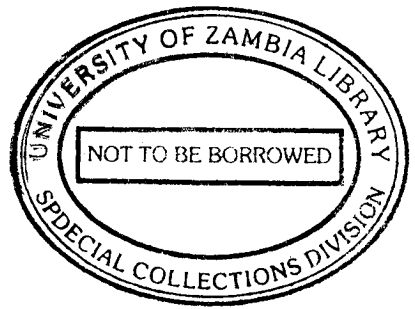


THE UNIVERSITY OF ZAMBIA
SCHOOL OF LAW



OBLIGATORY ESSAY:

A CRITICAL ANALYSIS OF THE USE OF INTELLECTUAL
PROPERTY RIGHTS BY SELECTED MANUFACTURING
COMPANIES IN LUSAKA ZAMBIA

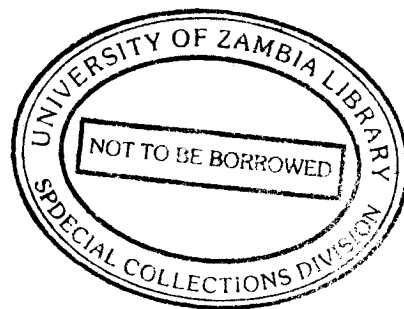
**ADIRECTED RESEARCH SUBMITTED TO THE SCHOOL OF LAW OF THE
UNIVERSITY OF ZAMBIA IN PARTIAL FULFILMENT OF THE AWARD OF
THE DEGREE OF BACHELOR OF LAWS (LLB)**

BY GEORGE SILONDWA

NOVEMBER, 2006

THE UNIVERSITY OF ZAMBIA

SCHOOL OF LAW



I recommend that the directed research prepared under my supervision by George Silondwa entitled:

A CRITICAL ANALYSIS OF THE USE OF INTELLECTUAL
PROPERTY RIGHTS BY SELECTED MANUFACTURING
COMPANIES IN LUSAKA ZAMBIA

Be accepted for examination in partial fulfillment of the requirements for the award of the Bachelor of Laws Degree of the University of Zambia. I have checked it carefully and I am satisfied that it fulfils the requirements relating to the format as laid down in the regulations governing directed research essays.

A handwritten signature in dark ink, appearing to be 'G.M. Kanja', written over a dashed line.

Mr. G.M. Kanja
(SUPERVISOR)

11.02.07

Date

ABSTRACT

Intellectual Property is like any other ordinary property. There are rights attached to it that permit the owner to benefit from it. In our modern society, intellectual property plays significant roles such as advancing society through creating new things in areas such as science, technology and culture; steering economic growth thus creating new industries and products and enhancing the quality and enjoyment of life. With such benefits in mind, intellectual property must therefore not only be promoted but protected.

This essay seeks to do an intellectual property audit in Lusaka covering private companies such as Trade Kings, National Milling and Zambia Breweries. The focus will be to establish the extent to which these companies carry out intellectual property audits, protection of trade secrets and trademarks.

The findings of the study are:

- Most manufacturing companies have a Trademark while very few have a Patent. The most common method adopted for promoting and protecting the IP is by statutory registration followed by raising public awareness via advertising and through employment agreements.
- There is a serious lack of expertise to carryout IP audits in the manufacturing companies. Consequently, IP audits are not widely carried out.
- There are adequate domestic provisions for the protection of IP. The Acts governing Patents and Trademarks provide adequate protection of IP assets.
- There were marked variations in the promotion and protection of IP between local and foreign companies.
- The Patents and Trademarks journal is the main vehicle used by the Patents office to publicise the Patents and Trademarks in Zambia.

It is recommended that serious efforts be made to raise the intellectual property awareness among the manufacturing companies and the public at large so as to create an intellectual property culture. Further, that intellectual property audits be made a mandatory part of audited accounts of companies.

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ACKNOWLEDGEMENTS

Thank you Lord Jesus for seeing me through this programme.

Mr. Kanja, thank you for your contribution to this work.

Mr. Buchi Mwalongo thank you for all the support. You did more than words can express.

Mr. Derrick Sokoni thank you for being at hand in the programme.

My dear wife, Annie Phiri Silondwa, thanks for all the love and support. I could not cope with out you.

My dear children, Kate, Temwani and Chuza, get inspired and seek to exceed my accomplishments.

My dependants thanks for your contributions.

CHAPTER ONE

1.0 INTRODUCTION: INTELLECTUAL PROPERTY IN GENERAL

Mankind is endowed with a creative mind. The creations of the mind (inventions, literacy, artistic works, symbols, names and images) are collectively known as intellectual property and are widely used in today's commerce.¹ There are two main categories of intellectual property: industrial property and copy rights. Industrial property covers things like patents, trademarks, industrial designs and geographical indicators, while copy right covers literary works such as musical works, novels, films, plays, drawings, photographs, sculptures and architectural works.

