

SOUTH AFRICA / JUDGMENT

Microsoft (SA) Proprietary Limited v You First Mobile (Proprietary) Limited (2020/59577)

[2021] ZACCP 2; 2021 BIP 5 (CP) (21 June 2021)

[2021] ZACCP 2

COURT

Court of the Commissioner of Patents

BEFORE

Mokose

CASE / FILE NUMBER

2020/59577

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REPUBLIC OF SOUTH AFRICA
IN THE COURT OF THE
COMMISSIONER OF PATENTS
FOR THE REPUBLIC OF SOUTH
AFRICA, PRETORIA

(1)

REPORTABLE: NO

(2)

OF INTEREST TO OTHER JUDGES: NO

(3)

REVISED.

7

June 2021

CASE NO: 2020/59577

Patent Case No:

2001/1608-4

In the interlocutory

application between:

MICROSOFT (SA)

(PROPRIETARY)

LIMITED

Applicant

and

YOU FIRST MOBILE

(PROPRIETARY) LIMITED

Respondent

In the patent infringement

and revocation
proceedings between:

YOU FIRST MOBILE
(PROPRIETARY)
LIMITED
Plaintiff
MICROSOFT (SA) (PROPRIETARY)
LIMITED
Defendant

JUDGMENT

MOKOSE J

- [1] In the main action to which this interlocutory matter relates, the respondent instituted an action against the applicant in which the respondent sought an interdict prohibiting the applicant from infringing a South African Patent No. 2001/1608 as well as claiming damages. For the purposes of this judgment, I shall refer to the applicant in the interlocutory matter as the defendant and the respondent as the plaintiff.
- [2] It is common cause between the parties that the plaintiff applied for registration of the patent in the United States of America (“USA”) on or about 31 January 2001. After the patent in the USA had been lodged, the plaintiff applied for the registration of the patent in South Africa which was duly granted on 24 April 2002. The patent in the USA was only granted on 28 September 2004. On or about 20 July 2015 the patent registered in South Africa was amended so as to bring it in line with that registered in the USA. The plaintiff instituted infringement litigation in the USA against Apple and Sony wherein a settlement agreement was concluded.
- [3] On 12 July 2019 the defendant lodged its request in terms of Section 43(4)(a) of the Patents Act 57 of 1978 (“the Patents Act”). The plaintiff initially refused to comply on the basis that “in terms of a settlement agreement” it was unable to “provide..... assistance with respect to any patent applications relating to data vending system invention outside of South Africa.”
- [4] On 30 September 2019 the defendant served and filed its plea and counterclaim against the plaintiff’s claim. In the counterclaim the defendant sought, inter alia, an order revoking the plaintiff’s patent.
- [5] This application before me today, was launched by the defendant on 10 February 2020 to compel the plaintiff to comply with the request in terms of Section 43(4)(a) of the Patents Act and to seek an order that the plaintiff set security for costs in terms of Section 17(2) of the act, alternatively, in terms of the common law.
- [6] In June 2020 the plaintiff disclosed the details of search reports issued in the USA in respect of the application for a patent filed in that country but did not disclose search reports issued in any other

country in respect of the invention of the patent. The defendant alleges that it has located at least one other patent application filed for the same invention in another examining country, Australia, which search report should also have been disclosed. The defendant further contends that should there be no other reports issued other than that disclosed, it should be stated on oath that no search reports have been issued outside of the United States of America and Australia.

[7] The plaintiff has refused to do so on the grounds that it has complied with the request. The plaintiff submits that on 12 June 2020 it transmitted an email to the defendant in which it tendered all documentation as requested. The plaintiff submits further that only upon receipt of the replying affidavit did it realise that the defendant sought further documentation whereupon it sent an email to the defendant referring them to the portal where all

the patent documentation could be found.

[8] The defendant seeks an order compelling the plaintiff to comply with the defendant's request in terms of the provisions of Section 43(4)(a) of the Patents Act.

"(4)(a) After the expiry of five years following the date of application for a patent, any person may apply to the registrar for the patentee to supply the applicant with the prescribed particulars of any search report issued in another country in respect of an application for a patent relating to the same subject matter which has been lodged in that country.

(b) On receipt of the application, the registrar shall forward a copy thereof to the patentee at the patentee's address for service.

(c) If the patentee fails to comply with the application within three months of receipt of the copy of the application at the patentee's address for service, the applicant may apply to the commissioner for an order requiring compliance with the application."

