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**Use of a patent without authorisation against the background of
infringement by way of equivalent patent claim interpretation**

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Introduction

Infringement of a patent is assessed by way of the claims of a patent specification as delimiting the scope of protection. While the body of a patent specification must enablingly describe the invention involved, protection is defined by the claim or claims. The object of the claims are consequently to set the boundaries of the inventive concept underlying the invention it deals with.

The inventive concept as intended to be covered by a claim deals with the technical advance brought about by an invention, amongst others, irrespective of its specific field of application as disclosed by the invention to which it is applied. A claim is thus intended to cover any subject matter that is not new in the light of the invention, subject matter that is obvious in the light of the invention and even subject matter that gives a previously non-realised technological benefit as compared to but that depends on the invention.

Despite on a literal interpretation finding no infringement the scope of protection can be judicially interpreted to extend beyond the claims resulting in infringement still being found. This is found in the case where a claim is too narrowly drawn owing to a specific integer being too narrowly specified or the claim containing superfluous integers or even both. In such case the scope of protection is more narrowly defined than the extent of the inventive concept.

While non-literal infringement naturally suits the rights holder under a patent the infringer is left at a disadvantage. This is especially of relevance in the case of an 'innocent' infringer who applied substantial effort to compare own actions against the possibility of infringement by, for example, having prudently searched and assessed the patent records and even obtained a professional opinion that suggested non-infringement.

As with literal infringement the consequence of a finding of non-literal infringement is that the infringer must forthwith cease all infringing conduct.

The object of this research is to assess whether such infringer cannot under appropriate circumstances be compensated for the loss or be given dependent rights of exploitation.

While non-literal infringement can also feature in the case of the unauthorised exploitation of a dependent patent as provided for under TRIPs,¹ this aspect deals more with literal infringement in the case of subject matter that involves an important technical advance. In

¹ Agreement on Trade-Related Aspects of Intellectual Property Rights by the members of the World Trade Organisation (TRIPs) article 31(f).

such case some of the elements of the alleged infringement find counterparts in all the integers of a claim of the patent while, however, disclosing one or more further uncovered elements that reflect the technological progress.

It is, however, quite possible that infringement by way of equivalent can involve subject matter that is not in the form of an important technical advance in relation to the invention of a patent under consideration while also not falling within or being obvious in the light of the state of the art, perhaps excluding the subject matter of the patent so under consideration. The further exploitation of such subject matter will not qualify for any benefits under the concept of unauthorised use consequently requiring forthwith cessation of such exploitation.

Infringement beyond the literal scope of protection

The assessment of patent infringement involves two aspects. The first is whether the conduct of the alleged infringer falls within one or more of the infringing conducts set out in patent statutes. Such conduct is normally one or more of making, using, importing, selling or otherwise alienating specific subject matter, whether in the form of an entity such as an article or system or an activity such as a method or process. Once the conduct of the alleged infringer is found to fit one of the conducts specified the next and more complicated part of the assessment involves a comparison of the elements of the allegedly infringing subject matter with the scope of protection of the patent as set out by its claims. When the elements are covered by the integers of a claim, even though disclosing more elements, infringement is conventionally proved.

When one or more of the integers of a claim are not matched by the elements of an alleged infringement literal infringement cannot be proved.

The courts in various jurisdictions have developed a variety of approaches to assess whether the conduct involving such subject matter in fact still infringes despite not being covered by the claimed protection of a patent. While the technique in assessing the proof of literal infringement is universally quite standard this is not the case in assessing for non-literal infringement.

Various approaches in assessing non-literal infringement

As an indication of the uncertainty in pre-assessing a ruling of equivalent claim interpretation in an infringement action the approaches in a number of important jurisdictions are briefly discussed.

In the *Catnic* case in the UK given under pre-1977 patent law the court introduced the concept of purposive construction for claim interpretation.² Assessment related to the question whether a person with practical knowledge and experience of the technological field of the invention would understand that strict compliance with a particular descriptive word or phrase appearing in the claim was intended by the patentee to be an essential requirement of the invention. In such case the consequence would be that any variant would fall outside the monopoly claimed even though it could have no material effect upon the way the invention worked.³ Conversely if strict compliance is not intended then the claim can be constructed to achieve its intended purpose, i.e. purposively constructed.

