

***FINDING THE RIGHT BALANCE BETWEEN THE ENFORCEMENT OF
COMPETITION LAW AND THE PROTECTION OF INTELLECTUAL PROPERTY
RIGHTS****

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Abstract

A lot has been said and written about forum shopping of late. Some courts and scholars have even given recognition to and, to some extent, endorsed the practice of forum shopping. This phenomenon has also surfaced in disputes relating to the protection of intellectual property rights (IPRs). In this regard, there seems to be a growing trend by litigants with disputes pertaining to patents to use forums and institutions that are not necessarily designed to resolve such disputes. This is notable in a recent decision by the Competition Commission of South Africa to prosecute two firms accused of abusing their dominance by enforcing IPRs beyond the period of protection. While there may be benefits associated with the practice, pervasive forum shopping can also lead to the concentration of cases in one or very few forums that, in the eyes of litigants, are likely to make favourable determinations. Thus, forum shopping may encourage litigants to make an outcome-determinative choice when selecting an appropriate forum and this in turn can create inefficiencies. The purpose of this article is to determine how best to approach the quandary of forum shopping in cases relating to the protection of IPRs. The article focuses on the interplay between intellectual property law and competition law, and determines whether the intervention by competition agencies in IP matters is necessary. To the extent that such intervention is necessary, the article identifies measures that can be put in place to limit the involvement of competition agencies in IP matters.

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I. INTRODUCTION

In March 2004, the Organisation for Economic Co-operation and Development (OECD) invited competition delegates to contribute papers in preparation for its Roundtable on Competition Policy and Intellectual Property (IP) Policy. Delegates were called upon to make submissions on specific themes and, in particular, the OECD posed the following questions to them, among others:

- What is the proper role for competition agencies with respect to IP?
- Should competition agencies be allowed to challenge the validity of questionable patents?
- How can competition agencies, whose primary expertise is not in IP, effectively determine the scope and assess the validity of complex patents?
- Should competition agencies simply establish good communication with IP agencies and play only an indirect role in the formulation and implementation of patent policy?¹

Despite the divergence of views among delegates, there are several key points that emerged from their submissions in response to the OECD's call. The OECD summarised one of these key points as follows:

‘Overzealous enforcement of competition laws against IP owners can damage the incentives to innovate that IP systems are designed to foster. On the other hand, when IP is excessively easy to obtain, it may lead to market power, to the detriment of competition and consumers. Therefore, in an “easy patentability” environment, for example, competition agencies and courts tend to compensate by using competition laws to limit the negative effects of over-patenting. Because competition law is a relatively blunt instrument for that purpose, however, it would be preferable to fix the problems from within the patent system rather than from outside it.’³

There are no easy answers to the questions posed by the OECD above and, as such, it should not be surprising that the debate on the right balance between the enforcement of

¹ OECD, ‘Policy roundtables on intellectual property rights’ (2004) 24 DAF/COMP’, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

³ OECD, ‘Policy roundtables on intellectual property rights’ (2004) 24 DAF/COMP’, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

competition law and the protection of intellectual property rights (IPRs) persists to this day. Some have described interventions by competition agencies in IP matters as overstressing,⁴ while litigants who rely on competition law to resolve IP related matters have, in some instances, been accused of engaging in the practice of forum shopping.

II. THE CONCEPT OF FORUM SHOPPING

Forum shopping has been defined as an attempt by a party to have its case considered in a forum or court where it has the greatest prospects of success.⁵ This practice allows a litigant the option to choose a forum that is likely to yield favourable outcomes even when there is a specialised forum with more experience and competency to consider the dispute. When engaging in forum shopping, the litigant attempts to control the law to be applied to its case and its choice of forum is informed by the benefits that are likely to be derived from the application of such law, as opposed to referring the dispute to the most suitable forum.⁶

(a) *Advantages and disadvantages of forum shopping*

Some courts and scholars have given recognition to and, to some extent, endorsed the practice of forum shopping. For example, in *Goad v Celotex Corp*, the court expressed the view that ‘there is nothing inherently evil about forum-shopping’, especially if there is legislation that explicitly or implicitly permits litigants to choose from more than one platform.⁷ Forum shopping allows lawyers to assist their clients to locate the most favourable forum to hear their disputes. In such instances, this practice should not be seen as unethical as litigants merely explore legal options that are available based on

⁴ Hlatshwayo, ‘The challenges of IP protection and competition enforcement: An analysis of the Microsoft decisions (US and EU) and their implications for South African IP and competition law’ (2008) 2 *Journal of Information, Law and Technology* 1 at 4.

⁵ LoPucki & Whiteford, ‘Venue choice and forum shopping in the bankruptcy reorganization of large, publicly held companies’ 1991 *Wisconsin Law Review* 11 at 14. See also Algero, ‘In defense of forum shopping: A realistic look at selecting a venue’ 1999 *Nebraska Law Review* 78:79 at 79 (“Forum shopping’ typically refers to the act of seeking the most advantageous venue in which to try a case’); Norwood, ‘Shopping for a venue: the need for more limits on choice’ 1996 *University of Miami Law Review* 267 at 268 (‘Forum-shopping ‘occurs when a party attempts to have his action tried in a particular court or jurisdiction where he feels he will receive the most favourable judgment or verdict’... The term also includes choosing a particular venue based upon favourable (unfavourable) procedural and substantive laws, judicial calendars, backlogs, and local rules”). In her definition of forum shopping, Norwood relies on the Black’s Law Dictionary 655 (6th ed. 1990).

⁶ Algero, 1999 *Nebraska Law Review* 78:79 at 80. See also Notes, ‘Forum Shopping Reconsidered’ 1990 *Harvard Law Review* 103:1677 at 1678 (‘Forum shopping may give a party some degree of control over the choice of substantive law and of procedural rules’).

⁷ *Goad v Celotex Corp.*, 831 F.2d 508, 512 (4th Cir. 1987).

jurisdictional rules. Moreover, in South Africa, section 34 of the Constitution⁸ provides every person with the right to have their dispute resolved by the application of law before a court or any other independent and impartial tribunal or forum. Algero notes that an attorney can even be charged with unethical conduct should he fail to seek the most advantageous forum for the client's case.⁹

Where appropriate, forum shopping can also reduce the overall administrative costs faced by litigants. For instance, the use of alternative dispute resolution mechanisms often has the net effect of reducing legal fees for both parties.¹⁰ Taylor contests that forum shopping may also have efficiency gains where litigants benefit from remedies that would ordinarily not exist absent the application of the chosen forum's substantive law.¹¹

Just like in the United States,¹² South African courts have on several occasions expressed discontent about the practice of forum shopping.¹³ This is because there are a number of disadvantages associated with the practice. The main criticism levelled against forum shopping is that it increases the cost of litigation as the litigant is permitted to choose the forum most favourable to its case, rather than choosing the most relevant forum.¹⁴

Furthermore, the agency or court that is required to administer forum shopping is also required to invest resources that would ordinarily be channelled towards resolving disputes that are more deserving.¹⁵ In some instances, especially when forum shopping is used as a delaying tactic, the forum preferred by litigants may not even have the necessary expertise to deal with technical issues raised in the matter.

The problem of forum shopping cuts across various fields of law. To this end, a body of jurisprudence has been developed in South Africa, notably in the field of labour law.

⁸ The Constitution of the Republic of South Africa, 1996.

⁹ Algero "In defense of forum shopping: A realistic look at selecting a venue" 1999 *Neb. L. Rev.* 78:79,81.

¹⁰ Notes, 1990 *Harvard Law Review* 103:1677 at 1692.

¹¹ Taylor, 'What does forum shopping in the Eastern District of Texas mean for patent reform?' 2007 *John Marshall Review of Intellectual Property Law* 570 at 579.

¹² Algero, 1999 *Nebraska Law Review* 78:79 at 87.

¹³ *Chirwa v Transnet Limited and others* 2008 (4) SA 367 (CC); *Competition Commission of South Africa v Telkom* 2010 (2) SA 433(SCA); *Sidumo and another v Rustenburg Platinum Mines Ltd and others* 2008 (2) SA 24 (CC); *Gcaba v Minister for Safety and Security and others* 2010 (1) SA 238 (CC).