Since the work at hand focuses on industrial property, it is inevitable to high light the salient features of this category first, i.e, patents, trademarks, industrial designs and geographical indicators.

PATENT

By definition:

“A patent is an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem.”²

In order to be availed the patent protection the invention must satisfy these condition:³

- (i) it must be new (novel), i.e, show some characteristic that is not known in the body of existing knowledge in its technical field.
- (ii) it must not be obvious (must show an inventive step), i.e, a person with average knowledge of the technical field must not deduce the step.
- (iii) it must be useful (must be capable of industrial application), i.e, must be of practical use.
- (iv) Its subject matter must be patentable under the law.

¹ WIPO **What is intellectual property?** Publication number 450 (E)

² *ibid* p5

³ *ibid* p7 & Kanja G.M. ,2006, **Intellectual Property Law** (Manuscript) P 17

These conditions do suggest that not all inventions are patentable. The significance of the patent is that it grants the owner exclusive rights to the invention. Other people can only use it with the owner's consent. In business terms patent protection means that the invention can not be commercially made, used, distributed or sold with out the owner's consent.⁴ Patent protection is granted for short periods of between 16 and 20 years after which the invention becomes available to the general public for use. Once the patent has been granted it is the responsibility of the owner to detect and enforce any infringements. The municipal legislation also provides checks and balances (e.g, through compulsory licence) to prevent abuse by the patent owner.⁵

Here are two case studies to emphasize the significance of protecting patents. The first one is **AZITHROMYCIN – ONE OF THE WORLD'S BEST SELLING ANTIBIOTICS FROM CROATIA**

“Pliva, one of the most profitable companies in Croatia and one of the largest pharmaceutical companies in Central Europe, is widely considered to be central Europe's first home- grown multinational. Once struggling to stay alive, this company witnessed a dramatic turn around in its fortunes, following its discovery of azithromycin, today, one of the best selling antibiotics. Patented by Pliva in 1980, the drug was subsequently licenced to Pfizer, which markets it as Zithromax TM. Sales of Zithromax TM were US\$ 1.5 billion in 2001. The phenomenal revenues derived from the licensing agreement have facilitated Pliva's rapid expansion across Croatia, Poland and Russia. Remarkably enough, all this came about because Pfizer's scientists happened to stumble upon Pliva's patent in 1981, while searching through patent documents at the United States Patent and Trademark office.”⁶

⁴ ibid

⁵ Kanja p215

⁶ Kamil Idris, 2003, **Intellectual Property A powerful Tool For Economic Growth** p11

The second case study is **TOYOTA'S ATTEMPT**.

“ In 1896, Sakichi Toyota obtained a patent for a version of a power loom which resembled machines previously used in Europe. Thirteen years later, Sakichi succeeded in inventing an automatic loom and a number of additional patents were obtained to complement and fine tune the invention. In 1924, the Toyota Type G automatic loom reached the market and Kiichiro Toyota, Sakichi's son, reached an important agreement with Platt Brothers & co. for its commercialization. Platt Brothers paid Toyota one hundred thousand pounds for the exclusive right to manufacture and sell the automatic loom in any country other than Japan, China and the USA. Toyota decided to use the money realized as initial capital to set up an automobile company and fund the necessary research and development.”⁷

TRADE MARK

According to WIPO “a trademark is a distinctive sign, which identifies certain goods or services as those produced or provided by a specific person or enterprise”.⁸

To the general public (consumers of goods and services) trade marks are an indicator of the quality , value for money, or origin of goods or services.⁹ Business enterprises use many signs, individually or in combinations, as trade marks. These include drawings, words, pictures, numbers, colours, shapes and labels.

A trade mark must fulfill two requirements in order for it to be protected. These are:

- (i) it must be distinctive
- (ii) it must not deceive or mislead the public or be contrary to morality or public order.¹⁰

⁷ Ibid p9

⁸ WIPO p8

⁹ Kanja P18

¹⁰ Ibid

A trademark protects the owner of the mark by granting him exclusive rights to use it or to permit another person to use it in return for payment. A trade mark can be used over a specific period of time or indefinitely as long as the owner keeps renewing it.

It is the responsibility of the owner to detect and enforce any trademark infringements.

A case at hand is

NANDO'S, A SOUTH AFRICAN SUCCESS STORY IN BRANDING.