The interpretation of patent law by the South African judiciary closely follows the approach in the UK. The extension of protection beyond non-literal infringement is accordingly also done by way of an approach of purposive construction that is, however, used to identify the essential integers of an invention as found in its broadest valid claim.⁴

Purposive construction was in the *Epilady* case distilled by the English court into a series of questions.⁵ The English approach to equivalents was summarised as follows in the literature.⁶ An equivalent that already exists at the date of publication of an application is covered by the claim if it has no material effect on the way which the invention works, that this was obvious to a person skilled in the art at that date and that the specification makes it clear to such person that, on the basis of his common general knowledge, the variant could not have been intended to be excluded from the scope of protection of the claim. An equivalent of later subject matter is covered if, when it had been at hand for a person skilled in the art at the filing or priority date, the person would have regarded it as an obvious equivalent. This technique was applied in a number of subsequent cases.⁷

² *Catnic Components Ltd v Hill & Smith Ltd* 1982 RPC 183 (HL).

³ *Catnic* supra note 2 at 242.

⁴ In *Raubenheimer v Kreepy Krauly (Pty) Ltd* 1987 (2) SA 650 (A) the court related non-literal infringement to the essential features (integers) of a claim. Claim interpretation in infringement has subsequently become expanded to also involve the concept of purposive construction, as was confirmed in *Aktiöbolaget Hässle v Triomed (Pty) Ltd* 2003 (1) SA 155. But in accordance with the earlier decision of *Staufer Chemical Co v Safson Marketing and Distribution Co (Pty) Ltd* 1986 (A) the court said that purposive construction must be used to extract the essential elements (integers) of an invention naturally as reflected by the claims of a patent specification. If an element of an alleged infringement relates to but is not literally covered by a non-essential integer infringement is seemingly still proved.

⁵ *Improver Corp v Remington Consumer Products Ltd* 1990 FSR 181 (PC).

⁶ J Beton "Are International Standards for Patent Claims Possible?" [1994] *European Intellectual Property Review* 276 at 280.

⁷ *PGL Research Limited v Ardon International Limited & Ors* (1995) 26 *International Review of Industrial Property and Copyright (IIC)* 549, *Assidoman Multipack Ltd v The Mead Corporation* Patent Court as reported in *European Patent Infringement Cases by Marks and Clerk*, 1999 396, *Beloit Technologies Inc v Valmet Paper*

While this clarification aids substantially in equivalent claim interpretation it seems clear that aspects such as 'being obvious to a person skilled in the art' and the 'common general knowledge' of such person retains a degree of subjectivity.

It is not only the English courts that grapple with the issue. German courts have used criteria such as functional worth,⁸ equal effect,⁹ and obvious equivalency.¹⁰ Being equally effective apparently creates obvious equivalency. The implication is that equivalents can only extend to those that are obvious (in the light of the invention) by being equally effective in achieving the alleged relevant technical result. This approach was also followed in a number of subsequent cases.¹¹

In the USA assessment whether subject matter should also fall within the protection in the case of alleged non-literal infringement is found in the balancing of equitable and public policy principles. In case law the test for equivalence was said to involve the ways, means and result aspects.¹² In some cases¹³ an element by element comparison was used while an 'as a whole' comparison was favoured in other cases.¹⁴ A difference is drawn between an ordinary improvement, an inferior or insubstantial modification or change on the one hand, and a

Machinery Inc (Patents Court 28-04-1995) as reported in *European Patent Infringement Cases* 425, *Arnold Kastner v Rizla Ltd* (Court of Appeal 16-06-1995) as reported in *European Patent Infringement Cases* 445.

⁸ *Bevestigungsvorrichtung II* (Supreme Court) 23 IIC 111 (1992). To have the same functional worth the solution principle originating from the claim and that of the alleged infringement must be the same.

⁹ *Batterienkastenschnur* (Supreme Court) 22 IIC 104 (1991). The finding of the court of appeal that disregarded a claim characteristic and found infringement on the basis of the alleged infringing equipment being able to obtain the same technical result (thus being technically equally effective) as enablingly disclosed in a patent specification was overturned by the Supreme Court that found that a person skilled in the art would not have regarded the alleged infringement to be equally effective in solving the problem as underlying the invention. In the German *Epilady* case (GRUR Int 1993 242 (1993) 24 IIC 815) *Epilady II* (*Oberlandesgericht Düsseldorf*) the court of appeal found that elements not covered were replacement means of the corresponding integers owing to having an effect identical to them while the specification did not specifically exclude the construction of the defendant.

¹⁰ *Formstein* (Supreme Court) 18 IIC 795 (1987). In invoking obvious equivalency as test the Supreme Court said that if an average person skilled in the art is without further deliberation able to determine from the claims that the equivalent of a characteristic integer is equally effective in solving the technical problem solved by the invention and that it would have the same effect as the element of the integer specifically disclosed, it is an obvious equivalent of that integer and thus covered by the claim.