¹⁴ Taylor, 2007 *John Marshall Review of Intellectual Property Law* 570 at 578. See also Baird, 'Loss distribution, forum shopping, and bankruptcy: A reply to Warren' 1987 *University of Chicago Law Review* 815 at 825 ('An additional avenue of enforcement creates special costs and, accordingly, deserves close scrutiny – quite apart from the interests being served or the people being protected').

¹⁵ McGarity, 'Multi-party forum shopping for appellate review of administration action' 1980 *University of Pennsylvania Law Review* 302 at 318.

In *Chirwa v Transnet Limited*,¹⁶ a case that seems to be the leading authority in South Africa, Langa CJ stated:

‘The concern of forum-shopping is a valid one. It is, as this Court has recently implied, undesirable for litigants to pick and choose where they institute actions in the hope of a better outcome.’¹⁷

Forum shopping has also surfaced in disputes relating to the protection and enforcement of IPRs.¹⁸ The section that follows examines this phenomenon in the context of competition law as an enforcement tool in IP matters.

III. THE ENFORCEMENT OF COMPETITION LAW IN IP MATTERS: IS IT NECESSARY FOR COMPETITION AGENCIES TO INTERVENE?

Generally, there is an overlap between the objectives of competition law and IP law. These common objectives include the enhancement of consumer welfare and stimulation of innovation in different markets.¹⁹ However, there are also material differences between the two areas of law: IPRs create legitimate monopolies in markets so as to protect and reward innovators for their products. During the period of protection, innovators face no competition and get the opportunity to recoup investments made while developing new products and the opportunity to earn reasonable margins for their innovations. In this regard, IPRs seek to prevent free riding by less innovative competitors, while benefitting consumers through the development and introduction of new products and services.²⁰ The creation of monopolies in certain sectors through IPRs can serve to create a conducive environment for abusive conduct.

On the other hand, competition law encourages rigorous and effective competition, and sees this as a means to achieve innovation. Competition law discourages monopolisation

¹⁶ *Chirwa v Transnet Limited and others* 2008 (4) SA 367 (CC).

¹⁷ *Ibid* para 117.

¹⁸ Taylor argues that forum shopping should be seen as a sign of a serious problem in the patent system: Taylor, 2007 *John Marshall Review of Intellectual Property Law* 570 at 582.

¹⁹ US Dep't of Justice & Fed. Trade Comm'n, 'Antitrust enforcement and intellectual property rights: Promoting innovation and competition' 2007. See also Commission Notice, 'Guidelines on the application of Article 81 of the EC Treaty to technology transfer agreements' OJ C 101 of 27 April 2004 at 2-42; *Atari Games Corp. v Nintendo of Am. Inc.* 897 F.2d 1572, 1576 (Fed. Cir. 1990); *Corp. v Intel Corp.* 195 F.3d 1346, 1362 (Fed. Cir. 1999).

²⁰ Federal Trade Commission, 'To promote innovation: The proper balance of competition and policy', available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>, accessed on 23 June 2017.

as this often leads to market concentration and abuse of monopoly power. Thus, when viewed from this perspective, the objective of competition law is not to protect competitors (i.e. innovators), but rather to protect the competitive process in the interest of consumers and the economy at large.

Traditionally, firms that hold monopolistic positions and enjoy exclusivity as a result of IPRs have held a view that antitrust enforcement does not extend to practices that are protected in terms of IPRs.²¹ However, there is a growing trend by litigants with disputes pertaining to IPRs to use forums and institutions that are not necessarily designed to resolve such disputes or, at the least, forums that are likely to make favourable determinations.

(a) *Experiences in South Africa*

There seems to be a number of legitimate factors that make litigants with IP disputes opt for other dispute resolution mechanisms outside the IP law system, such as competition law. The section that follows discusses some of these factors and is largely based on experiences in South Africa. In this regard, the section highlights some of the cases that raised IP related issues but were nevertheless brought before competition agencies for resolution.

i. *Lack of substantive evaluation process and opposition proceedings in patent applications*

The South African IP law system is described as a non-examination or depository system.²² This means that the Companies and Intellectual Property Commission (CIPC), a patent-granting body in South Africa, does not conduct a detailed examination of patent applications. Instead, the CIPC assesses whether applications for patents are accompanied by all forms and supporting documents prescribed by the Patents Act, and that the prescribe fee has been paid. Once all these administrative requirements have been complied with, the CIPC would grant the patent.

²¹ Hlatshwayo, (2008) 2 *Journal of Information, Law and Technology* 1 at 4.

²² Busch, 'Promoting access to affordable generics: Reforming South Africa's patent law to prevent evergreening' 2016 *SAIPLJ* 101 at 105. It bears mention that South Africa follows a depository system despite the fact that the Patents Act 57 of 1978 (Patents Act) makes provision for a system that permits substantive evaluation. Section 34 states: 'The registrar shall examine in the prescribed manner every application for a patent and every complete specification accompanying such application or lodged at the patent office in pursuance of such application and if it complies with the requirements of this Act, he shall accept it.' See also Fix Patent Laws Coalition, 'Submission on Intellectual Property Consultative Framework' at 13, available at <http://www.cansa.org.za/files/2016/09/Submission-on-IP-Consultative-Framework-FINAL-2016-09-26.pdf>, accessed on 10 July 2017.

Given its inadequacies, numerous calls have been made by academics and civil society for the review of South Africa's depository system.²³ The norm internationally is to evaluate, among other things, if (i) an invention is patentable; (ii) the invention is able to achieve the function for which it was designed (iii) the invention possesses novelty (i.e. it is a new invention) and (iv) the invention includes an inventive step (i.e. non-obviousness).²⁴ A detailed examination of patent applications helps to ascertain whether basic formal requirements and legal rules have been met before a patent is granted. This process also helps to determine the scope of the protection claimed by the inventor and to perform a search of previously issued patents in order to determine whether the invention is novel and not an extension or variation of what is already known.²⁵

The South African IP law system has also been criticized for not permitting pre and post grant opposition proceedings whereby third parties would be afforded the opportunity to oppose a patent application, either before or after it has been granted, on specific grounds.²⁶ A party that successfully invokes this procedure can benefit from a reduction in the scope of the patent or even cause the revocation of a patent that was granted unlawfully.²⁷ As succinctly explained by the OECD:

‘Competition by generic drugs against branded pharmaceuticals has the potential for substantial consumer savings. Such competition can arise most rapidly when a generic entrant challenges the patent held by the branded pharmaceutical manufacturer, either on the ground that the patent is not valid or that the generic does not infringe the patent. A successful challenge means that there will be nearly immediate competition between the branded drug and the generic equivalent. An unsuccessful challenge, however, means that meaningful competition may be delayed for many years, until the expiration of the patent.’²⁸

²³ Busch, 2016 *SAIPLJ* 101. See also Hlatshwayo, (2008) 2 *Journal of Information, Law and Technology* 1; Treatment Action Campaign, ‘The economic & social case for patent law reform in South Africa’ 2014.

²⁴ Pouris & Pouris, ‘Patents and economic development in South Africa: Managing intellectual property rights’ 2011 *South African Journal of Science* 1 at 5. See also Busch, 2016 *SAIPLJ* 101 at 105.

²⁵ Pouris & Pouris, 2011 *South African Journal of Science* 1 at 5.

²⁶ Busch, 2016 *SAIPLJ* 101 at 106.

²⁷ OECD, ‘Policy roundtables on intellectual property rights’ (2004) 24 DAF/COMP’, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

²⁸ OECD, ‘Policy roundtables on generic pharmaceuticals’ (2009) 39 DAF/COMP, available at [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP\(2009\)39&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP(2009)39&docLanguage=En), accessed on 23 June 2017.