[10] Section 43(4)(a) of the Patent Act requires a South African patentee to disclose search reports issued in foreign jurisdictions in respect of the same invention to third parties on request. The provision serves an important purpose because it allows interested parties to assess the validity of a South Africa patent without necessarily having to incur the costs of procuring their own search report. This provision therefore assists third parties in seeking the revocation of a patent if it is appropriate to do so.

[11] Search reports are issued by patent examiners employed in those foreign jurisdictions that carry out substantive examination of patents before they are granted. The reports list the documents that the examiner has located through a search of earlier patents and publications known as prior art relevant to the patent and the patent examiner will generally categorise and rank the documents identified by relevance.

[12] South Africa does not carry out its own search reports or examine the validity of a patent before it is granted. Therefore, this means that a patent in South Africa is not a guarantee that the patent is valid and enforceable. The enforceability of a patent is only determined when it is contested in a court of law.

[13] On 12 July 2019 the defendant filed its application in terms of Section 43(4)(a) at the office of the Registrar of Patents. The plaintiff refused to comply as stated above. The defendant is of the view that such a refusal was ill-conceived as search reports are public documents. Six months later the plaintiff disclosed

details of search reports issued in the USA in respect of the application for the patent filed in that country. The defendant

contends that the plaintiff has not disclosed search reports issued in other countries in respect of the invention.

[14] The application to compel was launched in response to the refusal by the plaintiff. The defendant has located at least one other patent filed for the same invention in another examining country, being Australia. The defendant is of the view that should there be no other search reports that have been issued other than that identified by the plaintiff, the plaintiff ought, on oath, indicate that there are no further search reports.

[15] In view of the fact that the defendant's allegations that it has located at least one other patent application filed for the same invention in Australia has not been refuted by the plaintiff, I am of the view that the plaintiff has contravened the provisions of Section 43(4)(a) and he is compelled to comply therewith.

[16] The defendant further applies for an order for security for costs in terms of Section 17 of the Patents Act, alternatively under the common law. Section 17(2) of the Patents Act provides as follows:

“(2)(a) The commissioner may also order that any party to proceedings before him shall furnish security to the satisfaction

of the commissioner in respect of any costs which may be awarded against such party in those proceedings, and may refuse, until such security has been furnished, to permit such proceedings to be continued.

(b) The commissioner may have regard to the prospects of success or the bona fides of any such party in considering whether such security should be furnished.”

[17] Section 17(2) confers a discretion on a court to require any party in proceedings before it to furnish security for any adverse costs which may be awarded to it. In the matter of *Zietsman v Electronic Media Network Limited and Others*[1] the court held that the phrase ‘any party’ in Section 17(2) includes an inchoate plaintiff. Furthermore, the discretion conferred on a court is a reasonable and justifiable limitation on the Constitutional right of any litigant including an inchoate, to have any dispute that can be resolved by the application of law

decided in a fair and public hearing before a court or tribunal but that the order to furnish security for costs may only be made if it is reasonable and justifiable to do so.[2]

[18] In exercising its discretion, the court must consider all relevant factors and balance them against one another. Such factors to be considered include the inability of the plaintiff to pay any adverse costs order against it.[3] The plaintiff's prospect of success and the extent to which the right of access to a court would be curtailed by an order that security be furnished will also have to be considered by a court.

[19] The court further held in the *Zietsman* matter (supra) that insofar as the curtailment of rights of access was concerned, the respondent in the application for security is required to lead evidence of the fact that it cannot put up the security for costs. It held that:

"[17] It does not follow from the fact that there is reason to believe that the appellant may not be able to meet adverse costs orders that there is also reason to believe that the appellant would not be able to furnish security. Funds may be available to the appellant for as long as there is a prospect of success but not after the case had been lost."

[20] Section 13 of the Companies Act 61 of 1973 ("the old Companies Act") which has now been repealed, vested a court with a discretion to order a plaintiff company to furnish security for costs if there were reasons to believe that the company would be unable to pay the costs of its opponent. The court in the matter of *Boost Sports Africa (Pty) Limited v The South African Breweries (Pty) Limited*[4] dealt with the onus in applications for security and the effect of the common law pertaining to applications for security. It held that an order requiring an inchoate plaintiff to put up security for costs serves the legitimate purpose of protecting a defendant from being faced with an irrevocable bill for legal costs. It held further that the inchoate plaintiff may therefore be required to put up security in the interest of the fair administration of justice.[5]

[21] The court continues to exercise its discretion but unlike in Section 13 of the old Companies Act, the court must exercise its discretion with due regard to the nature of the plaintiff's claim, the financial position of the company at the stage of the application for security and its probable financial position should it lose the action.