¹¹ *Ionanalyze* 22 IIC 249 (1991); *Befestigungsvorrichtung II* 23 IIC 111 (1992) 118, (both Supreme Court).

¹² *Graver Tank and Manufacturing Co. v Linde Air Products Co.* 339 U.S. 605 (Supreme Court 1950). The test for equivalence was identified as having three different aspects. The first aspect deals with the way in which the protected invention works in comparison with that of the alleged infringement. The second aspect deals with the means used for performing the function. The third leg of the test deals with the difference in result. The test thus involves the ways, means and result in assessing equivalence. Equivalence between the invention and a preferred one of the equivalence aspects can lead to a decision of infringement.

¹³ *Pennwalt v Durand-Wayland Inc.*, 833 F.2d 931 (Federal Circuit 1987).

¹⁴ *Intel Comp v U S International Trade Commission*, 946 F.2d 821 (Federal Circuit 1991), *Labounty Manufacturing, Inc. v U S International Trade Commission*, 867 F.2d 1572 (Federal Circuit 1989).

pioneering invention, on the other hand.¹⁵ In *Hilton Davis* the court said that evidence of copying and a simple interchangeability of elements though falling outside the literal meaning of claims indicated insubstantial change while designing around indicated substantial change.¹⁶ The prosecution history of a patent also plays a role to establish the scope of its claims.¹⁷

In Japanese patent law the non-obviousness test was judicially introduced to assess for equivalency with the court saying that if a person skilled in the art would readily have understood that the alleged infringement should have been covered by the claims then there will be infringement.¹⁸ In *Tsubakimoto* the Supreme Court also invoked the use of equivalents in assessing infringement by saying that even if not literally covered by the claims infringement can still be proved if found that the differences between the alleged infringement and the patented invention relate to essential characteristics of the claim in issue while the alleged infringement retains the same purpose of the invention.¹⁹ This will apply where the alleged infringement is obvious to a person skilled in the art at the time of production while not forming part of the state of the art.

Consideration of only a few jurisdictions shows a confusion of approaches for assessing non-literal infringement with a variety of tests in some cases even applying in a specific jurisdiction. It seems apparent that the outcome in a specific case cannot be pre-assessed with full confidence as is the case with literal infringement.inh

¹⁵ An alleged infringement that is by way of an ordinary improvement, *Atlas Powder Co. v E. I. du Pont de Nemours & Co.*, 750 F.2d 1569 (Federal Circuit 1984), an inferior or insubstantial modification, *Lairtram Corp. v Cambridge Wire Cloth Co.*, 863 F.2d 855 (Federal Circuit 1988), *Black & Decker Inc. v Hoover Service Centre*, 886 F.2d 1285 (Federal Circuit 1989), or change *Hilton Davis Chemical Co. v Warner Jenkinson Co.*, 62 F.3d 1512 (Federal Circuit 1995), supplemented, 64 F.3d 675 (Federal Circuit 1995), revised, 520 U.S. 17 (1997), on remand, 114 F.3d 161 (Federal Circuit 1997). *Perkin-Elmer Corp. v Westinghouse Electric Corp.*, 822 F.2d 1528 (Federal Circuit 1987). Conversely a pioneering invention patent also carries a larger range of equivalents.

¹⁶ *Hilton Davis* supra note 15 at 1519-1520.

¹⁷ If a set of claims was amended during prosecution to obtain allowance or to overcome prior art, this information cannot be ignored in establishing equivalence, *Hilton Davis* supra note 15. In *Sporting Goods Co. v David Geoffrey and Associates*, 904 F.2d 677 (Federal Circuit 1990) it was said that a patentee is not permitted to extend protection by way of the doctrine of equivalents if such equivalents could not have qualified for protection during prosecution. In *Festo Corp v Shoketsu Kinzoku Kogyo Kabushiki Co.* 234 F.3d 558 (Fed. Cir. 2000) the court went even further by saying that any narrowing amendment of the claims of a patent during prosecution triggered prosecution history estoppel. This has the effect that a claim integer involved in such amendment could not be exposed to an equivalent interpretation. The court found that this approach applies irrespective of the reasons for introducing the amendment even if only for procedural reasons and not also involving prior art. As especially the broader claims of a patent specification are often amended during the prosecution of an application the effect of the decision is to limit protection to the literal meaning of the claims only, even if later found that the claims were in fact more narrowly drawn than the full extent of the inventive concept.