There are adverse and unintended consequences attributable to South Africa's choice of a non-examination IP law system and the fact that the system does not recognise opposition proceedings. For example, it appears that the non-examination and opposition system leads to patents being granted even in non-deserving cases. Consequently, there is a possibility of frivolous and illegal patents being registered at the CIPC. This view is supported by data from the World Intellectual Property Organisation which shows that in 2012 South Africa approved 83 per cent of patent applications received by the CIPC, while its counterparts, India and Brazil, approved only 9 per cent and 10 per cent of patent applications filed with their patent offices, respectively.²⁹ In the pharmaceutical sector, the Treatment Action Campaign observes that South Africa grants 40 per cent more patents than jurisdictions such as the United States and the European Union.³⁰ These high figures may indeed be attributed to inefficiencies in the South African system.

The government has also been criticized for exacerbating the situation by delaying with effecting changes, despite its acknowledgement that South Africa needs a substantive approach to patent examination and that there is a need to introduce patent opposition proceedings. In support of this criticism, it has been contested that plans to reform the South African IP law system were first announced in 2009 and the draft National Policy on Intellectual Property was published for comments four years later i.e. in 2013. This policy has still not been finalised and, instead, in July 2016 government published what it terms the Intellectual Property Consultative Framework, a document that seeks to articulate further its approach on IP matters.³¹

These delays, coupled with other concerns discussed above, are likely to contribute to litigants resorting to other dispute resolution mechanisms outside the IP law system. As demonstrated in cases discussed below, alternative forums, such as competition agencies, appear to have an appetite to entertain and intervene in IP related matters brought before them. If this growing trend is not properly managed, it may lead to the concentration of IP cases in forums which, by design, were not created to hear such issues.

²⁹ World Intellectual Property Organisation Indicators 2013.

³⁰ Treatment Action Campaign, 'The economic & social case for patent law reform in South Africa' 2014.

³¹ Fix Patent Laws Coalition, 'Submission on Intellectual Property Consultative Framework', available at <http://www.cansa.org.za/files/2016/09/Submission-on-IP-Consultative-Framework-FINAL-2016-09-26.pdf>, accessed on 10 July 2017.

ii. *Failure to effect compulsory licencing*

Compulsory licensing, which entails authorisation by government to use a patented innovation without the permission of the title holder,³² is one of the effective means to force competition into a market that would generally not experience competition due to the existence of a patent.³³ In this regard, empirical evidence suggests that there is a growing trend in jurisdictions such as Thailand and Zambia to use compulsory licencing to address anti-competitive practices, especially in the pharmaceutical sectors.³⁴ However, it has been cautioned that compulsory licensing has disadvantages that may adversely affect innovation. For example, permitting compulsory licensing may eliminate the IP owner's control over its invention and this may in turn discourage innovative behaviour in the market.³⁵ Some academics have also cautioned against the involvement of competition agencies in IP matters relating to compulsory licensing:

‘When a private party is granted a patent or copyright, giving the owner exclusive rights over certain intellectual property, and then antitrust rules are interpreted to require that these rights be licensed to others, public policy and the law are confused and contradictory. Apart from undermining precisely the exclusive rights that were granted, compulsory licensing raises the thorny issue of the *terms and conditions* on which such licenses should be granted... Compulsory licensing of patents is at odds with the antitrust principle that companies, even monopolists, are not generally required to deal with their competitors.

From an economic perspective, imposing mandatory licensing on those whose innovations have the most significant economic effects makes little sense... Innovation and competition are best promoted by carefully and properly defining the property rights awarded by the patent system, by talking steps to insure that such rights are only granted for true innovations, and then by letting patent holders assert those rights to exclude infringing rivals... . Both patent and antitrust law and policy are far better served by

³² Beall & Kuhn, ‘Trends in compulsory licensing of pharmaceuticals since the Doha Declaration: A Database Analysis’ (2012) 9(1) *PLoS Medical Journal* 1 at 2.

³³ OECD, ‘Policy roundtables on intellectual property rights’ (2004) 24 DAF/COMP’, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

³⁴ Beall & Kuhn, (2012) 9(1) *PLoS Medical Journal* 1 at 4.

³⁵ OECD, ‘Policy roundtables on intellectual property rights’ (2004) 24 DAF/COMP’, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

reforming the patent system than by distorting antitrust laws to curtail the rights of patent holders.³⁶

However, as pointed out by Shapiro, for competition agencies not to be involved in licensing practices there has to be a strong patent system in place. Despite the Patent Act making provision for compulsory licensing,³⁷ South Africa has not issued a single licence under this Act, which is almost 40 years old.³⁸ The Patent Act specifically provides the CIPC with powers to issue compulsory licences in cases of abuse of patent rights, such as the charging of excessive prices and refusal of the patentee to grant a licence on reasonable terms.³⁹

Furthermore, the provisions of the Patents Act that permit compulsory licensing are inadequate and, in some instances, cumbersome and may have to be brought in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).⁴⁰ For example, applications for compulsory licensing in South Africa are subject to a judicial process when the TRIPS Agreement does not require the granting of compulsory licences to be made subject to such a process. This has cost implications for parties that file applications and may delay access to the patent if the decision of the CIPC is subjected to judicial scrutiny.⁴¹

The TRIPS Agreement, which allows for the use of compulsory licensing to remedy anti-competitive practices, also entitles member states not to enter into voluntary negotiations with holders of IPRs in situations of national emergency or in cases of public non-commercial use.⁴² However, the Patents Act does not take advantage of this flexibility created by the TRIPS Agreement. Instead, section 4 makes it compulsory for

³⁶ Shapiro, 'Patent system reform: Economic analysis and critique' 2004 *Berkeley Technology Law Journal* 1017 at 1025. See also OECD, 'Policy roundtables on intellectual property rights' (2004) 24 DAF/COMP, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017 ('A major drawback to compulsory licensing is that it requires competition agencies or courts – or both – to have at least some involvement in setting the terms of the license, and perhaps in monitoring its execution in practice, as well. Without such involvement, the licensor may impose terms that amount to a virtual refusal to license. Agencies and courts may find it cumbersome to have initial and ongoing involvement in licensing practices'). See also OECD, 'Roundtables on competition, patent and innovation' (2007) 40 DAF/COMP, available at <https://www.oecd.org/daf/competition/39888509.pdf>, accessed on 23 June 2017.

³⁷ Section 55 of the Patents Act, read with section 189 of the Companies Act 71 of 2008 (Companies Act), states that the CIPS may, upon application and on conditions determined by it, grant a compulsory licence. See also Intellectual Property Consultative Framework 2016 at 10.

³⁸ Intellectual Property Consultative Framework 2016.

³⁹ Section 56(2) of the Patents Act.

⁴⁰ 1869 UNITS 299.

⁴¹ For a detailed discussion, see Intellectual Property Consultative Framework 2016.

⁴² Article 39 of the TRIPS Agreement.

government to first negotiate with the holders of IPRs prior to licencing their patents on public interest grounds.

Given the CIPC' failure to exercise its powers and the inadequacies identified in the Patent Act, third parties with legitimate grounds to demand compulsory licensing now resort to competition agencies in South Africa for intervention. A good example of this occurrence is to be found in a complaint filed with the Competition Commission (CCSA) by Hazel Tau and other HIV/AIDS activists.

This complaint concerned the accessibility of antiretroviral drugs (ARVs) to individuals infected with Human Immunodeficiency Virus (HIV). At the time when the complaint was filed with the CCSA, GlaxoSmithKline South Africa (Pty) Ltd (GSK) held patents in South Africa on AZT (branded as Retrovir), Lamivudine (branded as 3TC) and AZT/Lamivudine (branded as Combivir) whilst Boehringer Ingelheim (Pty) Ltd (BI) held patents on Nevirapine (branded as Viramune). GSK and BI were alleged to have charged excessive prices for these patented products and were also investigated by the CCSA for denying their competitors access to an essential facility in the production of the products. These complaints were based on allegations that GSK and BI failed to put in place systems which would ensure that their competitors had access on reasonable terms to the patented products.

While the issues raised in *Hazel Tau* related largely to the exercise of IRPs, the CCSA investigated the case and found contraventions of the Competition Act 89 of 1998 (Competition Act) by GSK and BI. The CCSA then announced its intentions to refer the matter to the Competition Tribunal to compel the two firms to grant voluntary licences for generic production to their competitors in return for royalties. However, the case was not heard by the Competition Tribunal as GSK and BI resolved to settle with the CCSA.

