellectual property function vs. outsourced intellectual property protection function

The corporations that have a department dedicated to the identification and protection of its intellectual property felt that much more emphasis was placed on intellectual property if there was such an internal function than when intellectual property matters were only addressed when something came up and external consultants and/or attorneys were involved to assist. By having a dedicated function, the organisation is continuously advised and cautioned about intellectual property and the protection thereof.

4.3.21 Group policy vs. business unit discretion

The corporations of most of the corporate respondents formed part of a group of companies. Some of the companies have “group company policies and procedures” on how all of the subsidiary corporations have to go about with the intellectual property developed by the group. These policies and procedures often describe in detail whose approval is required for each step in intellectual property registration and in any form of litigation based on intellectual property. These groups (most notably some of the multinational groups) also dictate that the registered owner of all intellectual property developed by all group companies must be registered in the name of the holding company.

In contrast, other holding companies of groups of corporations do not prescribe at all how intellectual property should be managed. They leave it up to the subsidiary corporations to manage it the way they think best. One of the corporate respondents commented that this attitude is in parallel with the way that the group of companies operates, where the subsidiaries are not centrally controlled and the holding company is merely seen as a shareholder in the subsidiary companies, even if the holding company holds 100% of the subsidiary company’s shares.

4.3.22 Acquisition of companies

It was commented by one corporate respondent that their group of companies was not "geared" to deal effectively with the intellectual property of all the companies that they had acquired in the recent past, or of the companies that they were in the process of acquiring. It was felt that a lot of opportunity was lost, from a competitive point of view, purely due to this inability to capitalise on the acquired companies' intellectual property. This aspect is linked to Section 4.3.19 above, dealing with the "size" of corporations.

4.3.23 Conclusion of research question 2

The factors that influence corporations' management of their intellectual property are diverse and it seems as if definitive and powerful support from the corporation's top-level leadership is required to overcome all the factors that could potentially impact negatively on a corporation's management of its portfolio of intellectual property.

4.4 What are the functions of attorneys in assisting corporations to protect their intellectual property?

4.4.1 Introduction

It is possible for corporations to identify and manage intellectual property by themselves to a degree without the involvement of external consultants or attorneys. However, the services provided by attorneys to corporations in the protection of intellectual property seem vital for corporations' effective management of their intellectual property.

4.4.2 Attorneys' services

4.4.2.1 General advisory services

The first contact of attorneys with new clients is generally through consultations during which certain legal advice is required by the corporation. Following from these consultations and the advice received by the corporation, the services described below are usually commenced with.

4.4.2.2 Training

All the respondents from firms of attorneys stressed that a major factor in the preparedness of corporations to deal with intellectual property was dependent on the level of internal knowledge in the corporation where intellectual property is created and where the value thereof is experienced. For this reason, attorneys are actively involved in training corporations' employees in intellectual property, which includes:

- What intellectual property is;
- Benefits of intellectual property;
- Forms of intellectual property;
- Protection of intellectual property;
- Requirements for registration of intellectual property;
- Litigation and other proceedings on the infringement of intellectual property;
- Costs related to the protection of intellectual property.

The training and training manuals are either developed specifically for a corporation or use is made of the attorney firm's standard training manuals. Specific training manuals are developed for software developed by the attorneys (see Section 4.4.2.8 below) in order for the corporations to manage their portfolio of intellectual property internally.

4.4.2.3 Registration of intellectual property

The firms of attorneys specialising in intellectual property deal with all aspects of the statutory requirements relating to the registration of intellectual property, as discussed in Section 2.3.1 above.

4.4.2.4 Intellectual property auditing

All of the respondents' attorney firms perform audit functions with the object of determining what types of intellectual property a corporation has. They perform this function in order to determine how to best advise their clients on the protection of their intellectual property. During such audits, the attorneys conduct interviews with the corporations' employees who are most likely to identify the different forms of possible intellectual property, as discussed in Section 2.2.1 above.