¹⁸ *Sony K.K v Shiba Denki K.K* as referred to by T Takenaka "Interpreting Patent Claims: The United States, Germany and Japan" IIC Studies, Volume 17 252.

The position of the losing party in the case of infringement by way of non-literal claim interpretation

The object of the emphasis in mainly delimiting the scope of protection of a patent to the claims as literally interpreted is to promote certainty in law. Broadening of the scope of protection beyond literal interpretation is only ascertainable with certainty once a court has ruled accordingly on a specific matter. While the object of the broadening to ensure that protection extends to the full extent of the inventive concept is judicially laudable, the rights of the infringing party should also be borne in mind. A party that uses subject matter falling outside the claims as literally interpreted should not be unduly penalised especially where such party has acted in good faith.

It will be appreciated that infringement normally only becomes an issue after an alleged infringer has incurred substantial cost in exploiting the subject matter in issue. Entity type subject matter must, for example, be made to create any benefit. Even in the case of uncomplicated technology such conduct requires substantial investment while activity type subject matter often also requires a manufacturing process that requires substantial capital investment.

When now found to infringe in response to a broadening of the claims the infringer will incur extensive damages which cannot be regarded as being equitable to such person especially where such person's conduct was in good faith.

The normal approach of a party seriously considering investment in some or other form of technology is to properly assess the possibility of the existence of patent rights in the jurisdiction in which exploitation is considered. If valid patent rights are found of which the scope of protection, although not covering the intended exploitation, extends to just short of such conduct, the prudent potential exploiter will obtain legal opinion on the possibility of infringement. As discussed above, such opinion can only be based on case law that retains a degree of uncertainty. While the opinion may err on the side of caution to protect a client it can quite possibly also be that a protected inventive concept does not extend to also cover an intended exploitation. There is no reason why over-cautiousness should prevent the exploitation of subject matter that is not clearly protected by a patent by another party.

Should such matter in time and after substantial effort and investment turn into a dispute in which the court finds infringement by way of a non-literal interpretation of the claimed

¹⁹ *Tsubakimoto KK THK KK*: Supreme Court decision of 24-02-1998 as discussed by C Heath in *IPAsia*, August 1998 24.

protection the infringer is left at a disadvantage brought about by claim interpretation that is at best of times uncertain to pre-assess.

This is typically a situation where a balancing of rights between the patent rights holder and the infringer is required. The patent rights as interpreted by the court must naturally be maintained but conduct of an infringer in good faith should also be brought into account.

The question is thus in which way such infringer should be accommodated, if at all, while also bearing the approach of promoting competition in the market place subject, however, to existing patent rights, between parties in mind.

TRIPs, exceptions to use, use without authorisation and compulsory licensing

Under section 30 of TRIPs the law of a country may provide for limited exceptions to the exclusive rights conferred by a patent.²⁰ In addition to article 30, article 31 deals with unauthorised use other than that accommodated for under article 30. Except in the case of public commercial non-use by the patent holder, a situation of national emergency or extreme urgency or an anti-competitive practise,²¹ any use under article 31 requires unsuccessful pre-negotiation. Use by another person under article 31 is subject to a series of conditions at all times inclusive of the payment of adequate remuneration.²²

Article 2 of TRIPs requires that articles 30 and 31 must comply with, amongst others, article 5 of the Paris Convention.²³ Article 5, as also dealing with compulsory licensing, thus ties in with exceptions to rights and unauthorised use. Article 5, amongst others, makes provision for member countries to legislate for the granting of compulsory licenses to prevent an abuse that might result from the exercising of exclusive rights.²⁴ Use under articles 30 and 31 of TRIPs must consequently deal with the prevention of an abuse as specified under the Paris Convention.

The majority of members of the Paris Convention have for a long time already under article 5 made provision for compulsory licensing. In addition to failure to work or to properly work (though within a timeframe),²⁵ a variety of other grounds for obtaining a compulsory license

²⁰ TRIPs article 30. The exceptions to the rights conferred must, however, (1) not unreasonably conflict with the normal exploitation of a patent, (2) not unreasonably prejudice the legitimate interests of a patent owner (3) take the legitimate interests of third parties into account.

²¹ TRIPs article 31(b) and (k).

²² TRIPs articles 31(d) to (h).

²³ Paris Convention of 1894 (1967 revision) as found in the WIPO publication on the agreement between WIPO and the WTO.

²⁴ A 5(2).