In terms of the settlement agreements concluded, GSK and BI were required to enter into voluntary licensing agreements with generic manufacturers which would allow the latter to exploit GSK and BI's inventions in return for royalties.⁴³ It can be contested that in this instance forum shopping worked in favour of litigants who brought the complaint before the CCSA. Had the complainants not shopped for an alternative forum, they would have been deprived of an opportunity to gain access to ARV treatment at much lower prices. This case study accords with Taylor's view above that forum shopping may lead

⁴³ Competition Commission SA, '15 years of competition enforcement – A people's account' at 13-15.

to litigants benefitting from remedies they would not be entitled to absent the application of the alternative forum's substantive law.

iii. Abuse of IPRs

It has also been contended that the inefficiencies created by the not so strong IP law system in South Africa lead to the abuse of IPRs.⁴⁴The holders of IPRs, so the contention goes, take advantage of the current IP law system and employ various strategies to delay or completely prevent entry of competing brands in the market. The recent announcement by Commissioner Tembinkosi Bonakele that the CCSA will be undertaking three investigations in the pharmaceutical sector gives credence to this contention. According to Commissioner Bonakele, these investigations have been triggered by, among other things, concerns from civil society groups, such as Advocates for Breast Cancer, the Cancer Association of South Africa and SECTION27, regarding abuses of South African patent laws by local and foreign firms.

The impact of these alleged abuses is that they enable manufacturers of cancer medicines, Aspen Pharmacare Holdings Ltd, Roche Holding AG (Roche) and Pfizer Inc, to charge exorbitant prices in South Africa. In a statement issued by the CCSA, it is also alleged:

‘Roche holds a composition patent for its Trastuzumab product, Herceptin, in South Africa which expires in 2020. Genentech, which provides exclusive marketing rights to Roche for the product, also holds a patent covering combinations of the drug and other chemotherapeutic agents which could block pre-clinical work on a biosimilar product until 2033. Information in possession of the Commission gives rise to a reasonable suspicion that the Respondent may be engaging in exclusionary conduct in order to prolong its hold on breast cancer drugs. In particular, the Respondent may be using the ‘ever-greening’ strategy to delay and/or prevent entry of generic alternative breast cancer drugs... The Respondent may also be engaging in exclusionary conduct by using the ‘patent thicket’ strategy to delay and/or prevent entry of generic alternative breast cancer

⁴⁴ Busch, 2016 *SAIPLJ* 101 at 110. Treatment Action Campaign, ‘The economic & social case for patent law reform in South Africa’ 2014.

drugs. This strategy prevents the development of alternate versions of the original product by restricting the processes whereby a drug is produced. It also limits the number of forms of the active ingredient that generic companies can make, thereby eliminating possible substitutable products.⁴⁵

From the CCSA's statement, it appears that the three investigations will also assess whether patent laws are open to abuse in South Africa and the extent to which such abuses distort competition in relevant markets.⁴⁶

Evergreening is one of the methods that can be used by patentees to abuse their patents. This phenomenon occurs when patentees devise strategies to obtain multiple patents that cover different aspects of the same product in order to extend the duration of their patents.⁴⁷ The most common evergreening strategy is to undertake superfluous variations on an existing patent and thereafter file a new application which would essentially extend the term of exclusivity for the patentee. Because of this strategy, patentees are able to obtain separate patents on multiple attributes of the same product and this leads to an increase in low-quality patents.⁴⁸ Evergreening is prevalent in the pharmaceutical sector and its impact is best described by Busch:

'Evergreening results in the unnecessary extension of the patent holder's monopoly by deferring the date their products go off-patent. This gives pharmaceutical companies the opportunity to keep their medicine prices artificially high for extended periods of time. In relation to this issue of market dominance, evergreening serves to delay the entry of much-needed generic products on the market, as well as increasing the instances of infringement which producers of generics must avoid when attempting to bring a product to market.'⁴⁹

⁴⁵ South African Government, 'Competition Commission on investigation into cancer drugs manufacturers', 13 June 2017, available at <http://www.gov.za/speeches/media-statement-commissioner-investigation-manufacturers-cancer-drugs-13-jun-2017-0000>, accessed on 25 June 2017.

⁴⁶ At the time of writing this article, the pharmaceutical investigations were still at the initial phase.

⁴⁷ Thomas, 'Patent "evergreening": Issues in innovation and competition' 2009 *Congressional Research Service* 1. See also Paine, 'Brand-name drug manufacturers risk antitrust violations by slowing generic production through patent layering' (2003) 33 *Seton Hall Law Review* 479 at 497.

⁴⁸ Busch, 2016 *SAIPLJ* 101 at 110.

⁴⁹ Busch, 2016 *SAIPLJ* 101 at 111.

iv. *The provisions of the Competition Act as an encouraging factor*

Over the years, the South African competition agencies have been effective in the enforcement of competition law. In its 2013/14 Global Competitiveness Report, the World Economic Forum ranked South Africa 8 out of 148 countries for the effectiveness of its anti-monopoly policy.⁵⁰ It appears that the success of these agencies has resulted in, among other things, IPRs disputes being brought before these institutions for resolution. In fact, evidence shows that the number of IP related matters brought before competition agencies, in particular the CCSA, is increasing.

Some of the sections of the Competition Act, which proscribe anticompetitive practices, directly apply to firms that enjoy protection under IP law by virtue of holding IPRs. Relying on these sections, a number of aggrieved third parties have brought complaints relating to the exercise of IPRs to the CCSA for resolution.⁵¹ As evidenced by actions taken by the CCSA in some of those complaints, it appears that this strategy works well for such third parties who turn to competition law for remedies, as opposed to attempting to resolve their disputes through the application of IP law. Below are some of the sections of the Competition Act that can be used to challenge IPRs.

- *Access to an essential facility*

Section 8(b) prohibits a dominant firm from refusing to give a competitor access to an essential facility when it is economically feasible to do so. An essential facility is defined as an infrastructure or a resource that cannot reasonably be duplicated, and without access to which competitors cannot reasonably provide goods or services to their customers.⁵²

The starting point when assessing whether there has been a contravention of section 8(b), after defining the relevant market, is the determination that the firm alleged to have contravened the Act is dominant. In cases where IPRs exist, this requirement is easy to satisfy as the holders of IPRs often enjoy monopolistic positions in markets where such rights apply. It is suggested that reference to ‘essential facility’ in section 8(b) also covers IPRs although this concept is generally used to refer to network and infrastructure

⁵⁰ Competition Commission SA, ‘Effectiveness of SA competition policy ranked 8th in the world’ 13 September 2013, available at <http://www.compcom.co.za/wp-content/uploads/2014/09/Effectiveness-of-SA-competition-policy-ranked-8th-in-the-world.pdf>, accessed on 25 June 2017.

⁵¹ Hlatshwayo, (2008) 2 *Journal of Information, Law and Technology* 1 at 14.

⁵² Section 1(viii) of the Competition Act.

industries. Thus, section 8(b) can be used as a means to indirectly effect compulsory licensing where the holder of IPRs has refused to permit voluntary licencing.⁵³

- *Excessive pricing*

Section 8(a) prohibits a dominant firm from charging an excessive price to the detriment of consumers. A price of a good or service is deemed excessive if it bears no reasonable relation to the economic value of that good or service and is higher than that value.⁵⁴ Based on the existing jurisprudence in South Africa, this is one of the most difficult contraventions to establish under the Competition Act.⁵⁵ A typical case of excessive pricing requires economic and financial expertise, coupled with specialised legal skills, which come at a high cost.⁵⁶

One of the strategies that can be used by a patentee is to charge excessively high prices during the period when it enjoys a monopolistic position created by its patent. As indicated above, in terms of the Patent Act, an application for a compulsory licence can be brought on the ground that the patentee abuses its patent by charging excessive prices. However, the applicant would presumably be required to establish that the prices charged are indeed excessive and would inevitably incur legal, economic and financial costs in establishing this. Thus, the fact that complainants incur no costs when pursuing their matters through competition law may be another important consideration in the determination of which forum to choose.⁵⁷

- *Exclusionary practices*

On 03 April 2017, the CCSA announced that it had referred a Netherland based seed potato breeder and its South African distributor to the Competition Tribunal for prosecution. This referral followed an investigation by the CCSA which found that HZPC Holland BV (HZPC), a firm that enjoyed exclusive plant breeder's rights over the Mondial seed potatoes varietal in South Africa for a period of 20 years, appointed Wesgro

⁵³ Ibid.