“In the heart of the local Portuguese community in Johannesburg, chicken was prepared according to a well kept secrete recipe. In1987, Fernando Duarte and his friend Robert Brozin became partners to set up Nando's, which is today a fast growing restaurant chain with over 200 outlets across Africa and Australia as well as Israel, Malaysia, Saudi Arabia and the UK. The company has developed considerable international reputation and good will in its Nando's name, which is readily and distinctly associated with fast food chicken outlets around the world, so much so that it now owns an extensive international portfolio of registered trademarks surrounding the word ‘ Nando's’....In March 2000, Nando's filed a cyber squatting case with the WIPO arbitration and Mediation center... The respondent, a California resident, had registered the domain names nandos.com and nandoschiken.com and offered to license or sell them back to Nando's. The administrative panel found the case in favour of Nando's and ordered the respondent to transfer the domain names to the company.”¹¹

INDUSTRIAL DESIGN

According to WIPO:

“An industrial design is the ornamental or aesthetic aspect of an article. The design may consist of three dimensional features, such as the shape or surface of an article, or of two dimensional features, such as patterns, lines or colors”.¹²

Industrial designs apply to a wide range of industrial products such as medical instruments, handicraft, house ware, electrical appliances and architectural structures. Industrial designs are primarily of an aesthetic nature. They make an article attractive and

¹¹ Kamil p 19

¹² WIPO p12

appealing. They not only add to the commercial value of an article but increase its marketability.

Granting protection to industrial design means the owner is assured of exclusive right against unauthorized copying or imitation of the design by third parties.¹³

To be eligible for industrial property protection the industrial design must be original or novel and must be registered.¹⁴ The owner of the industrial design is responsible for detecting and enforcing any infringements.

GEOGRAPHICAL INDICATORS

According to WIPO,

“A geographical indication is a sign used on goods that have a specific geographical origin and possesses qualities or a reputation that are due to that place of origin.”¹⁵

A geographical indication is often a name of the place of origin of the goods. For example ‘Swiss’ is perceived as a geographical indication for products that are made in Switzerland, in particular watches. The geographical indication is a sign of quality and origin of the goods or services. Over the years the goods or services have acquired a valuable reputation which must be protected from misrepresentation by dishonest commercial operators.¹⁶

Here is a case to illustrate the geographical indicators:

TEQUILA: ONLY WHERE THE GRAPE GROWS

“Tequila is a Mexican drink that has acquired a distinct identity, often enhanced by bottle designs featuring some of Mexico’s characteristic symbols. What few people know, however, is that Tequila is only produced within a specific area in Mexico where its primary raw material, the cactus like agave plant, grows and the name ‘Tequila’ is protected as a geographical indication in Mexico under a 1977 Presidential decree. Under this special legislation, ‘Tequila’ can only be used for beverages originating in five Mexican states which have the exclusive right to produce it. Today, Tequila has earned a world wide reputation. Because this term is a protected geographical indication in many countries, competitors can be prevented from using it for spirit drinks not from the

¹³ Ibid p 13

¹⁴ Kanja P 18

¹⁵ WIPO 15

¹⁶ Ibid

distinct Mexican area of production, or not made in compliance with the applicable Mexican legislation.... The sale of Tequila has been further enhanced because producers are able to guarantee the quality of the product and can avoid the name being used for products made with different ingredients which could taint the reputation of the original Mexican product and mislead customers.”¹⁷

COPYRIGHTS

This is the second category of IP and refers to the body of laws that grant authors, artists and other creators, protection for their literary and artistic creation. Copyrights have closely associated rights known as ‘related rights’. According to WIPO¹⁸, the beneficiaries of related rights are:

- Performers (such as actors and musicians) in their performances
- Producers of sound recordings (for example, cassette recordings and compact discs) in their recordings; and
- Broadcasting organizations in their radio and television programs.

Copyright works include novels, reference works, poems, plays, computer programs, films, photographs, newspapers, maps, sculpture, architecture etc.

The copyrights and related rights do provide certain rights. The ‘rights holders’ as they are called, have the exclusive rights to use or authorize others to use their work on agreed terms. Among the rights enjoyed by the ‘rights holders’ are to prohibit or authorize:

- Its reproduction in all forms, including printing and sound recording;
- Its public performance and communication to the public;
- Its broadcasting;
- Its translation into other languages; and

¹⁷ Kamil p22

¹⁸ WIPO What is intellectual property? P18

- Its adaptation, such as a novel, into a screen play for film.¹⁹

A major characteristic of the works protected under the laws of copyright is that they require mass financial investment, communication and distribution for their success. Investors often find themselves unable to meet such challenges and hence transfer the rights to their works to companies that have the means to develop and market the work. The creator of the work in turn receives compensation in the form of royalties. Copyrights have a duration lasting not longer than fifty years after the death of the creator. This timeframe is considered sufficient for the creator to benefit financially for a reasonable time. Related rights also have a timeframe though it is shorter than fifty years.