4.4.2.5 Intellectual property codification

The attorney respondents commented that, in order for corporations to be successful in certain forms of legal proceedings against third parties, either based on the third party infringing the corporation's intellectual property rights or the corporation infringing the third party's intellectual property right, it is necessary that corporations document or codify their intellectual property in detail. The attorney firms assist corporate clients in such codification, which is usually done as a follow-up on the auditing as set out in Section 4.4.2.4 above.

The codification takes the form of detailed descriptions of the corporation's intellectual property, including dates, names of people, application of the intellectual property, to whom it has been communicated in the event of trade secrets, etc.

4.4.2.6 Litigation and statutory proceedings

The attorney firms that specialise in intellectual property provide all the necessary services in order to assist their corporate clients to commence intellectual property infringement proceedings against third parties or to defend intellectual property infringement proceedings brought by a third party. The services include gathering of all relevant information, drafting of affidavits, preparation of all forms of court papers, consulting with witnesses and expert witnesses where required, briefing of advocates where required, representing corporations in court or other forums and assisting clients with the execution of court findings and orders. Also, the attorneys assist clients in deciding whether to appeal against a court or another forum's findings based on the chances of success on appeal.

In other proceedings, such as the anti-counterfeiting proceedings described in Section 2.3.2.4 above, the attorneys assist clients by ensuring that the necessary statutory requirements and proceedings are met and by representing their clients in appearances in criminal or civil court proceedings.

4.4.2.7 Market scanning

Market scanning is an ongoing service provided by attorney firms to corporate clients. It is also referred to as a "watching brief". It entails the attorneys scanning the market and media, in all formats such as newspapers, television, journals, magazines, films, advertisements and physical product and service offerings, for potential infringements of the clients' intellectual property rights.

The attorneys will communicate with their clients as soon as something is identified as potentially infringing such client's intellectual property right, providing such client with all the details available and proposing to the client potential remedial actions. After consulting with their clients on the infringement, the necessary process or proceedings will be commenced by the attorney, such as notifying the infringer by letter of the corporation's awareness of the infringing actions and a request that the third party immediately stop the infringing actions.

Attorneys also make use of international service providers that assist them in identifying potential infringements of their clients' intellectual property worldwide.

4.4.2.8 Software programs

Due to the fact that corporations have to be aware of their existing and developed intellectual property, coupled with the value of maintaining in-depth details of the corporation's intellectual property, attorney firms have realised that corporations require some system in order to perform such function. Therefore, various computer software packages have been developed by attorney firms to be used by their clients to manage their intellectual property portfolios. These systems have functionality to warn corporations electronically when trade marks have to be renewed.

4.4.3 Conclusion of research question 3

The service offering of attorney firms that specialise in the field of intellectual property is all-encompassing, but does not detract from the necessity of corporations having in-house knowledge of intellectual property, the benefits that it poses and how to protect it.

Corporations can however call on attorney firms as and when required to assist them with the management of their intellectual property portfolio, but the time lag between when such attorney has been instructed to assist a corporation and the corporation creating or acquiring intellectual property could be detrimental to corporations.

4.5 Summary of the results

The result of the research most certainly achieved what the researcher set out to achieve, in that all the research questions were answered.

As far as corporations' awareness of intellectual property, the benefits of intellectual property and the protection of intellectual property go, it appears from the sample of respondents that the level of awareness is largely dependent on the level of knowledge of the custodians of the corporations' intellectual property.

The factors that dictate the methodology of how intellectual property is dealt with and managed in corporations seems to be changing as corporations grow and shrink. Many of the factors are dependent on the people that are employed by the corporation, be it the people working in the corporation's legal department or the top-level leadership of the corporation.

Attorneys perform valuable functions for corporations in relation to defining, documenting and protecting corporations' valuable intellectual property, which they rely on to have a competitive advantage over their competitors. The attorney firms build long-term relationships with their corporate clients in order to draw from the mutually beneficial relationship. The attorneys' independent professional service offering provides a measure of comfort to the corporations as far as receiving the best possible service. Notwithstanding the fact that many of the respondent corporations have in-house lawyers who are either dedicated to the corporations' intellectual property portfolio or have it as part of their functions, the independent attorneys seems to have much more diverse experience than the in-house lawyers and are able to draw on a practice and networks that stretch beyond the capability of the corporations.