⁵⁴ Section 1(xi) of the Competition Act.

⁵⁵ *Competition Commission v Sasol Chemical Industries Ltd* 2015(5) SA 471.

⁵⁶ Bonakele, 'The nature and use of economic evidence in competition enforcement (with special emphasis the case of South Africa)' in Jenny & Katsoulacos (eds.), *Competition Law Enforcement in the BRICS and in Developing Countries, International Law and Economics* (Springer 2016) 187.

⁵⁷ The CCSA has been described as the legislature's prosecutor of choice. It pursues matters brought before it in the interest of the public and shoulders costs associated with litigation of cases it refers to the Competition Tribunal. Thus, complainants who file complaints with the CCSA are not expected to pay for legal costs except in those cases where they choose to self-refer, in the event the CCSA decides not to prosecute.

Potatoes (Pty) Ltd (Wesgro) on an exclusive basis and unlawfully refused access to other seed growers to the Mondial variety despite the expiry of the plant breeder's right. The CCSA contends that 'the continuation of the exclusivity between HZPC and Wesgro means that other South African potato seed growers are excluded from growing and selling the Mondial seed potato varietal to farmers'.⁵⁸

The CCSA will be prosecuting this case under sections 5(1) and 8(c) of the Competition Act. Section 5(1) prohibits an agreement between parties in a vertical relationship (i.e. a supplier and its customer) if it has the effect of substantially preventing or lessening competition in a market, unless a party to the agreement can prove that any technological, efficiency or other pro-competitive gain resulting from that agreement outweighs that effect. Section 8(c) prohibits a dominant firm from engaging in conduct that impedes or prevents other firms from entering into, or expanding within a market if the anti-competitive effects of that conduct outweigh its technological, efficiency or other pro-competitive gains.

The potatoes case demonstrates that third parties can also rely on sections 5(1) and 8(c) of the Competition Act to challenge firms that perpetrate abusive conduct in the exercise of IPRs. Although the CCSA has not prosecuted a case arising from the exercise of IPRs to date, its success in the potatoes case may encourage other third parties to refer similar IP related matters to it for resolution.

(b) *Experiences in other jurisdictions*

The experiences of other jurisdictions also confirm that forum shopping can play a role in the outcome of IP law disputes, especially patent litigation (though the context and trends are slightly different in comparison to South Africa).⁵⁹ However, pervasive forum shopping can lead to the concentration of cases in one or very few forums that, in the eyes of litigants, are likely to make favourable determinations. Thus, forum shopping can encourage litigants to make an outcome-determinative choice when selecting an appropriate forum and this in turn can create inefficiencies. For example, in an on-going

⁵⁸ Competition Commission SA, 'Seed potato supplier and agent charged for anti-competitive conduct' 03 April 2017, available at <http://www.compcom.co.za/wp-content/uploads/2017/01/Potato-Media-Statement-1.pdf>, accessed on 25 June 2017.

⁵⁹ In South Africa, the growing trend is to refer IP disputes to forums that are not necessarily designed to hear such disputes, such as competition agencies, whereas in jurisdictions such as the US, the trend appears to be more on choosing a court that is likely to make a favourable determination (out of a pool of courts that can hear the matter).

case in which the Patent Venue Statute⁶⁰ is being challenged before the Supreme Court of the United States (US Supreme Court), one of the amicus curiae makes the following observation regarding the impact of vexatious choice of venue:

‘Extensive statistical evidence and academic research demonstrate that the Federal Circuit’s approach has resulted in rampant forum shopping. By 2001, 29 per cent of all patent cases were filed in only five of the 94 districts, and 44 per cent of all patent cases were filed in 10 districts. Since that time, forum shopping has drastically accelerated. Between 2007 and 2015, 52 per cent of all patent cases were filed in only two district, the Eastern District of Texas and the District of Delaware, the district in which this case arose. In 2015, a single judge in the District of Texas handled one-third of all patent cases nationwide. Recent studies have concluded that the most popular patent districts compete to adopt procedures that will – and do – attract plaintiffs to their districts.’⁶¹

In relation to the interplay between competition law and intellectual property law, competition agencies in the US, in particular the Federal Trade Commission (FTC), have been playing an active role in preserving competition in markets where patents exist. For example, the FTC has been actively involved in litigation against patentees that abuse their patents by using ‘pay for delay’ or ‘reverse payment’ agreements to prevent the entry of competing products in markets where they hold IPRs.⁶²

In *FTC v Actavis*⁶³, a decision that records one of the major victories of the FTC, the US Supreme Court reversed an earlier ruling of the Eleventh Circuit which had found

⁶⁰ 28 U.S.C. This statute allows choice of multiple forums within which to sue alleged infringers of patents.

⁶¹ See *TC Heartland LLC, v Kraft Foods Group Brands LL* No. 16-341, brief of the Amici Curiae 32 Internet Companies, Retailers, and Association in support of petition for writ of certiorari at 4. At the time of writing this article, the Supreme Court had not made a ruling on the matter. Furthermore, a recent study commissioned by the Federal Trade Commission (Patent Assertion Entity Activity 2016) shows that patent litigation has grown significantly over time in the United States. This has resulted in the emergence of patent assertion entities (PAEs), which are profit making businesses that acquire patents from third parties with the objective of generating revenue by suing alleged infringers of patent rights. The study found that, between 2009 and mid – September 2014, there were at least 327 PAEs that actively engaged in patent litigation. Litigation for the sake of profit making may incentivise PAEs to engage in forum shopping.

⁶² A Pay for delay agreement is a settlement arrangement between the patentee and the generic patent challenger in terms of which the former pays the latter in exchange for dropping a suit challenging the validity of the patent. The impact of such an agreement is that it deals the entry of generic products that would compete with the patentee’s product.

⁶³ *FTC v Actavis Inc.* 133 S. Ct. 2223, 570 U.S. (2013).

that pay for delay arrangements are generally immune from antitrust scrutiny. In this case, Actavis, a pharmaceutical firm that had obtained approval to introduce a generic drug in the market, entered into a reverse payment settlement with Solvay Pharmaceuticals, a firm that held patent rights in relation to a drug called AndroGel. In terms of this settlement, Actavis agreed not to bring its low-cost generic drugs into the market (to compete with AndroGel) for a specified number of years in exchange for payment.

The Supreme Court found that the arrangement between Actavis and Solvay Pharmaceuticals was not immune from antitrust scrutiny and, consequently, the FTC should be given the opportunity to prove its antitrust claim.⁶⁴ The essence of this ruling is that it provides third parties with the option of pursuing their claims arising from abuses of patents through antitrust laws, as opposed to pursuing such claims through pure patent litigation.

In the EU, the European Commission has investigated numerous cases involving firms that use various IP strategies to delay the entry of competing products in the market, especially in the pharmaceutical sector. In some of these investigations, the European Commission has identified abuse of dominance practices in violation of the Treaty on the Functioning of the European Union (TFEU). For example, in 2013 the European Commission imposed fines on a US firm, Johnson & Johnson (J&J), and Novartis of Switzerland for concluding a pay-for-delay agreement that sought to delay the entry of a cheaper generic version of the pain-killer drug fentanyl in Netherlands. The agreement was found to have incentivised Novartis to not proceed with its plans to launch a competing drug and that this enabled J&J to maintain artificially high prices in the sale of fentanyl.⁶⁵ In the same year, the European Commission also imposed fines on a Danish firm, Lundbeck, and various producers of generic medicines for concluding agreements that led to the delay in the entry of generic drugs which would compete with Lundbeck's antidepressant medicine, Citalopram, whose patent protection had lapsed.⁶⁶

Despite the EU's stance that patent settlement agreements are not immune from competition law scrutiny, it is acknowledged in this jurisdiction that these agreements

⁶⁴ The Supreme Court remanded the cases for further proceedings in line with its ruling.

