

PATENTS EXAMINATION BOARD

PRACTICAL LEGAL PROBLEMS

SUPPLEMENTARY EXAMINATION PAPER: JANUARY 2022

EXAMINERS: D DOHMen

J WHITTAKER

MODERATOR: H MOUBRAY

DURATION: READING TIME: 1 HOUR

EXAMINATION TIME: 4 HOURS

TOTAL: 5 HOURS

NOTES TO CANDIDATES:

1. Attached to the paper are copies of the following documents:
 - (i) A copy of the Patents Act No. 57 of 1978;
 - (ii) A copy of the Patent Regulations 1978; and
 - (iii) A copy of the Uniform Rules of the High Court under the Superior Courts Act 10 of 2013 (Rules 6, 14, 17, 18, 19, 21, 22, 23, 24, 25, 30, 35, 36 and 37).
2. Each candidate is also allowed access to one dictionary during the examination.
3. This examination paper consists of 8 pages and includes four questions with a total of 100 marks. In addition, there are two annexures, namely: (i) Document A; and (ii) Document B.

4. Prior to the handing out of the answer papers, candidates will have an opportunity to read the examination paper and the two annexures, and make notes, for 60 minutes.

5. Where appropriate, reference should be made to case law, and conclusions should be supported by reasons and arguments.

Your client writes to you as follows:

“Dear Sirs,

*My company, Pinotage (Pty) Ltd, manufactures and supplies a number of products in South Africa. One of these products is an opener for wine bottles, and your firm assisted us in obtaining patent protection for the bottle opener. Unlike conventional openers for wine bottles, which utilize a corkscrew, our product increases the air pressure within the bottle in order to remove the cork from the bottle. A copy of the specification of our patent, i.e. South African patent 2017/01234, is attached marked “**Document A**”.*

*Recently, we noticed another product on the market which is being sold in competition with our bottle opener, and which is supplied in South Africa by Malbec (Pty) Ltd. Last week, we contacted Malbec, advised them that our product is protected by a South African patent, and provided them with a copy of our patent. In response, the CEO of Malbec requested a meeting with me, and during the meeting she advised me that their bottle opener is totally different to our product, so much so that they have obtained their own South Africa patent for their bottle opener. She then gave me a copy of their patent, i.e. South African patent 2018/06789, a copy of which is attached marked “**Document B**”. I have reviewed their patent and confirm that the bottle opener which Malbec is supplying in South Africa is the same as the bottle opener described in their patent.*

Given the above, I am not sure how to proceed. However, I do not want to let go of this matter if there is some action that Pinotage may take to stop the continued sale of Malbec’s bottle opener.

I would appreciate your advice on possible steps, if any, that Pinotage may take in these circumstances.

Yours sincerely

Mr. Woody Chardonnay”

You conduct some background checks and establish that:

- (a) ZA 2017/01234 [Document A] was filed on 11 June 2017 without claiming priority from an earlier patent application;
- (b) All formalities in respect of ZA 2017/01234 were correctly complied with, and the patent is currently in force;
- (c) ZA 2018/06789 [Document B] was filed on 4 May 2018 and claims priority from an earlier South African patent application which was filed on 6 June 2017;
- (d) All formalities in respect of ZA 2018/06789 were correctly complied with, and this patent is also currently in force.

QUESTION 1

(35 marks)

Please provide your client with detailed advice on whether or not the supply of Malbec's bottle opener in South Africa amounts to infringement of any of the claims of South African patent 2017/01234.

QUESTION 2

(15 marks)

Please provide your client with detailed advice on the courses of action available to Pinotage in the current circumstances.

QUESTION 3

(30 marks)

Your client, ABC Healthcare (Pty) Ltd ("ABC"), informs you that it has obtained patent protection for a safety syringe/needle assembly. The patent was applied for in 2013 and the

patented and claimed assembly includes a sheath mechanism that covers the needlepoint on being retracted from the skin of a patient thereby automatically rendering the needlepoint blunt after use. This avoids inadvertent needle pricks after insertion into a patient in the clinical environment.

Because of various regulatory and manufacturing delays, ABC was only able to introduce its product onto the South African market during 2018 and has, since its introduction, spent over R20 million on marketing and advertising. The uptake of the product was slow in the first eighteen months but, after that, sales volumes started to increase steadily. ABC has advised you that the demand for the product is high and it is currently close to being considered the gold standard in the industry. ABC expects to have sales volumes of approximately R5 million in 2022 and projects that this will grow to at least R15 million by the end of 2023.

Last week ABC became aware that a competitor, Sharp Practice CC (“Sharp Practice”), has imported 100 000 of its safety catheter units into South Africa from China. It is anticipated that Sharp Practice will start selling these products within the next few weeks.