²⁵ A 5(4).

are found amongst a variety of patent jurisdictions. In addition to non-working or inadequate working as set out in the Paris Convention, the traditional grounds can perhaps be divided into a refusal to deal by the rights holder particularly in the case of the existence of certain conditions, inadequate supply and public interest.²⁶

The South African grounds of compulsory licensing deals with non-working on a commercial scale, importation constraints, excessive pricing as compared to its source from which imported and a non-meeting of the demand to an adequate extent and on reasonable terms.²⁷ An important ground as regards the matter under discussion is where the trade, industry or agriculture of a specific person, group of persons or in South Africa is being prejudiced by the refusal of the rights holder to grant a license on reasonable terms.²⁸ This latter ground is the same as a corresponding ground found in the Canadian patent statute.²⁹

As an example for comparative jurisdictions a compulsory license can, amongst others, under UK patent law be granted where a license could not be obtained on reasonable terms while such conduct prevents or hinders the efficient working of another patented invention that makes a substantial contribution to the art in the UK,³⁰ or will be unfairly prejudicial to industrial activities in the UK.³¹ Under Australian patent law a licence can be granted when proved that the reasonable requirements of the public with respect to an invention under consideration have not been satisfied and that an applicant, despite attempting, could not obtain a license on reasonable conditions.³²

In all these jurisdictions provision is accordingly made for obtaining a license when the rights owner refuses to deal at least on reasonable terms coupled with a further condition.

In whichever way specified, it is apparent that the assessment of compulsory licensing as enacted in national patent legislation must be interpreted in the light of articles 30 or 31 of TRIPs as in turn being subject to article 5 of the Paris Convention with the pivotal requirement of an abuse of the exercising of exclusive rights.

An anti-competitive practise

²⁶ <http://www.southcentre.org/publications/complicense/complicense-06.htm>.

²⁷ S 56 of the SA Patents Act 57 of 1978.

²⁸ S 56(d) of the SA Patents Act 1978.

²⁹ A 65(2)(d) of the Canadian Patents Act as found at www.jurisdiction.com/pact.htm.

³⁰ Patents Act 1977 48A (1)(b)(i); a 48B(1)(d)(iii) as found at www.jenkins-ip.com/patlaw/.

³¹ Patents Act 1977 A(1)(b)(ii).

³² A 133 (2)(a) of the Australian Patents Act as found at www.austlii.edu.au/au/legis/cth/consol_act/pa1990109/.

A ground for use without authorisation found in article 31 of TRIPs that is not yet often found in national patent legislation is the situation of an anti-competitive practise.³³ In the light of article 5 of the Paris Convention such conduct must also be regarded as an abuse resulting from the exercising of exclusive rights conferred by a patent.

Despite not being found in patent statutes anti-competitiveness is generally well regulated in most jurisdictions via their competition statutes.³⁴

The aspect of an anti-competitive practise in assessing the possibility of using a patent without authorisation is important as it can lead to a compulsory license without pre-negotiation while the licensee is in such case not limited to exploitation of the local market only but can even export under the license.³⁵ Not having any compulsory license provision in statutory patent law, the aspect of stifling of competition is, in fact, the legal basis via which compulsory licenses have been granted under American anti-trust law,³⁶ often to limit the monopolistic consequences resulting from mergers and acquisitions.³⁷

Generally the term 'an anti competitive practise' relates to the situation where competition is restricted, distorted or prevented.³⁸ Anti competitive practises are, amongst others, found in the participation in restrictive horizontal or vertical practises and especially of importance, in the abuse of a dominant position.³⁹ Having dominance is not per se illegal but the abuse of rights under such dominance. This naturally also applies where such dominance derives from patent or other intellectual property rights. The mere existence of patent rights does not automatically imply dominance but only where a patent deals with a fundamental type of invention that can lead to domination of the relevant market.

In the European context and as far as dominance is concerned, the European Court of Justice (ECJ) has the following position on the granting of compulsory licenses. When the rights holder of intellectual property refuses to grant a license (refuses to deal at least on

³³ A 31(k). A proposed supplementation of the Australian patent statute proposes to introduce an anti-competitive conduct by a patentee, as prohibited under the Australian Trade Practises Act of 1974 as a further ground for granting a compulsory license. The ground is discussed in the *Australian Intellectual Property Law Bulletin* volume 19 no.1 from page 1.

³⁴ As examples, articles 81 and 82 of the EC Treaty (www.hrea.org/erc/Library/hrdocs/eu/Amsterdam-treaty.pdf), UK Competition Act, 1998 (1998 chapter 41), SA Competition Act 89 of 1998, Canadian Competition Act R.S. 1985, c-34, 15 USC (the Sherman Act of 1890).