The rights holders have an obligation to enforce rights provided under copyright and related rights laws. The common ways of enforcing the rights include the following:

- Civil actions
- Administrative remedies
- Injunctions
- Criminal prosecutions
- Various orders: for instance orders to destroy infringing items.

Protecting copyright and related rights brings benefits such as:

- Incentives for the creators of works in the form of recognition and fair economic rewards.
- Confidence for enterprises and companies to invest in the creation, development and global dissemination of works.
- Enhancing social development, for instance, entertainment.

An important question is how are copyright and related rights regulated? In general, copyright and related rights protection, is granted automatically without registration or any other formalities. In practice, however, many countries have a system of optional registration so that in the event of a dispute the creator of the works can have adequate protection. In Zambia section 40 of the Copyrights and Performance Act, CAP 406, confers an automatic right upon an author of work and that the owner of a copyright need

¹⁹ Ibid

not register it. Though the onus to enforce copyrights and related rights is upon the owner of the works, many authors and performers do not have the means to pursue the legal and administrative enforcement of their rights. For instance, it is difficult for some individual creators to monitor the use of their works on radio and television. Consequently, in some countries, they have established collective management organizations or societies to help their members. Kamil summarizes the benefits of the system as follows:

“...These societies can help promote the development of local culture, for example, by giving local artists a return on their intellectual property when their music is played at home and abroad. The income generated this way can be considerable, making a significant contribution to GDP.”²⁰

Here is an illustration of how copyright and related rights contribute to the culture industry.

“ The famous British musician David Bowie, over the course of his 30 year plus career, has written hundreds of musical compositions, as well as performing and recording them. From his recordings of those compositions, and from cover versions by other artists, an income stream has been produced; and is likely to continue on into the future. A creative brokerage organization, the Pullman Group, saw an opportunity to ‘securitize’ the musical compositions as an income producing asset. It licensed Bowie ‘s right to his musical compositions for US\$ 55million, which it paid to him. It then sold bonds to investors on the basis of a repayment and profit model using the income from the musical compositions as both the security for the investment, and the source of repayment. This is , thus far, a win- win-win situation, in that Bowie received present income based on many years of projected royalties. The Pullman Group received fees and will receive profits from its creative business model. The investors will receive a return on their investment at much higher rates than normal. The whole transaction is securitized by proven IP assets in a most creative way.”²¹

Another type of IP which, until recently, has been largely ignored, is traditional knowledge. Broadly speaking, this category of IP encompasses tradition-based innovations in scientific, industrial, artistic and literary fields. The innovations could

²⁰ Kamil p25

²¹ Ibid p24

benefit from IP promotion and protection and hence enhance the economic value of traditional knowledge assets. The traditional innovations can be protected using patent, Trademark, and Copy right laws like any other IP asset.

The misconception that people often have about traditional knowledge is that it does not qualify to be treated as IP because it is collectively held or has been in existence since time immemorial. What the opponents do not understand is that old ideas may be the basis for generating valuable new inventions. The fact is that all IP is linked to prior invention, knowledge, and creativity.

Australia has made an effort to recognize traditional knowledge as this quote suggests:

INDIGENOUS LABEL OF AUTHENTICITY

“ The registration of collective and certification trademarks to protect tradition based innovations and creations is being actively explored in Australia where an indigenous label of Authenticity was launched in late 1999. It was developed by the National Indigenous Arts Advocacy Association with the backing of the Aboriginal and Torres Strait Islander Commission (ATSIC) and the Australia Council for the Arts. The use of such marks for authentication is seen as an effective way of maintaining the cultural integrity of Aboriginal and Torres strait Islander art, to ensure a fair and equitable return for these communities, and to promote an understanding both nationally and internationally of their cultural heritage and art.”²²

RATIONALE FOR PROTECTING INTELLECTUAL PROPERTY

Intellectual property is like any other property. There are rights attached to it. The rights permit the creator or owner of the intellectual property to benefit from his or her own work or investment.²³ For this and other reasons intellectual property must be promoted and protected. Among the compelling reasons for promoting and protecting intellectual property are the following:²⁴

- The advancement and well being of humanity depends on its capacity to create new things in the areas of science and technology and culture.

²² Kamil P27

²³ WIPO p3

²⁴ Ibid

- When intellectual property is protected it encourages further innovation in that the owners or creators of intellectual property will be willing to invest in it knowing fully well that their property has legal protection.
- The promotion and protection of intellectual property steers economic growth, creates new jobs and industries and enhances the quality and enjoyment of life. Intellectual property has the potential to stimulate economic development and social and cultural well being.