CHAPTER 5: DISCUSSION OF THE RESULTS

5 Introduction

In this chapter the researcher compares the results of the research presented in the previous chapter with the main findings presented in the literature review chapter.

5.1 Research question 1 - Are South African corporations aware of their intellectual property, the benefits that it poses and the available protection for intellectual property?

Burrone (2003) makes the comment that some corporations do not register their intellectual property (trade marks, patents, designs, etc.) because they do not understand how the formal registration system works. The researcher found from the comments of the corporate respondents that this could be true in many businesses that do not have an in-house legal department or do not employ people with an understanding of how the registration system works. The majority of the respondents' corporations had more than enough in-house knowledge about the formal registration of intellectual property systems in South Africa.

Propagating the ability of intellectual property to add streams of income to an organisation, Wheeldon and Burt (2005) say that it is crucial for corporations to identify their intellectual property so that they can protect it. This statement seems very obvious, but for organisations that are caught up in their operations, production, financial distress, etc., the obviousness of this becomes less. Both corporate and attorney firm respondents agreed that corporations get so caught up in the detail of the day-to-day running of the business that the bigger strategic picture in relation to intellectual property, its identification and protection, gets lost.

Commenting on what is required for corporations to exist and grow in the future, Salt (2006) says that it is crucial that a corporation must know what intellectual property it has, where it is stored and how to manage such intellectual property. Most of the corporate respondents could confirm that, as far as their own knowledge goes, their corporations' intellectual property is identified, documented and, where necessary and possible, registered. They stressed, however, that due to many factors (such as indicated in Section 4.3 above), not all of the corporations' intellectual property was identified. The services provided by attorney firms include auditing of what types of intellectual property exist in corporations, as set out in Section 4.4.2.4 above.

In relation to 'respect' for intellectual property (both owned by the corporation and by third parties), best practices on intellectual property management, value of intellectual property, the corporate department responsible for intellectual property and ways to generate intellectual property, Salt (2006) says that intellectual property management strategies should be similar to strategies developed for human resources, etc. Most of the sample of respondents were very supportive of the development of such strategies. Sadly, however, the respondents said that, in general, intellectual property strategies are not as central to the business strategies, such as is the case with human resources strategies. One of the corporations did rely on the intellectual property they developed as a core driver in the business and in the strategies that they developed. Their intellectual property strategies formed the basis of business and product development, capital expenditure planning (financial investment planning), human resources strategies and other operational strategies. This corporation's whole business case was built on their developed intellectual property and the protection thereof. Another corporation, like most of the corporations that were studied, did not have an intellectual property strategy, but the respondent from this corporation commented that intellectual property, other than perhaps in the case of trade marks, had a very short life cycle in their business due to the fast pace of development in their market sector.

Lamprecht’s (2005) comment that corporations often invest much more easily in assets that are visible, such as new machines and skilled people, but are not willing to invest in the protection of valuable intellectual property, is confirmed by most of the corporate respondents. Most of them feel that it is much more difficult to convince their management to invest an amount of money if the management is able to account for the asset that is bought on their balance sheet. Money invested in actions such as auditing or codifying their intellectual property is mostly seen as an operational expense, notwithstanding the fact that such investments in intellectual property should be driven from the point of view that it would either secure more revenue streams in the future, or protect the corporation’s current revenue streams.