[22] The plaintiff is called upon to furnish security to the defendant in the sum of R2 000 000,00 and should the plaintiff be so ordered the action will be stayed until it has done so. The plaintiff avers that it is unable to furnish security and will accordingly have to abandon the action if the order is granted. The plaintiff is of the view that the defendant's contention that it did not establish its inability to provide security in the papers before the court, is unfounded.

[23] This court has a discretion to consider and order security for costs under the Patents Act or in terms of the common law. It is evident that an order in terms of the Patents Act is marginally broader than the discretion in terms of the common law. In particular while the Patents Act requires that the court have regard to the plaintiff's prospects of success in the main action, there is no specific requirement that the court must be satisfied that the plaintiff's claim is vexatious, reckless, an abuse of process or even doubtful.

[24] At the end of the day, this court needs to exercise its discretion based on its assessment of the plaintiff's ability to meet any adverse costs order which may be made against it, the merits of the plaintiff's case, the extent to which an order, if granted, would bring an end to the plaintiff's litigation.

[25] The plaintiff's case is that there are no particular circumstances which would exceptionally justify an order to furnish security in circumstances where an order will effectively bar the plaintiff's claim. The plaintiff points out that its claim is not frivolous, it has a valid patent which stands until such time as it is revoked, the defendant failed to make any allegations in its founding papers to suggest that the plaintiff's claim is frivolous and/ vexatious, the plaintiff as a defendant in the counterclaim, has a right in terms of Section 25 of the Constitution not to be deprived of property arbitrarily and consequently, there is no justifiable basis upon which the plaintiff's right of access to court should be limited.

[26] The defendant contends that the fact that the plaintiff will not be able to satisfy an adverse costs order is not sufficient basis upon which to assume that an order requiring to put up security for costs will end the litigation between the parties.

[27] The court is not obliged in carrying out a meticulous analysis of the merits of the case in exercising its judicial discretion in respect of this application. From the evidence on hand, I am satisfied that on a balance of probabilities, the patent is invalid and as such, the plaintiff's case is at the very least, doubtful.

Submissions have been made by the defendant on grounds for the revocation of the patent which were raised in the plea in the main

action being lack of novelty and misrepresentation. Furthermore, the plaintiff claims that at the time that summons was issued, it had obtained the financial backing of a private individual to 'assist the respondent in prosecuting the claim against the applicant' but that this individual had withdrawn its financial support on account of the Covid pandemic and resultant lockdown. As a result, the plaintiff avers that he is not in a position to make payment of any security. The plaintiff has failed to identify the financiers and to explain fully the reason they cannot fund the litigation. He has also failed to identify what, if any, steps he has taken to secure other sources of funding the litigation. This is information the court would be obliged to consider in establishing the plaintiff's inability to provide security.

[28] The plaintiff also avers that an order granting security for costs would have the effect of placing an impediment on the company's exercise of its right of access to the courts although the impediment is not insurmountable. It however, places a limitation of a fundamental right of access to court. The plaintiff suggests

that it would be permissible to distinguish between a company and a natural person and notes that a company has a greater ability and freedom than a natural person to divest themselves of assets by declaring dividends in favour of shareholders to defeat an adverse costs order.

[29] It is noted from the documents that Mr Grobler, a director of the plaintiff and the named inventor of the patent, filed for patent protection in the USA in his own name and not that of the plaintiff company. He alleges in his founding affidavit that the registration of the patent was a process which took approximately four years to complete. He however, does not disclose the source of funds used to prosecute the patent application over that period which prosecution was instituted in his own name. This litigation was against two very large companies being Apple and Sony and one can only surmise that the litigation was expensive.

[30] The case of *Zietsman* (supra) specifically held that the discretion conferred on a court is a reasonable and justifiable limitation on the Constitutional right of a litigant to have any dispute that can be resolved by the application of law decided in a fair and public hearing before a court or tribunal. It further held that it must follow that any order to furnish security may only be made if it is reasonable and justifiable to do so.[6]

[31] Whilst the court in the matter of *Shepstone & Wylie v Geyser N.O.*[7] held that as the court is granted an unfettered discretion in terms of Section 13 of the old Companies Act, there is no reason for the court to lean towards either granting or refusing the application for security. I am however of the view that there is insufficient evidence upon which this court can find that an order for security for costs will bring an end to the litigation and the plaintiff's claim. The plaintiff has failed to take the court into its confidence and in particular failed to explain to the court what steps, if any, it has taken to obtain a new financier to its litigation.

