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South Africa Compulsory Licensing

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Legal Basis

In seeking to promote effective and adequate protection of intellectual property rights, South Africa became a signatory to the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement in 2005. This became the basis for compulsory licenses in South Africa.

South Africa incorporated these provisions into the South African Patents Act 1997 (the Act), under Sections 55 and 56.

Under the Act, compulsory licenses can be obtained in one of two ways:

1. In the event a patent cannot be practiced because of a prior patent (referred to as dependent patent), or
2. In the event of abuse of patent rights.

In the event a patent cannot be practiced because of a prior patent, Section 55 of the Act provides that where a new patentee needs a licence from a prior patent holder for the effective working of a patent, and cannot reach an agreement with the prior patent holder, an application may be made to the Commissioner of Patents, who reserves the right to grant a compulsory licence.

In adjudicating whether to grant the licence according to the Act, the Commissioner must consider the following:

1. If the dependent patent involves an important technical advancement which is economically significant;
2. If the dependent patentee will grant the prior patentee a cross-licence to use the invention claimed in the dependent patent; and

3. That the dependent patentee may not assign the license given except with the assignment of the dependent patent as a whole.

In the event of abuse of patent rights, the Act provides that a compulsory license may be granted to an interested person upon application to the Commissioner of Patents, if the applicant can show that a patent right is abused.

According to Section 56, rights in a patent are deemed abused if:

The patented invention has not been adequately put to use to a commercial extent, without good reason, for four years following the date of the patent application or three years following the patent sealing;

1. The patented invention does not meet the demand of the republic on reasonable terms.
2. The refusal of the patentee to grant a license on reasonable terms prejudices the trade, industry and agriculture of the Republic of South Africa, such that it is in the interest of the public that a compulsory license be granted; or
3. The patented product is imported, and the price charged by the patentee is excessive compared to prices of the same product in other countries.

COVID-19 Regulations

At the moment, South Africa has not passed regulations or proposals related to the COVID-19 pandemic.

Procedure for Granting a Compulsory License

If a compulsory license is requested under Section 55 of the Act, the party requesting the license must apply to the Commissioner of Patents and provide evidence showing that he has made effort to obtain license from the proprietor of the prior patent, but that an agreement could not be reached. The applicant must show that he has not infringed the prior patent. Where the Commissioner of Patents is satisfied, he will grant the compulsory license subject to various conditions, one of which must include the condition that the license not be used for any purpose other than that agreed upon in the dependent patent.

If requested under Section 56, and an abuse of patent right is proved by the applicant, the Commissioner of Patents may grant a compulsory license if he is convinced the patent right is indeed being abused and the patentee has refused to grant a license upon reasonable terms. When satisfied, the Commissioner grants the application subject to several conditions which include, that the applicant may not import the patented articles into South Africa, and that, if in the opinion of the Commissioner, the abuse circumstances have ceased to exist, the license terminates.

Appeal and Review

Subject to Sections 75 and 76 of the Act, the Court of the Commissioner of Patents hears first instance compulsory licence patent cases. Section 77 provides that the parties may agree in writing that the decision of the Commissioner shall be final,

binding and not subject to appeal. However, where the parties do not make such written agreement, the Commissioner's decision is appealable to the High Court, Supreme Court of Appeal and ultimately, the Constitutional Court.

Jurisprudence

There has been no grant of compulsory licence in South Africa since the inclusion of the compulsory licencing provisions in 1997. There have been five (5) applications before the South African courts, none of which led to the grant of licenses.

Atomic Energy Corporation of South Africa v. The Du Pont Merck 1997 BIP 90 (CP)

One of the few cases relating to compulsory licenses in South Africa is the *Atomic Energy* case. An application was made for a dependent patent. However the application was met with a counterclaim alleging that the dependent patent was invalid and ought to be revoked. The judge held that the court would not hold a patent to be a dependent patent if it was susceptible to revocation.

Syntheta (Pty) Ltd v. Janssen Pharmaceutica NV & Another 1998 BIP 264.

The Appellant applied under Section 56 of the Patents Act (the Act) for a compulsory license of a patent. The court in making a determination, considered Section 56 of the Act and held that abuse of patent rights was a cornerstone of the section. Under section 56(2)(a) the Appellant was required to demonstrate that the patented invention was not being "worked" in the Republic on and to the requisite scale or extent. The Court held that the rule was that an applicant had to clearly make out its case in the documents tendered, and instead, the Appellant's averments in its founding affidavit were little more than a recitation of the words of the Section and not a statement of facts from which a legal conclusion could be drawn. The court dismissed the appeal.

Sanachem (Pty) Ltd. v. British Technology Group Plc 1992 BP 279 (CC).

The meaning of Section 56 (2) (a) came into question in the *Sanachem (Pty) Ltd* case. Section 56 (2) (a) provides that a compulsory license may be granted if a patented invention is not being worked in the Republic on a commercial scale or to an adequate extent. In this case, the court rejected the applicant's contention that the respondent (patentee) had not worked the invention to an adequate extent. It held that the term 'worked' meant 'exploitation', and included working by importation, as was the situation in this instance. Further it held that the term 'adequate extent' means 'sufficient or commensurate with the needs of the Republic'. The applicant failed to show that the invention could be worked in South Africa to a greater extent within the remaining term of the patent.

Afritra (Pty) Ltd and Another v. Carlton Paper of SA (Pty) *Ltd*. 1992 BP 331 (CC).

The applicant applied for compulsory license alleging that it could sell the patented product at a lesser price than the patentee. The applicant relied on Section 56 (2) (d) of the Act. The judge held that a charge of unreasonable terms is not established merely on proof that the applicant can sell the same sort of article at a lower price.

Other relevant considerations need to be considered when deciding whether the patentee's prices are reasonable, such as the cost of producing and marketing the patented article, the terms and conditions on which it negotiates with customers, and whether the facts show that the trade as a whole can carry the price charged. The court dismissed the case.

In cooperation with: Namir Sioufi (Saba & Co, Intellectual Property s.a.l. (Offshore)

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