It has been pointed out that in countries where intellectual property rights are not enforced there are negative industrial and social consequences. Kamil Idris²⁵ has pointed out that manufacturers of legitimate goods will establish their facilities in other countries that do enforce intellectual property rights. Consequently there is a loss of FDI, as well as the technology transfer and foreign know how that may accompany it. Further local creators, inventors and SMEs are discouraged by the risk that their products will be illegally copied and sold. This will deny them a return on their investment and restrict future growth. The negative results of counterfeiting and piracy are felt most personally by artists, creators and entrepreneurs. The World Health Organization estimates that approximately 6 percent of pharmaceutical products sold world wide are counterfeit.²⁶

Any company that deals with intellectual property must determine the status of its intellectual property assets. This determination is called intellectual property audit. By definition intellectual property audit is a procedure for determining the status of a company's intellectual property assets.²⁷ The property has to be identified and measures put in place to protect it.²⁸ This can be achieved by conducting an intellectual property audit which is just an examination of a company and its business to determine the types of intellectual properties involved in the business. The work can be done in a formal or

²⁵ Kamil p 32

²⁶ Ibid

²⁷ Halvey & Melby "Checklist For Performing Intellectual Property Audits" **The Intellectual Property Strategist** January, 1995.

²⁸ Woolcott " Intellectual Property Management and Protection: An often over looked Necessity" in **Technology and The Law** vol. 5 (1) 1994

informal manner.²⁹ This exercise is very important because sometimes a company may not be aware of its intellectual properties or the ways in which it can protect these properties and thereby enhance the value of its business.³⁰

By nature a company's intellectual properties are intangible and may be difficult to define but in terms of value they are often more valuable than the tangible properties. Yet many companies do remarkably little to protect their intellectual properties.³¹

1.1 LITERATURE REVIEW

In trying to emphasize the importance of intellectual property audit, Robert Scheinfeld states:

“Imagine discovering that your fiercest competitor has developed software incorporating many of the unique features of your own top selling product.

Unfortunately, you failed to obtain patent protection for these features and thus may have forfeited rights to prevent your competitor's entry into the market place even though his product incorporates features identical to your own. Not a pleasant prospect especially when you learn that it could have been prevented.”³²

From this the need for intellectual property promotion and protection can not be overstressed. Companies must take intellectual property audit seriously. This, Scheinfeld suggests, may include:

- “An evaluation of your present research and development activities to determine the extent to which intellectual property protection may be available to you, and the effect that the intellectual property rights of others may have on your development work.

²⁹ Ibid

³⁰ Ibid

³¹ Ibid

³² Scheinfeld R.C. “The new Wave: The Intellectual Property Audit” in **Brumbaugh Report** Vol. 1 (3) 1991

- An analysis of your present internal documentation and security procedures to devise a policy (e.g. requiring employees to document and report the progress of their work) which best protects your inventions and trade secrets; and
- A review by counsel of your present intellectual property portfolio to detect and avoid defects in procedural filings, to ensure appropriate maintenance and to advise regarding enforcement of your intellectual property rights.”³³

According to Woollcott intellectual property management and protection is an often overlooked necessity.³⁴ Yet it is one of the most striking commercial and economic phenomena of the last two decades that deserves protection. Woollcott has proposed ways which companies can take to identify, manage and protect their intellectual properties. He has also cautioned that an intellectual property audit should not be viewed as a one time undertaking but should be conducted periodically to reflect business and industry changes and rapid developments in intellectual property law.

Any business that would like to determine whether it is a candidate for intellectual property audit should ask the following questions:³⁵

Does the business have intellectual property? The first step is to identify intellectual property in the following areas:

- The core business: is the core business technology oriented? What intellectual rights are involved?
- Computerization: are any of the company’s key operations dependent on computer soft ware? What intellectual rights are involved?
- Trade secrets: does the company have trade secrets? What intellectual rights are involved?
- Personnel related matters: Do employees have access to information that could be used to injure the company if that employee were employed by a competitor?
- Existing measures: Does the company have in place measures in place to protect its intellectual properties? If so these must be examined.

³³ Ibid

³⁴ Woollcott op.cit.

³⁵ Ibid

The second step is to examine measures intended to protect intellectual property. These can be as follows:

- Contractual protection: This part may cover issues such as employment agreements; agreements with consultants or contractors; licensing documentation and transaction documents.
- Registering intellectual properties: in order to maximize the protection of its intellectual properties a company must register the properties. The registration can take the form of copy right, trade mark and patent registration.
- Implementing a trade secret programme: This entails having a comprehensive set of company policies, procedures and documentation designed to minimize the risk of misappropriation of the company's intellectual properties.

In concluding his article on intellectual property management, woollcott concludes that there is a potential for huge losses if a company ignores its intellectual properties. For this reason a business should consider at least performing an informal intellectual property audit to determine an appropriate level of management and protection of the property.