⁶⁵ European Union, 'Antitrust: Commission fines Johnson & Johnson and Novartis € 16 million for delaying market entry of generic pain-killer fentanyl', available at http://europa.eu/rapid/press-release_IP-13-1233_en.htm, accessed on 23 June 2017.

⁶⁶ European Union, 'Antitrust: Commission fines Lundbeck and other pharma companies for delaying market entry of generic medicines' available at http://europa.eu/rapid/press-release_IP-13-563_en.htm, accessed on 23 June 2017.

can bring real benefits, such as the avoidance of litigation costs and the introduction of generic competition.⁶⁷ Thus, competition agencies should not be quick to intervene in instances where third parties attempt to use them to nullify legitimate patent settlements on competition law grounds, thereby engaging in forum shopping.

In order to have control over the system and avoid abuse, the European Commission has opted to introduce a patent settlement monitoring mechanism whereby it monitors pay-for-delay patent settlements that may lead to a delay in entry of competing products. It appears that European Commission's interest is largely on pay-for-delay agreements that are concluded in the pharmaceutical sector.⁶⁸

It is interesting to note that courts in the EU have gone to the extent of identifying antitrust violations even in cases where there was a misuse of the patent and regulatory systems, such as the communication of misleading representations to patent offices in order to secure patent protection.⁶⁹ Courts in the EU also note that the illegality of abusive conduct under Article 82 of the EC Treaty is unrelated to the firm's compliance or non-compliance with other legal rules and that 'in the majority of cases, abuses of dominant positions consist of behaviour which is otherwise lawful under branches of law other than competition law'.⁷⁰ Again, it should be cautioned that this approach, if not properly managed, is likely to encourage forum shopping in that parties with no remedies under other branches of law may be quick to turn to competition law for intervention.

IV. MEASURES TO LIMIT THE INVOLVEMENT OF COMPETITION AGENCIES IN IP MATTERS

As indicated above, IP law plays a crucial role in the provision of incentives for dynamic competition and innovation. Competition agencies globally recognise the important role played by IP law and endeavour to intervene in IP related matters only in exceptional circumstances. In jurisdictions where it is easy to grant IPRs due to a weak IP law system,

⁶⁷ OECD, 'Generic pharmaceuticals' (2014)62 DAF/COMP/WD, available at http://ec.europa.eu/competition/international/multilateral/2014_jun_generic_pharmaceuticals_en.pdf, accessed on 10 July 2017.

⁶⁸ OECD, 'Generic pharmaceuticals' (2014)62 DAF/COMP/WD, available at http://ec.europa.eu/competition/international/multilateral/2014_jun_generic_pharmaceuticals_en.pdf, accessed on 10 July 2017.

⁶⁹ *AstreaZeneca v Commission* T- 321/05, ecr,EU:T:2010:266.

⁷⁰ *Ibid* para 677.

it is likely that there would be more scope for competition policy to limit the exploitation of IRPs.⁷¹

The section that follows discusses some of the measures that are being adopted in South Africa to strengthen the IP law system. The section also highlights measures that have been adopted in other jurisdictions, which may be considered in South Africa and other jurisdictions that ought to improve their IP law systems. Overall, these measures should assist to limit the involvement of competition agencies in IP related matters.

(a) *The establishment of specialised adjudicative forums for IP matters*

i. *Developments in South Africa*

South Africa has been criticised for its lack of effective specialised IP forums that can assist in the resolution of IP related disputes, some of which are now brought before competition agencies. In a note to the International Intellectual Property Institute, Justice Harms⁷² notes:

‘The establishment of specialized IPR courts may be justified on the ground of the complex nature of IPR infringements, particularly patent infringements. As a practitioner mentioned, ‘it is in the interest of South Africa as a potential investment destination that quality and consistent judgments in patent matters be obtainable’...There is no longer a body of judges in the general system that has any IPR background, nor is there a willingness amongst the powers that be to create any form of IPR expertise amongst the general body of judges...Specialist IPR courts are not always affordable or feasible. In a given country there may be a general lack of resources, a low IPR case, and little IPR expertise...What cannot be disputed is that IPR cases in the general court system ought to be diverted to judges with some specialist knowledge of the subject.’⁷³

⁷¹ OECD, ‘Policy roundtables on intellectual property rights’ (2004) 24 DAF/COMP’, available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

⁷² Justice Louis Harms is a South African former deputy president of the Supreme Court of Appeal. He served as Commissioner of Patents for about five years until appointed to the Supreme Court of Appeal.

⁷³ International Intellectual Property Institute, ‘Study on specialised intellectual property courts’ 2012 at 70.

The Department of Trade and Industry (DTI) has finally tabled the Copyright Amendment Bill (Copyright Bill)⁷⁴ for consideration by parliament. In addition to amending the Copyright Act 98 of 1978 (Copyright Act), the Copyright Bill proposes, among other things, the establishment of the Intellectual Property Tribunal (the IP Tribunal) which would be conferred with powers to resolve disputes emanating from the application of IP law. This body will have jurisdiction throughout South Africa⁷⁵ and will also be independent and only subject to the Constitution and the law.⁷⁶ The IP Tribunal will also be empowered to consult any person, organisation or institution with regard to any matter that falls within its jurisdiction.⁷⁷

Section 29A of the Copyright Bill contains the broad functions of the IP Tribunal and these are as follows:

- ‘(2) The Tribunal may—
- (a) adjudicate any application or referral made to it in terms of this Act, the Companies Act or any other relevant legislation, and may make any appropriate order in respect of an application or referral;
 - (b) only hear matters referred to it by the Commission, a dispute resolution institution or any regulatory authority, if the dispute relates to intellectual property rights;
 - (c) review any decision of the Commission, dispute resolution or any regulatory authority if it relates to intellectual property rights;
 - (d) adjudicate any application or referral made to it by any person, institution or regulatory authority where the dispute can only be directly referred to the Tribunal in terms of this Act and such dispute relates to intellectual property rights; and
 - (e) settle disputes relating to payment of royalties or terms of agreements entered into as required by this Act or agreements

⁷⁴ (B 13 – 2017).

⁷⁵ Section 29(1)(a) of the Copyright Bill.

⁷⁶ Section 29(1)(b) of the Copyright Bill.

⁷⁷ Section 29 (3)(b) of the Copyright Bill.

entered into in order to regulate any other matter in relation to intellectual property rights.’

It is apparent from section 29A of the Copyright Bill that the primary purpose of the IP Tribunal will be the adjudication of disputes relating to IPRs. The Copyright Bill covers copyrights, patent rights as well as trademark rights. If it passes muster, the Copyright Bill will result in the IP Tribunal replacing the Copyright Tribunal which was established under the Copyright Act.⁷⁸

In its current form, the Copyright Tribunal appears to have significant limitations and this may be one of the reasons for its replacement. One of these glaring limitations is that the Copyright Tribunal consists of just one member, being a judge of the High Court. This lack of staffing has led to delays in the resolution of disputes brought before the Copyright Tribunal thereby affecting its effectiveness. For example, the Copyright Tribunal once failed to sit for six months due to the illness of the designated member.⁷⁹ Furthermore, the jurisdiction of the Copyright Tribunal is limited to disputes relating to copyrights, in particular licencing schemes and disputes arising between licencing bodies and persons requiring licences or organisations claiming to be representatives of such persons.⁸⁰

Section 8 of the Patents Act also makes provision for the designation of one or more judges of the High Court to act as a commissioner or commissioners of patents. The commissioner has powers to adjudicate on, among other things, patent disputes.⁸¹ Although this body has been in existence for more than 40 years, little is known about its work as very few patent disputes have been brought before it. Judges who are designated as commissioners of patents lack practical experience of IP litigation and there is no judicial training programme on IP litigation.⁸² As observed above, the CIPC is not involved in proceedings that deal with disputes emanating from the exercise of IPRs.