Middendorf’s (1986) statement, as cited by Vaughan (2001) and confirmed by Blewett (1993), namely that to determine if a patentable invention has been made you should ask yourself if the subject device or process or material is novel, useful and non-obvious, seems easy to understand and apply in practice. However, the respondents in general were of the opinion that, in practices, this is not as simple. The people in their organisations that work directly with the inventions are sometimes world experts in their field. Such people are then in a position to form an opinion on whether the invention is “novel, useful and non-obvious”, and could pursue the protection of such invention on behalf of the corporation by commencing patent registration processes. However, in most instances the respondents felt that the inventions made within their corporations were so diverse that the inventors in their organisations could not themselves form an opinion on the patentability of such invention. Under such circumstances, the services of external experts and attorneys are required to determine the patentability of the invention.

5.2 Research question 2 - Which factors influence the way that corporations manage and protect their intellectual property?

Due to the subject matter of the research being located mostly within the field of the South African law, the legal position(s) in relation to intellectual property, as set out in Section 2.3 above, should almost be seen as a "given" constant. With this constant in mind, it was the researcher's intent with the research to understand why corporations do not make full use of the legal protection framework available for the protection of corporations' intellectual property. The literature review did not assist hugely with the identification of all the factors that influence the way in which South African corporations manage and protect their intellectual property, and the results of the semi-structured in-depth interviews with the sample respondents were crucial in identifying those factors.

In the literature review, the researcher referred to the statements made by Van der Merwe (2000), Malewicki and Sivakumar (2004), Mourtisen (2005) and Friese et al. (2006) that the management of corporations should include in their corporate strategies the management of their intellectual property portfolio. However, and notwithstanding the benefits of having such intellectual property strategies in place, all the corporate respondents commented on the factors that impact on the ideal of having such intellectual property strategies in place, which factors are dealt with in detail in Section 4.3 above.

Gernholtz (1991), Burrone (2003) and Jensen and Webster (2006) all commented that the cost of registering intellectual property is one of the biggest reasons why corporations do not register their registrable intellectual property. The researcher found that most of the respondents did not agree with this observation. Both the corporate respondents and the attorney firm respondents said that the costs involved in registering intellectual property such as patents, trade marks, designs and other derivatives such as domain names are very affordable compared to the benefits that one receives as a result of having such registered protection for your intellectual property. For instance, it was commented that registration provides the holder with a *prima facie* right in the event of any legal proceedings by or against a third party based on the subject matter of the relevant registered intellectual property right. This means that much less legal costs would be expended by a corporation in infringement proceedings against a third party, where such third party infringes the registered intellectual property right, or where such registered intellectual property right is used in a defence against a third party's claim that its intellectual property right has been infringed on.

Corporations can either develop and make use of their intellectual property, or develop it and allow a third party to use such intellectual property through licensing it, as is propagated by Malewicki and Sivakumar (2004). A couple of the corporate respondents confirmed that, notwithstanding being aware of the value of their corporation's intellectual property, using it themselves was not the only way of capitalising on such intellectual property. Their corporations have to consider many factors when deciding whether to license their intellectual property (technology) to a third party, such as being associated with the products that the third party produces (in relation to quality, potential liability etc.), confidentiality of the technology information and the lost opportunity to make use of the technology themselves. One corporation licensed third parties to use a process developed by them, as the process was used as a downstream process on the materials produced by the corporation. Thus, in this way the corporation ensures that there is a constant market for its products.

As referred to in a previous section, Lang (2001), Burrone (2003), and Brown et al. (2005) are all of the view that, for many start-up corporations, the factors that allows them to enter a market and to survive the start-up phase in the business life cycle is most regularly achieved through innovation and developed intellectual property. These statements were in some ways confirmed by the research. Most respondents said that in order for a new subsidiary to be created in their group of corporations, the aspect that was almost always present was a newly developed service offering or product or product ranges. The innovation that goes into the ability to start a new business venture would, unless any of the factors identified in Section 4.3 above prevents it, be protected in some or other way so that the competitive advantage can be maintained.

Heels (2002) made the statement that, when a corporation decides to patent an invention it must be willing to prosecute any infringements of the patent. The corporate respondents and the attorney firm respondents were of the view that patent infringement matters mostly get settled out of court, due to the infringer either not previously being aware of the existence of the patent, or after the corporation has notified the infringer of the existence of the patent and the possibility of pursuing legal action against the infringer, the infringer complies and stops the infringement.