Like other scholars, Halvey and Melby , have proposed a check list for performing intellectual property audits.³⁶ The first question is why under take an intellectual property audit? The following are the reasons:

- To determine the origin of intangible assets and the extent of the owners' interest in technology and related intellectual property rights.
- To put in place systematic procedures for protecting and perfecting intellectual property rights.
- To determine the scope of rights that third parties may have, by license, ownership, or otherwise, in the owner's assets.
- To detect defects in existing intellectual property assets and the mechanisms and procedures for protecting and perfecting the same.
- To determine, in contemplation of intellectual property litigation, whether all fillings necessary for jurisdictional requirements have been satisfied, what clouds on the owner's title may exist and what defences may be asserted against the owner.

- To avoid liability to third party claims of infringement resulting from the development of new products.

The second question is Who can benefit from an intellectual property audit? There are three categories of beneficiaries:

- Buyers: for example those acquiring stock or assets of a high technology manufacturing or service organization.
- Owners: for example those depending upon intellectual property as a principal component of their company's value or the value of a subsidiary or affiliate.
- Investors: for example those financing an existing technology based business.

The third question is when should an intellectual audit property audit be made? The appropriate time includes:

- Before a significant acquisition of technology
- In the early stages of a company's formation to institute systematic procedures for protecting and perfecting intellectual property rights.
- At critical junctures in a company's life cycle.
- In conjunction with the development of or acquisition of a new product.
- When there is a change in or new development in law.

The fourth question is who should perform the intellectual property audit? The authors offer three possibilities thus:

- In house personnel: a company may have conversant personnel who can do the audit.
- In house counsel; if a company has a legal counsel it can involve her because the work to be done is of a legal nature.
- Outside counsel: a company may want to engage an outside counsel who has expertise in intellectual property audit.

Another way of protecting the intellectual property rights of corporations is via employee agreements. Any new employee is required to sign an employment agreement form. At the end of the contract the employee under goes an exit interview to fulfill the

³⁶ Halvey & Melby op.cit.

requirements of the trade secrets. A typical employee agreement would include among other things:

- An undertaking by the employee to assign his entire right, title and interest in and to all inventions, improvements or discoveries during the period of his employment in the firm.
- An undertaking to promptly disclose the inventions, improvements and discoveries to the IP department or any designated person.
- An undertaking not to engage in any employment other than with the company and not to disclose any trade secrets or confidential information acquired during the course of employment.
- An undertaking not to disclose any trade secrets acquired else where.

In an American case: *American home products Corporation and Ayerst, McKenna & Harrison, Inc. v. George Santroch*,³⁷ a disgruntled former employee refused to sign patent application documents after his employment even though the employment agreement provided that he would sign appropriate documents after he left employment. The former employee argued that this was 'involuntary servitude'. However, both courts said that this argument was merit less and he was required to sign the documents.

The fore going review has shown that intellectual property is valuable not only to the Business community but to society in general. If this be the case, we should then begin to move towards creating an intellectual property culture. One way of achieving this is to raise awareness at all levels of the value of intellectual property. Fortunately WIPO is already ahead in this regard.³⁸ According to WIPO raising awareness of the value of intellectual property as a source of economic, social, and cultural dynamism will ensure that:

- Government officials and agencies formulate their policies and administrative and management programs with a view to optimizing the use of, and respect for, IP rights;

³⁷ No. C. 835331 AJZ

³⁸ Kamil p33

- The private sector, from SMEs to multinationals, leverages the value of its IP assets and recognizes the value of upholding IP rights in increasingly knowledge based industries and economies;
- The public understands the benefits of purchasing legitimate goods and services, thereby boosting local industries and increasing the tax base.

A positive IP culture is healthy in a nation. Its absence may entail a stagnant or receding economy, a reduction in creativity and inventiveness, and a business climate bereft of FDI.³⁹ Kamil has suggested that developing countries that do not have an IP Culture will require pro active policies. “These could start with:

- An IP audit to assess the current status of IP assets;
- The preparation of a national IP strategy, integrated with scientific, cultural, trade, economic and educational policies;
- Incentives and awards for inventors and authors, as well as for societies and collective organizations that develop and use IP assets.”⁴⁰

Developing an IP culture is like growing a plant. It requires a rich soil to sustain it. The ingredients needed include:

“ Human resource development, education, marketing, up to date IP offices and administrations, involvement of civil society organizations, promotion of innovation, culture, and IP at universities and research centers, programs to develop practical skills such as licensing, well drafted laws, and effective enforcement of rights.”⁴¹

Singapore has experienced creating an IP culture using pro-active policies. This case study tells the story.

CREATING AN IP CULTURE IN SINGAPORE USING PRO-ACTIVE POLICIES

“ Singapore recognizes the importance to its economy of intellectual property, both as a national resource and in attracting foreign investment.