ABC advises you that it sells its product to private hospitals in South Africa at R12.00 per assembly and it is expected that Sharp Practice’s product will be sold at a price of R2.50 to private hospitals.

You have considered the patent and its validity and you have advised ABC that there is a strong likelihood that a Court will find that the sale of Sharp Practice’s product will amount to an infringement of at least one of the claims of the patent. Furthermore, you have conducted a thorough validity investigation and, in your opinion, the claims are very likely to be considered novel in light of the prior art of which you are aware. There is a possible argument that the claims may lack inventive step in light of the prior art, but this argument is not compelling enough for you to advise your client that they are at considerable risk of a finding of invalidity.

Sharp Practice has multiple product ranges in the medical devices field, and it is anticipated that the safety catheter in question is likely to only constitute about 10% of its total sales volumes per annum. On the other hand, the safety catheter of ABC constitutes 70% of its annual turnover.

ABC employs 20 permanent staff members the majority of which have been employed in light of the substantial growth in the safety catheter market (partly as a result of increased demand caused by the Covid-19 pandemic). Sharp Practice has a very mobile sales force the numbers of which are unclear but it has been established that they work independently on short-term contracts, and on a commission basis.

Furthermore, a search has revealed that Sharp Practice does not own any fixed property in South Africa. All of its computers, vehicles, etc. are leased from external suppliers. At any given time, the only substantial asset that Sharp Practice own is the current stock on hand.

It is expected that the 100 000 units will be supplied into the market very quickly within the next two weeks and, thereafter, it is anticipated that they have plans to import approximately 50 000 units per month in light of the demand for the product.

Although ABC's product is the gold standard in the market, there are many other safety catheters that compete with their product (approximately 8 products) all at differing prices. Although the market share is steadily increasing, it is constantly changing because on some occasions ABC increases its market share by taking sales from the other 8 competitors but, from time to time, it does lose sales to one or more of these competitors.

30% of ABC's total sales take place in public hospitals, with the remaining 70% being made to the private hospitals. ABC draws your attention to an article that was written recently where a concern was expressed about the high cost of its product, the strain it places on the Covid-19 health budgets of hospitals and as a result thereof, the perceived barrier to access to ABC's product for many healthcare professionals in the public sector. As a result, approximately three months ago, ABC Healthcare took a decision to substantially reduce its product price to the public sector. Its adjusted public sector price is approximately 10% higher than the anticipated price of Sharp Practice's product. The more expensive product that is supplied to private hospitals is covered, in the majority of cases, by the patients' medical aid hospital plans.

ABC is very concerned about these recent developments to the extent that it may need to consider drastically reducing its price in the private sector to protect its business. If it does so it will obviously see a dramatic drop off in sales volumes which will be concerning because

of the considerable costs spent in advertising and marketing in order to develop the market for the product. ABC is also concerned that, should it decide to reduce its product price, it would be very difficult in the future to increase the product price.

Taking into consideration all of the above, please advise ABC on what appropriate legal steps should be taken to prevent Sharp Practice from selling its product in South Africa. In doing so, please focus on the requirements for such legal proceedings and provide ABC with an overview of its prospects of success with specific reference to the facts that have been provided to you in this case.

QUESTION 4

(20 marks)

You received the following letter from your client:

"Dear Patent Attorney

We run a national paper milling business and produce printing paper as well as high gloss magazine paper for worldwide distribution. In addition, we have two other divisions, the one dealing with cardboard packaging and the other with paper envelopes.

Our paper envelopes division specializes in tamper-evident envelopes and does continued research and development in this field. In the past we have also had instances where third parties attempted to infringe one of our patents.

The previous managing director of the envelopes division, Mr John Sly resigned at the end of 2021 and as we understand he has now started a competing business.

We are in the process of appointing a new managing director, Ms Susan Slick. Ms Slick has extensive management experience and has worked in the paper and envelopes business in Europe and the USA. In the early years of her career, she was also involved with research into and development of envelopes and paper products which are currently in use in the USA and Europe. Ms Slick comes highly recommended.

However, we are concerned that our standard employment conditions do not provide us with

adequate protection in the case where Ms Slick contributes to or develops improvements to our existing products or new products.

In addition, we would like to avoid a repeat of our experience with Mr Sly and need to ensure that she keeps all our information relating to our suppliers, clients, business plans, products, designs, manufacturing plants, suppliers, trade secrets etc. confidential and does not use same if she leaves our company.

Since we are focussing in expanding our business in Africa and other developing countries, we also need to ensure that she does not use that which she will learn from us in competition against us in these markets.

Can you please assist and provide us with appropriate clauses to cover the above aspects for insertion in our existing employment agreement.

Yours faithfully

Mrs P Tshabalala

Chief Executive Officer

SA Paper (Pty) Ltd."

Please provide your client with the requested contractual clauses.

TOTAL: 100 marks