

Emerging IP Issues In The African Marketplace

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The African marketplace is on the move. The continent is currently home to seven of the world's 10 fastest growing economies. Foreign direct investment into Africa rose by 5 percent in 2012 and 10 percent in 2013 (despite global stagnation),^[1] and an increasing number of foreign countries are trying to sign reciprocal trade agreements with African regional blocs. African economies are finally diversifying, relying less on natural resource commodities and more on industries such as telecommunications, transportation, financial services, and agribusiness. The number of middle class consumers on the continent is expanding quicker than in any other region. Importantly, consumer demand sparked by that emerging middle class has further incorporated African markets into global supply chains.

Recent events reflect these developments. The 2010 World Cup hosted by South Africa, the 2014 Africa Leaders Summit in Washington, D.C., and the 2015 World Trade Organization Ministerial Conference to be held in Kenya — all the first of their kind — mark the continent's dramatic rise.

Africa's economic growth has spurred innovation across the continent. From video game developers in Cape Verde, film pioneers in Nigeria, mobile payment companies in Kenya, and software programmers in Rwanda, Africa is benefiting from a tremendous increase in homegrown innovation. Such innovation has improved the lives of millions of Africans and made it easier for international companies to conduct business on the continent.

The foregoing developments have altered the intellectual property landscape in Africa. As African innovators increasingly (and rightly) protect their creations, foreign companies operating on the continent must navigate licensing negotiations and know when to make strategic acquisitions. Similarly, as African manufacturing increases, companies will begin to see competition from Africa-based competitors who may be shipping infringing products. This article touches upon some of the key IP topics that will accompany the economic rise of Africa.

Patent Issues



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In the past, companies selling goods in Africa were rarely encumbered with patent infringement liabilities. This may change. Some African countries have revamped their IP systems and are allocating more resources to their respective patent offices. At the same time, African innovators — and foreign companies and inventors — are starting to file more patent applications (although it should be noted that, in 2013, African patent applications accounted for just 1 percent of the global total).[2] As more quality patents issue across the continent and as African judicial authorities become more comfortable with IP, foreign companies supplying products and services will be faced with more allegations of patent infringement.

In part for that reason, companies operating in Africa may wish to center their activities in countries that have adopted the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights. The TRIPS Agreement, like other legally binding WTO agreements, requires that signatories abide by specific requirements and not discriminate against foreign investors or suppliers. It is likely better to face a patent infringement action in a country that has adopted TRIPS-compliant procedures than to face an action in a country that is not bound by such strictures.[3]

An often overlooked aspect of the rise of African manufacturing is the effect on global supply chains. Just as the majority of U.S. imports used to originate from Europe until shifting to Asia — as companies sought the most cost-efficient sources of labor — a slow but real shift toward Africa is now underway. This means the United States could see an increase in the amount of products imported from Africa that infringe U.S. patents. Thus, U.S. patent holders, who currently use tools like Section 337 to combat infringing imports from China, may well have to shift their focus to African sources as they contend with future waves of infringing imports.

Trademark Issues

Most companies recognize the benefits of registering their trademarks in the countries in which they sell goods or services. Companies may have overlooked the importance of doing so in Africa, however, considering that, until recently, the continent was not a major export or investment destination. As high-profile African brands emerge and as foreign suppliers increase their competition with such brands, it will become important to protect trademarks across the continent's diverse economies.

Registering marks in Africa is easier than one might expect, in part because of two regional groups. The African Regional Intellectual Property Organization, with headquarters in Harare, Zimbabwe, has 19 member states (mostly English speaking); the Organisation Africaine de la Propriete Intellectuelle, with headquarters in Yaounde, Cameroon, has 17 member states (almost all French speaking). Successfully filing a mark with these organizations provides protection for the mark in all of the member states.

As with patents, noted above, U.S. trademark owners may see an increase in products imported from Africa that infringe their marks. Thus, whereas today's Section 337 docket contains allegations regarding Chinese counterfeit products, future dockets will likely involve cases targeting counterfeit products made in African countries.

Copyright Issues

Two cases highlight the relevance of national African court systems in resolving international copyright issues. The first concerns revenue loss from parallel importation; the second concerns liability for copyright infringement.

Businesses contracting with African counterparts may be able to use copyright law to stem revenue loss due to parallel importation of “gray goods.” For example, in *Frank & Hirsch (ply) Ltd. v. A Roopanand Brothers (Ply) Ltd.*, the Appellate Division of the Supreme Court of South Africa held that rightful holders of the copyright of foreign-made goods could enjoin a competing retailer trading in gray goods.[4]

Frank & Hirsch was appointed as the distributor of blank cassette tapes in South Africa by a Japanese manufacturer, TDK Electronics Corporation of Japan. A. Roopanand Brothers Ltd. competed with Frank & Hirsch in the South African blank cassette tape market by purchasing TDK’s tapes at below-market rates in Singapore and reselling them in South Africa. After several attempts to stop Roopanand’s parallel importation, Frank & Hirsch obtained a South African copyright assignment from TDK for the packaging the cassettes came in, and sent cease-and-desist letters to Roopanand.

When Roopanand continued its activities, Frank & Hirsch sued for copyright infringement. Although the court of first instance found for Roopanand, the Appellate Division found that Frank & Hirsch could properly enjoin Roopanand because, among other things, the cassette’s packaging constituted original artwork and because Frank & Hirsch were the lawful copyright holders in South Africa.