To develop intellectual property as a strategic and competitive asset, Singapore adopts an essentially pro-active IP rights policy for the development of high value added and creative content industries. In 2000, the intellectual property office of Singapore was

³⁹ Ibid

⁴⁰ Kamil p33

converted into a semi autonomous statutory board charged, inter alia, with administering the IP system in Singapore.

On the IPR enforcement front, the agency is primarily responsible for domestic enforcement of the Intellectual Property Rights Branch, a specialized Crime Division of the Criminal Investigation Department, while border enforcement is undertaken by the Customs and Excise Department. In the field of education, Singapore has public education campaigns aimed at promoting greater public awareness of IP rights. Today, Singapore is one of the leading nations in terms of patent filings and the creation of other IP assets.”⁴²

1.2 STATEMENT OF THE PROBLEM

From the brief background it is quite clear that intellectual property must not only be promoted but protected for the benefit of the creators and the public at large. In this case our focus is on industrial property. The questions therefore are:

TO WHAT EXTENT ARE INTELLECTUAL PROPERTY RIGHTS BEING PROMOTED AND PROTECTED BY PRIVATE MANUFACTURING COMPANIES IN LUSAKA?

DO THE COMPANIES CARRY OUT INTELLECTUAL PROPERTY AUDITS?

DO THE EXISTING LAWS IN ZAMBIA PROMOTE AND PROTECT INTELLECTUAL PROPERTY RIGHTS?

This essay seeks to do an intellectual property audit in Lusaka covering some major private companies such as Trade Kings, National Milling and Zambia Breweries. The focus will be to establish the extent to which these companies carry out patent audit, protection of trade secrets and trade mark audit.

⁴¹ Ibid

⁴² Ibid

1.3 OBJECTIVES AND HYPOTHESES OF THE STUDY

The specific objectives of the study are:

- To carry out an intellectual property audit survey in Lusaka focusing on industrial property (Patents, Trademarks, Industrial secrets).
- To establish the methods (if any) used by companies to promote and protect industrial property rights.
- To find out the extent to which the existing legislation adequately promotes and protects industrial property rights.
- On the basis of the findings of the study, to make recommendations on the status of intellectual property audit in Lusaka.

HYPOTHESES:

The following are proposed as the hypotheses:

- There will be marked variations in the promotion and protection of industrial property between local and foreign companies.
- The legislation is adequate but lacks enforcement.

1.4 METHODOLOGY:

The proposed study will generally rely on primary sources such as interviews with legal counsels or company secretaries or chief executive officers, and secondary sources such as Acts of parliament, internet and publications (such as books, journals, news papers etc.).

CHAPTER TWO

2.0 DOMESTIC PROTECTION OF IP RIGHTS IN ZAMBIA

THE MAIN FEATURES OF THE PATENTS AND TRADE MARKS ACT

(1) THE PATENTS ACT CAP 400

Zambia being a former colony of the UK has inherited most of the British laws. By virtue of Cap 11 of the laws of Zambia (English law extent of application) the laws have been incorporated. It follows that Zambia's Patents Act, cap 400 of the Laws of Zambia, has its origin in the Patent Law of the UK.⁴³ The main features of the Act are as follows:

Part 1

This part deals with preliminary issues such as the short title and interpretation. This includes a definition of a patent. According to the Act:

"patent" means letters patent for an invention granted for Zambia under section twenty-five.

The purpose of the Act is stated thus:

An Act to make provision relating to patents for inventions and for other purposes incidental thereto.

Part 11

This part deals with administrative matters such as the establishment of the Patent office, appointment of officers, the seal and register of patents. The register is significant from the point of view of enforcing Patent rights. The purpose is in section 6 and provides:

6. (1) There shall be kept at the Patent Office a register of patents, in which shall be entered-

- (a) particulars of patents in force, of assignments and transmissions of patents and of licences under patents; and
- (b) notice of all matters which are required by or under this Act to be entered in the register and of such other matters affecting the validity or proprietorship of patents as the Registrar thinks fit.

Part 111

⁴³ Kanja p216

This part deals with internal provisions and covers matters like: convention arrangements, convention applications, special provisions as to vessels, aircraft and land vehicles, protection of inventions communicated under international agreements and ARIPO patents. ARIPO means African Regional Industrial Property.

The importance of part three is that it provides protection for an invention in other countries that are party to conventions.

Part 1V

This part provides guidelines on applications in general. It, among other things, specifies persons who can apply, application forms, acceptance and refusal of applications.

Part V

This part provides for three things viz. grant, effect and term of the patent. It covers matters like the grant of a Patent, the term of the patent, renewal of the Patent, extension of the patent and the use of the patent invention for services of the state. Section 29 specifies the term as follows:

29. The term of every patent shall, subject to the provisions of this Act, be-

(a) in the case of a patent granted under this Act, sixteen years from the date of lodging of the complete specification at the Patent Office;

Section 32 provides for the renewal of the Patent but does not specify how long one can go on renewing. It seems as long as one is able to pay the necessary fees.