³⁵ TRIPs a 31(k).

³⁶ 15 USC (the Sherman Act of 1890).

³⁷ *Hartford-Empire Co v United States* 323 U.S. 386 (1945), *United States v General Electric Co.* 82 F. Supp. 753 (D.N.J. 1949); *Besser Manufacturing Co. v United States* 343 U.S.444; J Love "International Journal for Risk & Safety in Medicine" 13 (2000) 161.

³⁸ A 2(1) of the UK Competition Act, 1998.

³⁹ SA Competition Act sections 4, 5 and 8 and comparative sections in other Competition statutes.

reasonable terms) under conditions of exceptional circumstances (the dominance relates to an essential facility) while such refusal will reserve the market for the rights owner which is a condition that cannot be objectively justified, a compulsory license will be granted on request.⁴⁰

The abuse of a dominant position under the South African Competition Act is amongst others specified to be found in the refusal to give a competitor access to an 'essential facility' when it is economically feasible to do so,⁴¹ and to engage in an exclusionary act of which the anti-competitive effect outweighs its technological, efficiency or other pro-competitive gain.⁴²

An 'essential facility' under section 8(b) deals with infrastructure or a resource that cannot reasonably be duplicated while competitors need such to properly deal with clients.⁴³ An exclusionary act, in turn, refers to an act that impedes or prevents the entrance into or expansion within a market.⁴⁴

Possible recourse in the case of infringement by way of an equivalent claim interpretation

Once infringement is found the infringing party must cease all infringing conduct such as making, using, alienating etc. When such party's conduct is in good faith, as mentioned above, while substantial expenses have been incurred in exploiting the subject matter subsequently found to infringe, it seems reasonable that such party should in some or other way be accommodated. This is especially the case where the rights holder, once being so approached, refuses to give permission to exploit on reasonable terms. The reason for proposing such accommodation is because no infringement could have been found on a literal interpretation of claims involved coupled with the fact that the scope of protection of a patent is primarily defined by the claims of a patent specification, as being available to the public.

It appears that the only possible recourse for a prejudiced party is to approach the court for a compulsory license on an appropriate ground as specifically enacted in a relevant patent

⁴⁰ Reichenberg "The Role of Compulsory licensing in Unilateral Refusals to Deal: Have the United States and European Approaches Grown Further Apart after IMS?" *The Journal of Corporate Law*; Winter 2006 550 from 551. While the cases mostly refer to non-patent matter it is presumed that the same approach will apply in such case.

⁴¹ S 8(b) of the SA Competition Act.

⁴² S 8(c) of the SA Competition Act.

⁴³ S 1 of the SA Competition Act.

⁴⁴ S 1 of the SA Competition Act.

statute or for an order under a competition statute that will in effect also be a compulsory license.

As discussed above a large variety of grounds for granting compulsory licenses are found in jurisdictions all, however, subject to the main requirement of an abuse of the exercising of exclusive rights as specified in the Paris Convention. The ground for requesting such granting will in the case of infringement on equivalent claim interpretation, however, relate to conduct that also involves the applicant as such person must at that stage cease exploitation of subject matter owing to the finding of infringement.

As cursorily referred to above a refusal to deal or to reasonably deal often serves as basis for granting a compulsory license. The most relevant ground under the South African Patents Act in relation to a refusal to deal and as applied to the aspect under consideration is that the trade of a specific person in South Africa is being prejudiced while it is in the public interest that a license should be granted.⁴⁵ This ground can only be used if the rights holder has refused to grant a license on reasonable terms. The elements involved in making a case under this section are first the prejudicing of the trade of a specific person and secondly that the granting of such license will be in the public interest.

The question of prejudice will have to be answered in the light of the factual situation. An infringement action is naturally only instituted once an alleged conduct of infringement is identified. Such conduct will often only come to the notice of the plaintiff once it reaches the stage where it commercially affects such person. This implies that the infringer has at such stage expended substantial effort inclusive of having made substantial financial investment in exploiting the subject matter. In such case it is clearly axiomatic that a finding of infringement by the court will prejudice the trade of the infringing party owing to requiring such party to cease exploitation of such subject matter.