Lamprecht's (2005) statement that corporations would be willing to add intellectual property spending to their business plans if they understood the value of intellectual property forms a topic of the research that could be discussed under both Research Question 1 and Research Question 2. The reason for this is that an awareness, knowledge and understanding of intellectual property and the value that it contributes to corporations are interwoven with the question on which factors influence a corporation's intellectual property strategies. The respondents commented that the more knowledgeable a corporation (mostly the top leadership structure) becomes on intellectual property, the less the factors indicated in Section 4.3 above influence the corporation's strategies and the inclusion of intellectual property in the strategies.

Most of the factors that influence the way that corporations manage and protect their intellectual property, as indicated in Section 4.3 above, do not seem to outweigh the benefits that a corporation can have if it makes intellectual property strategies part of its overall business strategies. The South African legal framework for the protection of all forms of intellectual property, which is dealt with in detail in Section 2.3 above, seem to provide sufficient certainty of protection for intellectual property. Most of the respondents commented that the South African legal framework for the registered protection of intellectual property was comparable with international protection frameworks. The only negative comments given were:

- The Companies and Intellectual Property Registration Office (CIPRO) does not have the ability to deal effectively with the numbers of applications for the registration of patents, trade marks and designs;

- Police officers and other relevant authorities are not trained sufficiently in order to fully understand the workings of the Counterfeit Goods Act of 1997, for instance;

- People employed by CIPRO should be better qualified and better paid in order for CIPRO to compete for good resources;

- There is a lack of South African judges with a depth of understanding of the field of intellectual property law and who are able to deal with urgent matters such as applications for interdicts.

Through the literature review (refer to Santa Clara University School of Law 2008), it was established that there are two types of agreements (contracts) that are widely used to protect trade secrets, namely confidentiality agreements and restraint of trade agreements. This was confirmed by both the corporate and attorney firm respondents. Most of the corporate respondents commented that they have standard confidentiality agreements that are signed with potential partners, clients, suppliers, consultants and employees who might be exposed to their valuable trade secrets. Some of the attorney firm respondents commented that they were often faced with situations where clients had signed confidentiality agreements with an outside party, but that the agreement did not provide the necessary protection that the corporation though it would give them. The attorneys then advise on and provide the corporations with improved wording for confidentiality agreements for future usage. As far as the ‘restraint of trade’ type of agreements go, the researcher did not find that any of the respondents’ corporations actively concluded or enforced such agreements. Some of the corporate respondents commented that that these types of agreements are only entered into in exceptional cases.

5.3 Research Question 3 - What are the functions of attorneys in assisting corporations to protect their intellectual property?

The prominent literature available that describes attorney firms' functions in the field of intellectual property law are brochures, marketing material and internet website information written by the attorney firms themselves. The researcher found that the information that attorney firms place on their websites is to a large extent written to explain to the reader the subject law in much more detail than describing exactly what the attorneys themselves do in relation to assistance to corporations.

The researcher found that the three attorney firms interviewed offered corporations similar to exactly the same services in relation to the law of intellectual property. However, some of the firms have intellectual property law as a subset of the firm's total service offering, while one or two specialise exclusively in intellectual property law. This distinction is quite significant in that some of the corporate respondents wanted a one-stop shop for all their outsourced legal services requirements, of which intellectual property law is only one subset. Other corporations deal with a multitude of firms of attorneys, depending on the legal subject matter that requires an attorney firm's assistance.

In one area, that of patents, attorneys have a monopoly created by statute, in that the South African Patents Act of 1978 requires the signature of or sign-off by a patent attorney in order for a patent application to be accepted by the Registrar of Patents. All the attorney firms interviewed have specialised patent attorneys in their practice. Drawing up a basic patent application appeared to be possible within one week, with more intricate patent applications taking a couple of months to prepare.