The result in Frank is encouraging to rights holders doing business in Africa with an interest in preventing parallel importation of their products. Admittedly, the manufacturer had to invest considerable time and resources before it was able to enjoin the parallel importer’s activity.[5] Nonetheless, the result demonstrates an effective method of using copyrights within a country’s IP regulatory framework to stem revenue loss from parallel imports.[6]

In *Njeri Wangari & Another v. Oxford University Press*,[7] the High Court at Nairobi held that, regardless of any reproductions of artistic works, the plaintiff was not entitled to damages because the copyright was not assigned pursuant to Kenyan copyright law. A division of Oxford University Press Ltd. had published a book of poems, including a poem called “Their Eyes” written by the plaintiff, Njeri Wangari. Prior to the publication of Oxford’s book, Wangari had published “Their Eyes” in another anthology through her publication company.

After Oxford published the poem, Wangari sued, alleging that Oxford’s publication was unauthorized and constituted copyright infringement. Oxford averred that it had not been aware of the prior publication nor of any assignment to Wangari’s company. The court found that, although Oxford had no defense against the claim of copyright infringement, the allegations failed because Wangari did not establish that the publishing company had been properly assigned the copyright under Kenyan copyright law.

These are just two examples that demonstrate the opportunities and challenges afforded by the copyright regimes of African countries. Foreign companies will need to be creative in availing themselves of the competitive benefits of local copyright protections.

Trade Secret Issues

African manufactured output has nearly doubled over the past 10 years.[8] Underlying this growth in manufacturing are major improvements in education.[9] As African manufacturing continues to expand, typically through joint ventures with Western partners, there will be an increasing premium on protecting trade secrets. Trade secret protection is relevant to all contexts in which confidential information is disseminated, including employment agreements, license agreements, franchise agreements, and organizational policies regarding data security.[10]

Article 39 of the TRIPS Agreement promulgates rules for trade secret protection. Under those provisions, a trade secret is eligible for protection if it fulfills three conditions. First, the information must not be generally known or readily accessible to third parties. Second, the information must have commercial value because it is kept secret. Third, the rightful holder of the information must have taken reasonable steps to keep it secret, for example, through confidentiality agreements.[11] Article 39 may become increasingly relevant in the African business context as cybertheft becomes more prevalent.

Parties can obtain trade secret protection under some national laws, as well. For example, in South Africa, a party can obtain equitable relief by demonstrating that the information in question is unique or peculiar to the business, that it is not public property or knowledge, and that it is more than merely trivial. But not all African countries have laws or judicial precedents recognizing the protection of trade secrets. Companies investing in an African manufacturing endeavor should take this into consideration when selecting their partners and countries of operation. Similarly, companies would be wise to target their activities in countries that have investment agreements with Western governments. A bilateral investment treaty can provide important protections to investors in the event of, say, a state-sponsored misappropriation of trade secrets.

Conclusion

The dynamic economic growth occurring across Africa presents new challenges and opportunities in the IP context. Homegrown African innovation, rising manufacturing output, ever more foreign investment, and improving local IP systems mean that companies operating in Africa — or competing with African companies in their home markets — will encounter an evolving array of IP issues in the coming years. IP matters are sure to play an increasingly central role in Africa’s continuing economic and legal development.

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[1] The Twilight of the Resource Curse?, *The Economist* (Jan. 10, 2015), at 41-42.

[2] Helen Nyambura-Mwaura, *Inventors Struggle to Protect Patents in Africa*, Reuters (July 17, 2014), available at <http://www.reuters.com/article/2014/07/17/us-africa-investment-idUSKBN0FM0HQ20140717> (last visited February 2, 2015).

[3] The vast majority of African countries are WTO members, and the TRIPS Agreement applies to all members (it is not a plurilateral agreement but, rather, part of the WTO’s “single undertaking”). However, TRIPS allows poor countries and countries with “transition economies” additional and varying periods of time to implement its requirements.

[4] Frank & Hirsch (ply) Ltd. V. A Roopanand Brothers (Ply) Ltd., 1993 (4) SA 279 (A).

[5] See Lauren Frizelle, Parallel Imports, IP ENSight (April 16, 2013) available at <https://www.ensafrica.com/news/Parallel-imports?Id=972&STitle=IP%20ENSight> (last visited January 31, 2015).

[6] The result in Frank is in line with commentators' arguments that use of copyrights within a country's regulatory framework is one way to counterbalance the relatively weak protections under the TRIPs Agreement. See, e.g., Claude E. Barfield & Mark A. Groombridge, The Economic Case for Copyright Owner Control over Parallel Imports, 1 J. of World Intellectual Prop. 6 (2005).

[7] (E.A) Ltd. Civil Case 866 [2012] eKLR, available at http://kenyalaw.org/CaseSearch/view_preview1.php?link=32908561486955317773663.

[8] New opportunities for African manufacturing, African Economic Outlook, available at <http://www.africaneconomicoutlook.org/theme/emerging-partners/industrialisation-debt-and-governance-more-fear-than-harm/new-opportunities-for-african-manufacturing/> (January 31, 2015).

[9] An Awakening Giant, The Economist (February 8, 2014) available at <http://www.economist.com/news/middle-east-and-africa/21595949-if-africas-economies-are-take-africans-will-have-start-making-lot>.

[10] See generally Reggie Dlamini, South Africa: Can You Keep a Secret, available at <http://www.mondaq.com/x/180550/Trade+Secrets/Can+You+Keep+A+Secret>.

[11] How Are Trade Secrets Protected??, available at http://www.wipo.int/sme/en/ip_business/trade_secrets/protection.htm.