A TIMELY UPDATE

Current And Topical Issues Affecting Commercial IP Matters

Update: Assignment Of IP To Non-Residents

A false start to relaxing Exchange Control Regulations

In June 2012, virtually overnight, the South African Reserve Bank (SARB) amended the Exchange Control Regulations, making it compulsory to obtain advance approval before any South African IP is assigned to a foreign national. This was in blunt, devastating response to the judgment of *Oilwell (Pty) Limited vs Protec International Limited*, which said precisely the opposite, and for a number of very good reasons. SARB's position has come in for criticism, not only for the manner in which the provision has been introduced, but also for the Authority's decision not to publish any form of guideline on the matter. It has made for a very unhappy state of affairs.

However, just as suddenly and again without any warning, in early 2014, SARB published a Circular indicating that approval would be granted for certain transactions in which ownership of IP was intended to be assigned to non-Residents. Once again, heart-rates were sent soaring – only this time, there was an expectation that the judicial wisdom in *Ollwell* had prevailed. On a proper review of the Circular, though, this is not the case. To start off, the Circular extends exclusively to residents in the Technology, Media & Telecommunications industry, and even then only under very limited conditions. In fact, the liberalisation of the Regulations (if it is that) is so narrow in its application that it will not apply to anybody, except for the smallest microcosm of cases. It is, in effect, no liberalisation at all. It should also be noted that the Circular does not remove the pre-approval requirement, in any event. And so, for all practical purposes, the state of affairs remains. If you're considering assigning any South African IP to a non-resident, it is extremely important that you take proper advice in advance because of the extremely serious consequences that follow non-compliance, and which can't be remedied.

Reserve Bank misses golden opportunity to remedy the controversial position

Darren Margo

In This Edition

HINT: Maximising Your IP Budget

What many people don't always realise is that, often, there is more than one route to obtain trade marks or patents in various countries. For example: if you're interested in securing trade marks in a number of European countries, it might (or might not) be more cost-efficient to file a single European Community trade mark application, which automatically extends to certain European states. It depends on a number of factors, including your particular choice of countries.

Be aware, though: cost is not always the only considera-tion, or the most important consideration: cost-efficiency doesn't always result in time-efficiency.

So: before filing any applications, be sure to ask your patent or trade mark practitioner to advise you on the most efficient way to proceed.

The R&D Income Tax Incentive

An update on the status of the incentive

It's been a mixed bag of updates. While the new R&D income tax incentive came into effect on 1 October 2012, the first series of responses to the applications started trickling through in the last quarter of 2013. This signaled hope that the incentive was back-on-track after a protracted period of silence.

In a very recent development, the DST has released a two new, compulsory forms. The first, a Progress Report, is required to be completed within 1 year of a taxpayer's application having been approved. The second, a Notification Form, is required to be completed each time a change to R&D is introduced. These Forms are not without their problems: the subject matter of both raise a number of serious concerns. A tongue-in-cheek view has been expressed of the authorities' penchant for seemingly endless paperwork and red tape! More seriously, there is a concern that, what was once an alluring, efficient tax incentive is starting to resemble a bureaucratic grant, disincentivising the incentive.

Currently, there are three major issues of concern: first, the lengthy delays persist – taxpayers can continue to expect a wait in excess of 18 months for a substantive response after submitting an application. Since this prevents taxpayers from claiming the incentive in the year of assessment, this is no small matter.

Second, the long-promised Best Practice Guideline has now been outstanding for almost two years. What makes this particularly problematic – apart from the obvious, inordinate delay – is the lack of certainty that has resulted in the vacuum created in its absence.

What has been of particular concern is a spate of applications declined without reasons

Third, and what is of particular concern to us in recent months is a spate of applications that have been declined by the DST, without any substantive reasons being provided. A number of taxpayers have responded by demanding reasons under the Promotion Of Administrative Justice Act (PAJA) – we believe that litigation against the authorities is now inevitable, which is very unfortunate.

Over the past few years, the authorities have been urged and advised to put proper procedures in place to facilitate appeals processes. For unknown reasons, that advice was declined. We would suggest that the majority of complaints would be removed readily if this measure were introduced.

For what was a very brief moment, there was good news to report: earlier in the year, the DST put out a public tender for external consultants to assist in the assessment of the applications. This received praise from all quarters, and was expected to provide the skilled resources required to give proper, thorough attention to the growing backlog. Inexplicably, however, at the final hurdle, the DST insisted that applicants for the tender would be considered only if they had ***no*** experience in dealing with R&D tax incentive applications. We are not certain what advantage could be achieved by excluding experts from consideration in a specialised discipline, that is heavily dependent on experts. This decision has been criticised from industry, experts and taxpayers, and the DST has yet to act on the tender. In the meanwhile, the number of outstanding applications continues to rise.

Finally, and most recently, the DST has scheduled what is called an "Industry Information Session" for end-June, although no specific Agenda has been provided. We are hopeful that the appropriate, long-outstanding remedial action is implemented. After all, it's in no one's best interests to see the matter taken to court.

[Darren Margo]

Trade Marks vs Company Names vs Domain Names: Protecting Your Rights

Some important practicalities – and advice on how to avoid nasty surprises

It often comes as a terrible shock to many of our clients to hear that the South African Trade Marks-, Company Names-, and Domain Name Registers are completely separate registries – all three are operated independently of each other. At the same time, it is important to be aware of where these three worlds collide, in order to avoid unintended, nasty consequences. For instance, an older trade mark in the Trade Marks register can prevent you from registering the company name of your choice – even if you never knew of it! To be more specific: a company name may not be identical or confusingly similar to a registered or pending trade mark.

Taking this one step further: when a company name

The Lighter Side

Albert Einstein's Wisdom On Income Tax and R&D

"The hardest thing in the world to understand is the income tax"

"If we knew what it is we were doing, it would not be called research, would it?"

Patent Department vs R&D Department

application is submitted to the relevant authorities (the CIPC), the CIPC is obliged to conduct a clearance search of the Trade Marks Register for ***identical*** trade marks – but it is not obliged to conduct a clearance search for ***confusingly*** *similar* trade marks – this could include a very large pool of cases that are very close to your company name, trading alongside you in the marketplace. This is an extremely serious, and undesirable consequence! The obvious question arises: what should the practical businessman be considering when filing a trade mark application for a new product range or service? How can these consequences be mitigated?

We always like to suggest taking your destiny in your own hands, and that the best course of action will always be to act preemptively and defensively. As far as it is possible and viable, we'd suggest filing an application for your company's name, corresponding to the trade mark application. The same goes for Domain Names – it is always advisable to register domain name corresponding to your trade mark application. Defensive registrations can be a useful tool to help protect against competition in the South African market place, not to mention minimising the threat of "cyber-squatters".

> ***There is always a real danger ... take your destiny in you own hands***

Also bear in mind that, just like a telephone number, Domain Name applications, typically, are dealt with on a first-to-file basis and, generally speaking, it is possible for any person to register any desired Domain Name. There is also no obligation on domain administrators from conducting any clearance search through the Trade Marks or Companies Registries. Because of this, there is always a real danger of a third party acquiring domains that are confusing similar to your company name or your trade mark. So the message is clear: be aware that a single trade mark registration / company name registration / domain name will not, automatically, permit you to stop others from acquiring any other. Do yourself a favour, and do not leave matters to chance. Or to your competition.

[Marius Smit]

For any advice or further information on any of these topics:

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