Michau (1995) comments that trade mark or trade secret protection without statutory registration requires one to rely on the South African common law to enforce one's intellectual property right, and requires the expert attention of a legal representative, such as an attorney who understand the South African common law very well. This comment was confirmed to be correct by the attorney firm respondents. They further stressed that the legal costs related to actions based on common law rather than on statutory registered intellectual property rights are much higher than legal costs related to registered rights.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter sets out to draw a succinct conclusion on the research undertaken by the researcher and the results that were produced. This is followed by a couple of recommendations for the leadership of corporations and others on how approaches to the protection of intellectual property for competitive advantage can be optimised and how the most benefit from such protection can be gained. This chapter concludes with an indication of subjects related to the subject of this research project that could be used for further research.

6.2 Conclusions of the study

It is abundantly clear from the results of the research that the protection of a corporation's intellectual property for the purposes of either maintaining such corporation's competitive advantage or gaining a competitive advantage over its competitors is in general an area of corporate strategy that is not very effectively managed. It appears that the many factors that impact on the way in which corporations manage their intellectual property are the biggest enemy of a corporation's competitive advantage through intellectual property.

Some corporations have recognised the great value of their existing intellectual property and the potential value of further developed intellectual property (technology), with the result that they manage their organisations around their business core, which is their intellectual property.

6.3 Recommendations

6.3.1 Identifying intellectual property

In order for corporations that are not very familiar with the subject of intellectual property and the protection thereof to come to terms with this subject, the first step would be to consult someone, like an attorney specialising in intellectual property, to perform an audit of the corporation's intellectual property and potential intellectual property.

Once such an audit has been performed and the context of the competitive advantage stemming from intellectual property is understood, the corporation can determine if its core competency of competitive advantage is or should be driven from an intellectual property point of departure.

6.3.2 People

Corporations that understand or have learned to understand the subject field of intellectual property and all that goes with it, and who seem to draw a lot of benefit from their intellectual property, should favourably consider investing in a couple of employees with an expert knowledge of the field of intellectual property. These employees do not necessarily have to be legal experts, but could also be from a technical background.

6.3.3 External services

It is necessary for corporations that rely on intellectual property to a large extent for their competitive advantage in the market to build a working relationship with a firm of attorneys, who can assist the corporation as and when required, but also guide the corporation where necessary during the corporation's strategy development with the inclusion of a focus on intellectual property.

If such an ongoing relationship is established with a firm of attorneys, it will be financially beneficial to the corporation when action has to be instituted against a third party due to infringement of the corporation's intellectual property or when action is instituted against the corporation by a third party. This is due to the attorneys being fully familiar with the corporation's intellectual property portfolio.

6.3.4 Management

Once it has been established that intellectual property is core to the corporation, as set out in Section 6.3.1 above, the corporation's management or leadership should actively support the initiatives to identify and protect the corporation's intellectual property. Under such circumstances, investment in intellectual property should compete on a par with investments in visible material assets.

6.3.5 Documents, policies and procedures

The following standard documents should be prepared with the assistance of attorneys specialising in intellectual property once it has been established that intellectual property is core to the corporation as set out in Section 6.3.1 above:

<u>Agreements/contracts on the subject of:</u>

- Employment agreements (of all types and forms) with employees, containing confidentiality provisions relating to the corporation's intellectual property or trade secrets;
- Restraint of trade agreements with key employees;
- Confidentiality agreements for the purposes of partnering or collaborating with an outside corporation;
- The wording of license agreements for when the corporation considers licensing some of its intellectual property to a third party; and
- Sales and services agreements, depending on what business a corporation is in, containing the necessary clauses protecting the corporation's intellectual property.

Policies and procedures relating to:

- Identification of intellectual property;
- Codification of intellectual property;
- Protection of intellectual property:
    - Registered protection;
    - Other forms of protection.
- Procedures in the event of intellectual property infringement actions by or against the corporation;
- Budgeting for and investment in intellectual property; and
- Intellectual property portfolio management policy and procedure.