The further aspect of being in the public interest must be viewed in the light of the fact that infringement could not have been found on a literal interpretation of the claims of the patent involved while, as discussed above, non-literal infringement cannot necessarily be established with the same degree of clarity as literal infringement always leaving a degree of uncertainty. These conditions coupled in the appropriate cases with a conduct in good faith on the side of the infringer and the fact that an existing enterprise is going to be prejudiced may be found to be against the public interest. This is so because an equitable balancing of the rights of legal subjects is naturally in the public interest as it increases the confidence in the legal system.

⁴⁵ S 56(2)(d) of the SA Competition Act.

The granting of such license will not negate any existing rights while ensuring financial benefit to the rights holder.⁴⁶

If the case, the only remaining issue is the proof of a refusal to grant a license on reasonable terms despite so having approached the rights holder. Especially in the case of an allegation of non-literal infringement the granting of an interim interdict is less likely than in the case where a clear case of literal infringement can be made out. It may, however, be prudent to conditionally approach a plaintiff at an early stage for negotiations in respect of a license should infringement be found later to enable the use of such effort in applying for a compulsory license or otherwise to formalise a negotiated license.

The other and perhaps more unlikely recourse is the proof of an anti-competitive practise in the light of the Competition Act in the case of a dominant position in the market against the background of article 31 of TRIPs. If dominance can be proved an abuse thereof is, amongst others, found in the engagement in an exclusionary act of which the anti-competitive effect outweighs its technological, efficiency or other pro-competitive gain.⁴⁷ An exclusionary act again relates to a conduct that impedes or prevents the entrance into or expansion within a market.⁴⁸ If an enterprise is being pushed from a market it can necessarily not expand within such market. It seems apparent that being pushed from a market will thus qualify under the definition of an 'exclusionary act'.

Once infringement is found the losing party will consequently lose the right to participate in the market relating to the subject matter in issue. The question is whether the anti-competitive effect of such result will outweigh its technological, efficiency or other pro-competitive gain naturally bearing in mind the existence of the patent rights as so judicially found. The disadvantage to the market must consequently be weighed against the gain thereto resulting from the exclusion of the previous competitor from the market. If the relevant market is made less competitive by such exclusion the disadvantages outweighs the advantages and a prima facie case of abuse can be made out. While in the case under discussion the market will

⁴⁶ In assessing the public interest a 'broad commonsense view of the position as a whole' must be taken. *Argus Printing and Publishing Co Ltd v Darby's Artware (Pty) Ltd* 1952 (2) SA 1 (C) as referred to in *Ex Parte President of the Conference of the Methodist Church of Southern Africa NO: In re William Marsh Will Trust* 1993 (2) SA 697 (C). Flachman defines the public interest as 'a general commendatory concept used in selecting and justifying public policy' that is assessed 'by a reasoned discourse which attempts to relate the anticipated effects of a policy to community values and to test that relation by formal principles' (Flachman *The Public Interest* (1966) Wiley and Sons (New York)). The assessment of 'public interest' requires subjective and objective elements: A balancing of rights between the parties as such and an objective assessment in the light of the judgment of the public at large about the matter. (Du Plessis *Die Reg op Inligting en die Openbare Belang* LL.D Thesis P U of C H E p 50 in which thesis the references to Flachman was also found).

⁴⁷ S 8(c) of the SA Competition Act.

⁴⁸ S 1 of the SA Competition Act.

necessarily be made less competitive by the exclusion of a competitor, the rights that became judicially interpreted to permit such exclusion is naturally of primary importance. It is submitted that the tribunal can also bear in mind that a possible alternative is available to retain competitiveness that need not have the effect of competitor exclusion as found in the form of a right to continue with exploitation subject to appropriately remunerating the rights holder. This can typically be achieved by way of a royalty and especially in the light of the 'innocent' conduct of the person subject to losing the right to continue exploitation, as discussed above. The Act, in fact, permits the tribunal to make an appropriate order in relation to the prohibited practice.⁴⁹

An unsuccessful attempt to negotiate to retain the right to continue with exploitation subject to the payment of appropriately remuneration to the rights holder will most likely enhance the legal standing of the person so harmed by the decision of infringement. Perhaps the ECJ's position on compulsory licensing being available when the rights holder of intellectual property refuses to deal at least on reasonable terms while exceptional circumstances exist with such refusal reserving the market for the rights owner which result cannot be objectively justified may be borne in mind.⁵⁰

Concluding remarks

While a patent specification as available to the public, is the document that primarily delimits the extent of protection of the rights under a patent, a more extensive interpretation to also include equivalents should have the consequence that the position of the infringer should in the appropriate case also be considered.