[32] Insofar as the allegation by the defendant that the patent lacks novelty and is therefore invalid, the court was referred to the matter of *Merck Sharpe Dohme Group v Cipla Agrimed (Pty) Limited*[8] in which it was held that in determining the question of novelty the scope of each of the claims of the patent in suit must be construed and then compared with the whole content of the prior art document upon which the attack is based.

[33] The defendant led evidence of its patent attorney to show that the patent lacked novelty had ascertained that there is prior art and submitted that the patent is therefore invalid. The plaintiff merely averred that the defendant's patent attorney was not an expert witness and as such could not give evidence on the question of novelty. The courts have confirmed that the question of whether an expert witness may claim that a document or invention lacks novelty must be disregarded. It is for the courts to decide.[9]

[34] The evidence is uncontradicted. Accordingly, the court notes the allegations as uncontroverted evidence by the plaintiff that the invention lacks novelty.

[35] The defendant's patent attorney also led evidence to show that Mr Grobler, on behalf of the plaintiff, had at the time that he filed the patent, made a misrepresentation in the prescribed declaration for the patent that 'to the best of his knowledge and belief, if a patent is granted on the application, there shall be no lawful ground for the revocation of the patent'. It is alleged that this statement was untrue and as such was a misrepresentation because at the time Mr Grobler made the

declaration, he knew that the claims of the patent were anticipated by another prior art known as Ackroyd. Mr Grobler had known of this due to the fact that a patent examiner in Europe had advised as much in a search report issued by that authority.

[36] This evidence was not disputed by the plaintiff. The defendant contends that this in itself is evidence that the continuation of litigation in these circumstances is reckless and is an abuse.

[37] This court notes the plaintiff's submissions that this matter is one in which a multinational company seeks to limit the plaintiff's access to court and is a matter of interest to justice. However, for the reasons set out above, I come to the conclusion that the defendant has made out a case for an order that the plaintiff put up security for costs. There is no dispute as to the amount sought by the defendant. Furthermore, the order sought by the plaintiff that Section 17(2) is inconsistent with the common law and the Companies Act 71 of 2008 ("the new Companies Act") has no merit. The Patents Act is not subordinate to the common law or to the new Companies Act and can accordingly not be declared invalid on account of any perceived inconsistencies.

[38] Accordingly, the following order is granted:

(i) the plaintiff is ordered to supply the defendant with the prescribed particulars of any search report issued in another country in respect of an application for a patent relating to the same subject matter as South African Patent 2001/1608 in that country;

(ii) the plaintiff is ordered to furnish security in respect of any costs which may be awarded against the plaintiff in the pending action for infringement, and counterclaim for revocation of South African Patent 2001/1608 in the sum of:

(a) R2 000 000,00 (two million rand) in respect of the costs incurred up to and including the first day of the trial; and

(b) R225 000,00 (two hundred and twenty-five thousand rand) per day of the trial thereafter.

(iii) the action and the counterclaim shall not proceed further until the

plaintiff has complied with the order in (i) above and until such security in the amount as set out in (ii)(a) has been furnished;

(iv) In the event that the plaintiff fails to comply with the order as set out in (i) and (ii)(a) above within 15 days of this order, the defendant may approach this court on the same papers, duly supplemented if needs be, to seek the dismissal of the action and/or strike out the plaintiff's plea in the counterclaim;

(v) the plaintiff is ordered to provide security of the daily amount referred

to in (ii)(b) above by 20H00 n the day before the day in respect of which the security is furnished, failing which the trial shall not proceed; and

(vi) the costs of this application shall be reserved for determination in the action.

Judge of the High Court

Gauteng Division, Pretoria

For the Applicant:

Adv G Marriott instructed by

Adams & Adams

For the Respondent:

Adv AA Basson instructed by

Hahn & Hahn

Date of Hearing:

15 February 2021

Date of

Judgement:

15 June 2021

Judgment transmitted electronically

[1] 2008 (4) SA 1 (SCA)

[2] *Zietsman v Electronic Media Network Ltd and Others* (supra) at para [12]

[3] *Zietsman* (supra) at para [14] and [15]

[4] 2015 (5) SA 38 (SCA)

[5] *Boost Sports Africa* (supra) at para [13]

[6] *Zietsman* (supra) at para [19]

[7] 1998 (3) SA 1037 (SCA) 1045I - J

[8]

[2015] ZASCA 175

[9][9] Genturico AG v Firestone SA (Pty) Ltd 1972 (1) SA 589 (A) at 646H

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