6.4 Suggestions for further research

An area that has not been covered by this research is "open source" intellectual property. This is where an invention or other form of intellectual property is developed and then made available for anyone to use. Naturally, due this research project covering the various ways of "protecting" intellectual property, it did not make sense to include a section on "open source" intellectual property. The issue of open source intellectual property features extensively in the field of computer programs.

Another possible area of research is a special type of dispensation as far as intellectual property protection for anything with a "humanitarian" connotation is concerned. What comes to mind immediately is the area of medicines. Someone has to pay for the research and development costs that go into the development of medicines, but maybe such developer should have a shorter duration of patent protection so that the completion principle can lead to medicine prices that are affordable for all.

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APPENDIX A

E-MAIL

“Dear ___________,

Thank you so much for listening to my request for assistance with my MBA Dissertation, which I am doing at Wits Business School.

1. The Subject of my dissertation is:

”Approaches to securing intellectual property rights for competitive advantage for South African corporations.”

2. The purpose of the research is to establish:

a) under which conditions South African corporations formally register their intellectual property in terms of the South African legal system in order to protect their competitive advantage in relation to their products or services;

b) why South African corporations sometimes go without such registered protection;

c) how South African corporations protect their intellectual property other than by relying on formal registration?

3. I attach the basic list of questions, to be expanded on in discussion.

Again, thank you so much! I do not foresee more than 45 minutes for the discussion.

Regards,
Charl Clark
Tel: +27 11 372 8512
Mobile: +27 82 654 2260”

APPENDIX B

QUESTIONNAIRE – CORPORATIONS

1 How does your organisation protect its intellectual property, and does it contribute to any gain or maintenance of competitive advantage over your competitors?

2 Who decides whether your organisation should register or not register its intellectual property? What factors play a role in such decision?

3 Can you please provide examples of the subjects of litigation in which your organisation has been involved in, in relation to intellectual property rights?

4 Please provide details of the success rate of your corporation conduct of intellectual property right infringement litigation?

5 How much does your organisation spend on average per annum on the protection of your intellectual property rights? Details of breakdown.

6 How many firms of attorneys does your organisation use for intellectual property registration and litigation matters? Details.

7 How many active patents, trade marks, designs, company names and domain names does your organisation have? Details.

8 Does your organisation license its technology out to other organisations? If so, how does it protect such technology from abuse?

9 Has your organisation's intellectual property been valued? Full details.

10 For non-registered protection of intellectual property, does your organisation manage this in-house or does it make use of a consultant or an attorney? Details

11 Does your organisation have an intellectual property rights protection policy and procedure? Details

12 Does your organisation include in its strategy development the development of your intellectual property? Details

13 Does your organisation make use of standardised confidentiality agreements between itself and its employees for the protection of trade secrets? Details. And ‘restraint of trade’ type agreements?

14 Does your organisation employ a consultant/attorney to scan the market for potential infringements of your intellectual property rights?

15 How do you feel about the effectiveness of the South African statutory protection for intellectual property? How can this be improved?

APPENDIX C

QUESTIONNAIRE – ATTORNEY FIRMS

1 Please describe the services your firm provide to clients in relation to non-registered and registered protection for intellectual property. Details

2 How successful is your firm in:
- litigation against others based on infringement of registered Intellectual Property?
- litigation against others based on infringement of unregistered intellectual property?
- litigation where you represent a client being sued by a third party based on infringement of registered intellectual property of such third party?
- litigation where you represent a client being sued by a third party based on infringement of unregistered intellectual property of such third party?

3 What is the average cost to register a patent, trade mark, design or copyright, respectively? What factors influences the cost?

4 How long does it take on average to register a patent, trade mark, design or copyright, respectively?

5 How much of your firm's work consist of intellectual property related work?

6 Do you have proposals on how corporations could better manage their intellectual property rights portfolio?

7 Do you have proposals on how the South African intellectual property registration system could work better?

8 Do you have proposals on how intellectual property could be better protected in South Africa?