Unlike the Copyright Tribunal, the IP Tribunal will have a staff complement of ten members, including its chairperson, who may serve on a full time or part-time basis.⁸³ It

⁷⁸ Section 29 (1) of the Copyright Act states: ‘the judge or acting judge who is from time to time designated as Commissioner of Patents in terms of section 8 of the Patents Act, 1978, shall also be the Copyright Tribunal...for purposes of this Act.’

⁷⁹ The Copyright Review Commission Report 2011 at 21.

⁸⁰ Sections 9A, 30, 31 and 32 of the Copyright Act.

⁸¹ Section 28 of the Patent Act. See also section 17 for general powers of the commissioner.

⁸² International Intellectual Property Institute, ‘Study on specialised intellectual property courts’ 2012 at 70.

⁸³ Section 29(4) of the Copyright Bill.

is worth noting that the Copyright Bill makes provision for the appointment of persons with qualifications and experience in economics as members of the IP Tribunal. Furthermore, the powers of the IP Tribunal are akin to those bestowed upon the Competition Tribunal by the Competition Act.⁸⁴ For example, once established, the IP Tribunal will be empowered to impose an administrative penalty of up to 10 per cent of the respondent's relevant turnover for specific types of contraventions.⁸⁵

It remains to be seen if the establishment of the IP Tribunal will address problems brought about by forum shopping discussed above. While the DTI may be commended for its proposal to introduce the IP Tribunal, the following potential limitations that may affect its effectiveness merit a mention.

- *The ineffectiveness of the CIPC*

The success of the IP Tribunal is likely to depend on the existence of an effective complementary referral body, akin to the CCSA in the sphere of competition law enforcement. The existing IP body which will presumably be responsible for referring patent disputes to the IP Tribunal, the CIPC, has been criticised for its ineffectiveness and lack of relevant skills. Furthermore, just like competition law litigation, patent litigation is complex and expensive, especially for small firms.⁸⁶ Thus, it may be necessary to review the current structure and competencies of the CIPC.

- *Appeals and reviews of decisions of the IP Tribunal by general high courts*

Section 29L of the Copyright Bill seeks to empower parties that bring matters before the IP Tribunal to appeal or apply for the review of its decisions by the High Court. Given the complex and specialised nature of IP litigation, it may be appropriate to also establish a specialised appeal court to preside over appeals from the IP Tribunal. The role and value of specialised adjudicative bodies should not be underestimated. In *National Education Health and Allied Workers Union v University of Western Cape and others*,⁸⁷ the Constitutional Court made the following remarks regarding the Labour Appeal Court (LAC), which was created to consider matters from lower labour dispute resolution forums:

⁸⁴ See Part B of the Competition Act.

⁸⁵ See section 29N(c) read with section 173 of the Companies Act.

⁸⁶ *FTC v Actavis Inc.* 133 S. Ct. 2223, 570 U.S. (2013) at 14.

⁸⁷ *National Education Health and Allied Workers Union v University of Western Cape and others* 2003 (3) SA 1 (CC); 2003 (2) BCLR 154 (CC).

‘The LAC is a specialised court, which functions in a specialised area of law. The LAC and the Labour Court were established by Parliament specifically to administer the LRA [Labour Relations Act]. They are charged with the responsibility for overseeing the ongoing interpretation and application of the LRA and development of labour relations policy and precedent. Through their skills and experience, Judges of the LAC and the Labour Court accumulate the expertise which enables them to resolve labour disputes speedily.’⁸⁸

The effectiveness of a court structure described by the Constitutional Court above is evident from the performance of the LAC (in the sphere of labour law) and the Competition Appeal Court (CAC) - in the sphere of competition law. For example, in its 18 years of existence the CAC has considered 93 appeals and review applications in relation to both complaints and merger cases considered by the Competition Tribunal and has set consistent legal and economic principles through these cases.⁸⁹

ii. *Developments in other jurisdictions*

Internationally, the trend is to establish specialised court structures for IPR disputes. In this regard, valuable lessons can be learnt from jurisdictions such as China, Kenya and Brazil. In China, the judicial system was recently reconfigured with the introduction of three specialised IP courts at the intermediate level.⁹⁰ These courts consist of judges trained in IP law who are empowered to appoint technical investigators to assist in cases that are more technical. A bulk of IP cases that were previously referred to general (intermediate) courts are now heard by the specialised IP courts.⁹¹

The Beijing IP Court, which is the most important of the three specialised IP courts in China, has the competence to also hear appeal cases relating to administrative decisions taken by State Council departments on matters such as compulsory licencing, the grant,

⁸⁸ Para 30.

⁸⁹ Competition Tribunal, <http://www.comptrib.co.za/cases/appeal/?start=90>, accessed on 23 May 2017.

⁹⁰ The first IP specialised court was established in Beijing in November 2014.

⁹¹ Werra et al, ‘Specialised intellectual property court-Issues and challenges’ 2016 *Global Perspectives for the Intellectual Property System, CEIPI-ICTSD*, Issue Number 2 at 48-52.

validity and scope of IPRs. The introduction of specialised IP courts has helped China to achieve consistency and uniformity in the application of IP law.⁹²

Experiences in Kenya also affirm that the establishment of specialised adjudicative forums strengthens the enforcement of IP law. In this jurisdiction, there are four main specialised IPR Tribunals that were established to deal with disputes that arise in the regulation and administration of specific IPR matters. The Managing Director of the Kenyan Intellectual Property Institute (KIPI) has jurisdiction to conduct substantive examination of patents and to hear opposition proceedings where patent applications are challenged.⁹³

The Industrial Property Tribunal (IPT) has exclusive jurisdiction to hear appeals from the KIPI in matters relating to, among other things, the registration of patents.⁹⁴ Parties that are dissatisfied with the decisions of the IPT can approach the High Court. However, this approach has been criticised since this forum lacks technical expertise and, consequently, cases brought before it are often remitted to the IPT.⁹⁵ Despite this setback, the specialised IP tribunals in Kenya have been praised for their effectiveness especially in ensuring that IPR holders do not abuse their exclusive rights. Because of their specialised nature, these forums have been able to develop jurisprudence on various aspects IP law in Kenya and this in turn has helped to hasten decision making while reducing litigation costs.⁹⁶

The establishment of specialised adjudicative forums by some of the state courts in Brazil, especially at appeal level, has also led to some improvement in the quality of decisions in IP disputes.⁹⁷

(b) *Incorporation of substantive examination and opposition proceedings into the IP law system*

As demonstrated above, one of the weaknesses of the South African IP law system is that it does not include a substantive search and examination of patent applications. Further,

⁹² Ibid.

⁹³ Section 11 of Kenyan Industrial Property Act 3 of 2001.

⁹⁴ International Intellectual Property Institute, 'Study on specialised intellectual property courts' 2012 at 70.

⁹⁵ Ibid. A detailed discussion regarding the activities of the other specialised IPR Tribunals can be found in this study.

⁹⁶ Ibid at 77-78.

⁹⁷ Werra et al, 2016 *Global Perspectives for the Intellectual Property System, CEIPI-ICTSD*, Issue Number 2 at 47.

the system does not permit pre- and post-grant patent opposition proceedings. These two processes are essential components of an effective IP law system.

The South African government has recognised the need to introduce both the substantive examination process and patent opposition proceedings into the IP law system. However, it notes that there may be challenges in the implementation of these processes. With regard to the substantive examination process, government notes that there may be capacity constraints and cost implications. Currently, the staff of the CIPC lack the relevant technical expertise to conduct substantive examination of patent applications. The adoption of this process would also mean more time will be required to process applications.