The existence of the right as so ruled by the court can naturally not be questioned. But the enforcement of the right should be done in a way that balances the interests of parties involved in the light of the difficulty in pre-assessing the possibility of infringement by way of equivalent claim interpretation.

It appears that the only possibly available recourse is found under some or other form of licensing. As the grounds on which compulsory licenses are grantable differ from country to country, the possibility of so applying will have to be individually assessed in each case. In addition the granting of compulsory licenses is internationally still substantially unexplored territory. Be that the case and in whichever jurisdiction such right to exploit is sought, it seems apparent that unsuccessful pre-negotiation is at least useful if not imperative prior to

⁴⁹ S 58(1)(a) of the SA Competition Act.

⁵⁰ Reichenberg supra note 40.

approaching a court for granting a compulsory license. While patent infringement procedures are lengthy processes it would be prudent to commence conditional negotiations at an early stage.

As regards a compulsory license under the South African Patents Act, proof of its granting owing to being in the public interest may be difficult as this concept refers to the view of the public at large, as interpreted by the judiciary, and not particular members of the public. But the balancing of rights between individual members of the public in serving the public interest as a whole should be meritorious in such assessment.

In some jurisdictions use of competition law may be more useful if not the only possibility, such as under American law. It appears that it is generally only useful in the case of an abuse of a dominant position as brought about by patent monopoly rights. Proof of such dominant position may be a complicated matter but patent infringement cases that rely on non-literal claim interpretation infringement will most probably relate to pioneering inventions that may, in turn, indicate a prominent role in the market.

In the South African context the balancing of the pro-competitive gain against the anti-competitive effect will be proved by the decrease in competition on the exclusion of a competitor from the relevant market. But this is brought about by the exertion of a legitimate right. To retain the rights while maintaining competition in the situation of a person that has acted in good faith but that was found to infringe patent rights in response to equivalent patent claim interpretation, the judiciary may even be daring enough to grant a compulsory license or whatever it may be called to retain competitiveness while ensuring financial benefit for the patentee.

Opsomming

Die ongemagtigde gebruik van 'n patent teen die agtergrond van patentinbreukmaking by wyse van patentaanspraakuitleg op grond van ekwivalensie

Patentinbreukmaking word geanaliseer aan die hand van die aansprake van 'n patentspesifikasie. Wanneer letterlike inbreukmaking nie bevind kan word nie kan, kan dit wel nog aan die hand van ekwivalente aanspraakinterpretasie vasgestel word. In so 'n geval word van die kenmerke van 'n patentaanspraak geïnterpreteer om ook ekwivalente daarvan te ondervang. So 'n interpretasie is uiteraard voordelig vir die patentreghebbende maar tot nadeel van die inbreukmaker omdat laasgenoemde persoon nie vooraf met sekerheid vanuit die patentspesifikasie sou kon vasgestel het wat die inbreukmakingsposisie was nie. Die enigste weg oop vir so 'n inbreukmaker is om te poog om 'n verpligte lisensie teen die draer van die patentregte te verkry. Een die gronde waarop 'n verpligte lisensie onder die Suid-Afrikaanse Wet op Patente toegestaan kan word is omdat dit in die openbare belang is. Die breë konsep waarop verpligte lisensieëring geskoei is, is afgelei vanuit die Paryse konvensie (waarvan Suid-Afrika 'n lid is) wat bepaal dat dit toegeken kan word in die geval van 'n misbruik in die uitoefening van eksklusiewe regte onder onder andere 'n patent. In die konteks van TRIPs (internasionale ooreenkoms wat te doen het met handelsverwante aspekte van immaterieelgoedereregte) word gebruik van 'n uitvinding onder 'n patent sonder toestemming van die reghebbende onder andere toegelaat in die geval van 'n mededingingsbenadelende gebruik deur die draer van die regte. Die aspek van openbare belang hou dus verband met 'n misbruik in die uitoefening van eksklusiewe regte soos onder ander gevind kan word in 'n mededingingsbenadelende gebruik. Die begrip "n mededingingsbenadelende gebruik" bring die Mededingingswet in gedrang. As die mededingingsnadeel wat voortspruit uit 'n uitsluiting van 'n mededinger die vermindering van mededinging in 'n sekere marksegment tot gevolg het, kan remedies onder die Mededingingswet in gedagte gehou word in die afweging van belange tussen 'n patentinbreukmaker by ekwivalente inbreukmaking en die patentreghebbende. 'n Tipiese remedie behoort die toekenning van 'n verpligte lisensie te wees wat nie enige patentregte negeer nie terwyl dit die openbare belang dien.