The challenges that have been identified by government are not unique to South Africa⁹⁸ and should not delay the refurbishing of the IP law system. In order to mitigate these challenges, various models should be considered, such as entering into outsourcing arrangements with some of the patent offices that are known to be efficient and limiting full substantive examination to specific sectors.⁹⁹

(c) *The adoption of guidelines on the enforcement of competition law in IP matters*

Despite steps being taken to strengthen the IP law system in South Africa, it is likely that some of the litigants would still see competition agencies in South Africa as appropriate and relevant forums that can address IP related disputes. This may continue until the IP Tribunal establishes itself as a reliable dispute resolution forum for IP disputes. In addition to measures discussed above, it may be prudent for competition agencies in South Africa, in collaboration with IP regulators, to develop and issue guidelines on the enforcement of competition in IP matters. Such guidelines would provide IPR holders and third parties with some degree of certainty regarding the agencies' approach on the interplay between competition law and the protection of IPRs. For example, the guidelines may identify practices that are likely to attract the attention of competition agencies and priority industries that would be constantly monitored to detect any abuse of IPRs that may contravene competition law.¹⁰⁰

⁹⁸ OECD, 'Roundtables on competition, patent and innovation' (2007) 40 DAF/COMP, available at <https://www.oecd.org/daf/competition/39888509.pdf>, accessed on 23 June 2017. See also OECD, 'Policy roundtables on intellectual property rights' (2004) 24 DAF/COMP', available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.

⁹⁹ Intellectual Property Consultative Framework 2016 at 7.

¹⁰⁰ The identification of such sectors may be based on public interest grounds. It should be noted that competition agencies will always have a role to play in IP related matters. However, their involvement in these matters

Canada is the latest jurisdiction to issue revised/ new guidelines on the interplay between competition law and IP law.¹⁰¹ As a point of departure, the Competition Bureau (Bureau) notes that its intervention in IP matters will be limited to rare circumstances and when the practice in issue cannot be remedied by application of the relevant IP statute.¹⁰² The guidelines set out, among other things, an analytical framework that the Bureau uses to determine the presence of anti-competitive effects arising from the exercise of IPRs. For example, in terms of the guidelines, the Bureau will first establish that mere refusal (such as refusal to license) has substantially affected competition in the relevant market. If the answer is in the affirmative, the Bureau will assess whether invoking a remedy against the IP right holder would not materially alter the incentives of the right holder or others to invest in research and development. Should it be necessary to invoke a remedy, the Bureau will take into account public interest considerations.¹⁰³

Other jurisdictions that have adopted guidelines include China,¹⁰⁴ the United States,¹⁰⁵ Korea¹⁰⁶ and the European Union.¹⁰⁷

(d) *Collaboration between IP and competition agencies*

Given the challenges brought about by forum shopping discussed above, competition and IP agencies cannot afford to ‘exist in separate worlds, interacting infrequently at best’.¹⁰⁸ The CCSA appears to appreciate the importance of establishing collaborative

should be kept as minimal as possible. Thus, the degree of their involvement should be articulated in the guidelines.

¹⁰¹ The Canadian guidelines were issued on 31 March 2016.

¹⁰² Canadian Competition Bureau, ‘Enforcement Guidelines on Intellectual Property’ 2016 at 6, available at <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04031.html>, accessed on 23 June 2017.

¹⁰³ Ibid at 17. The guidelines also list factors such as market power, market concentration, easy of entry and business justifications as considerations that are taken into when assessing whether it is necessary for the Bureau to intervene.

¹⁰⁴ China is currently reviewing its Antimonopoly Guidelines on the Abuse of Intellectual Property Rights. For a detailed discussion on the proposed changes, see Wu, ‘China publishes the 2nd version of the Anti-Monopoly Guidelines on the Abuse of Intellectual Property Rights’ 2017, Competition Policy International.

¹⁰⁵ U.S. Department of Justice, ‘Antitrust Guidelines for the Licensing of Intellectual Property’ 2017, available at <https://www.justice.gov/atr/guidelines-and-policy-statements-0/2017-update-antitrust-guidelines-licensing-intellectual-property>, accessed on 10 July 2017. This document is the updated version of the guidelines that were originally issued in 1995.

¹⁰⁶ Korea Fair Trade Commission, ‘Review Guidelines on Unfair Exercise of Intellectual Property Rights’ 2014, available at <http://www.ftc.go.kr/eng/solution/skin/doc.html?fn=4040fae4f8e1b6c222f1a84c05a1cb2f2d639f10a73352f1a2e5fc19ba387c6d&rs=/eng/files/data/result/files/bbs/2015/>, accessed on 10 July 2017.

¹⁰⁷ European Commission, ‘Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements (2014/C 89/03)’ 2014, available at [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52014XC0328\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52014XC0328(01)), accessed on 10 July 2017.

¹⁰⁸ Federal Trade Commission, ‘To promote innovation: The proper balance of competition and patent law and policy’ 2003.

relationships with its counterparts globally and other regulators locally. This is evident from a series of memoranda of understanding (MOUs) that the CCSA has concluded. MOUs with regional and international competition agencies seek to foster cooperation between agencies in the field of competition law enforcement and to enable the agencies to share experiences. In 2016, the CCSA concluded bilateral MOUs with five competition agencies¹⁰⁹ and two multilateral MOUs with BRICS¹¹⁰ and SADC¹¹¹ member states, respectively.

Locally, the CCSA has concluded MOUs with at least nine different sector regulators. The primary purpose of these MOUs is to manage areas of concurrent jurisdiction over prohibited practices,¹¹² to enable participation in joint education programme,¹¹³ to provide comments and advice on complaints and applications before the regulators,¹¹⁴ and to establish joint working committees.¹¹⁵

No MOU has been concluded between the CCSA and IP agencies, in particular the CIPC. The implication of this is that there may be no proper channels of communication between these agencies. Thus, it is plausible that competition and IP agencies in South Africa ‘exist in separate worlds, interacting infrequently at best’. While it is not necessary to overemphasise the importance of collaboration between competition and IP agencies, the advice from the OECD on this issue is instructive:

‘Competition agencies enjoy a comparative advantage in identifying and analysing the anticompetitive effects of overly broad or invalid patents. There is little doubt that competition agencies could improve the IPR/competition balance by advising patent offices about the possible anticompetitive effects of decisions affecting patent breadth and ambiguity. By the same token, patent offices could provide extremely

¹⁰⁹ European Union, European Commission (23 June 2016); Russia, Federal Antimonopoly Service (06 October 2017); Kenya, Competition Authority of Kenya (06 October 2016); Mauritius, Competition Commission of Mauritius (13 October 2016); Brazil, Administration Council for Economic Defense of Federative Republic of Brazil (01 December 2016).

¹¹⁰ This MOU was concluded on 24 May 2016.

¹¹¹ This MOU was concluded on 19 December 2016.

¹¹² See the MOU between CCSA and the Construction Industry Development Board, 01 June 2016.

¹¹³ See the MOU between CCSA and the International Trade Administration Commission of South Africa, 13 August 2015.

¹¹⁴ Ibid.

¹¹⁵ See the MOU between CCSA and the Ports Regulator of South Africa.

valuable legal and technical advice on IP to competition agencies who are investigating IP-related conduct.¹¹⁶

V. CONCLUSION

What is apparent from the discussion in this article is that competition policy and IP policy share the same goal, that is to enhance consumer welfare, and therefore should be viewed as complimentary tools in the pursuit of this goal. There are legitimate grounds for competition agencies to intervene in IP matters, especially in instances where IPRs are abused. The need for this intervention increases in jurisdictions such as South Africa where the IP law system is not strong. However, overzealous competition law enforcement in IP matters can lead to the phenomenon of forum shopping and frustrate the implementation of the IP policy.

The article sets forth various measures that can be put in place to minimise the involvement of competition agencies in IP matters. The first step for jurisdictions with weak IP law systems is to reform their systems. For example, in South Africa government needs to speed up the process of introducing substantive examination and opposition proceedings. IP agencies should be capacitated and staffed with personnel with relevant technical skills. Competition agencies, in collaboration with IP agencies should issue guidelines on the enforcement of competition law in IP matters. MOUs should be concluded between competition and IP agencies to foster a culture of collaboration.

The above measures will not yield results overnight. However, a progressive realisation of these measures requires active participation from all the relevant stakeholders.

¹¹⁶ OECD, 'Policy roundtables on intellectual property rights' (2004) 24 DAF/COMP', available at <https://www.oecd.org/daf/competition/34306055.pdf>, accessed on 23 June 2017.