Part V1

This part provides special provisions relating to specifications, anticipation and rights in inventions. Among other things it provides for restrictions on recovery of damages in certain cases, co-ownership of Patents, disputes as to inventions made by employees, revocation of Patents and surrender of patents.

Part V11

This part covers patent infringements. The Patent owner or Licensee must be on the look out for Patent infringement and exercise his rights as provided by section 53.

53. (1) An action for infringement of a patent may only be instituted by the patentee or the exclusive licensee.

Part V111

The contents of this part are: provisions as to assignment; power of registrar to authorize corrections and rectification of register.

Part IX

This covers the function of the registrar in relation to certain evidence documents and powers, for instance, loss or destruction of patent.

Part X

This part deals with patent agents, their qualifications, registration and their functions. Legal practitioners qualify to be agents.

Part XI

This part is all about appeals, for instance from the registrar; appeals to the Supreme Court and time for appeals.

Part XII

This part specifically deals with offences and penalties. Section 86 for example provides:

86. (1) Any officer of the Patent Office who buys, sells, acquires, or traffics in any invention or patent or any right under a patent shall be guilty of an offence.

(2) Every purchase, sale or acquisition, and every assignment of any invention or patent, by or to any such officer shall be null and void.

(3) Nothing in this section contained shall apply to the inventor or to any acquisition by bequest or devolution in law.

Section 89 provides for the general penalty thus:

89. Any person who is guilty of an offence under this Act shall be liable to a fine not exceeding fifteen thousand penalty units or to imprisonment for a period not exceeding three years, or to both.

The penalty seems inadequate for the offences.

Part XIII

This part deals with miscellaneous provisions. It covers issues such as lodging and authentication of documents; oaths and affirmations; provisions as to fees and regulations.

Part XIV

There are applications and transitional provisions.

97. Save as is otherwise provided in this Act, the provisions of this Act shall, so far as they are applicable, apply in relation to-

- (a) any patent granted or registered under the Registration of United Kingdom Patents Act, Chapter 205 of the 1957 Edition of the Laws, or the Patents (Southern Rhodesia) Act, Chapter 208 of the 1948 Edition of the Laws (hereinafter in this section referred to as "such legislation"); and
- (b) any application in respect of a patent made under such legislation:

Observation

One positive thing is that Zambia has an act that deals specifically with the protection of Patents. An absence would have been unacceptable.

The Act though good is absolutely silent on one critical areas of Patent protection. That is, carrying out patent audits. The Patent office is however authorized to sensitize the general public through the patent journal on the important role played by Patents in the social and economic development of the country and the consequences of infringing the Patent rights. The Act could have also made it compulsory for users of Patents to carry out Patent audits regularly and submit reports to the Patent office.

(2) THE TRADE MARKS ACT CAP 401

The purpose of the Act is stated thus:

An Act to make provision relating to the registration of trademarks, and for other purposes incidental thereto.

The intention of the legislature is clearly that trademarks must be registered.

In the Act, a

"mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof;

A trade mark carries the following definition:

"trade mark" means, except in relation to a certification trade mark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any

indication of the identity of that person, and means, in relation to a certification trade mark, a mark registered or deemed to have been registered under section forty-two;

The first part of the Act deals with interpretation while the second covers administration matters such as the establishment of the Trade Mark office, seal, appointment of officers and the register of Trade Marks. Section 6 is very instructive on the registration of Trade Marks:

6. (1) There shall be kept at the Trade Marks Office for the purposes of this Act the record called the register of trade marks wherein shall be entered all registered trade marks with the names, addresses and descriptions of their proprietors, notifications of assignments and transmissions, the names, addresses and descriptions of all registered users, disclaimers, conditions, limitations and such other matters relating to registered trade marks as may be prescribed.

The third part covers the registration and the action for infringement. Among the issues covered are: no action for infringement of unregistered trademark; registration to be in respect of particular goods and infringement of rights.

Part four of the Act pertains to registrability and validity of registration. In order for a trade mark to be registered it must be distinguishable; deceptive matter will not be registered; neither will be identical and resembling matter; registration is for seven years.

Part five of the Act provides the procedure for and duration of registration. It deals with application for registration of the trademark and opposition to registration. A trade mark is registered for seven years and can be renewed for a period of fourteen years. There is no limit as to how long one can renew the trademark. A Trademark can be registered in parts or as a series.

Part six of the Act deals with assignment and transmission of a registered Trademark. The Act provides that a registered Trademark is assignable and transmissible and provides the conditions for the same.

Part seven of the Act deals with among other things how a Trademark can be removed from the register and imposes limitations and the use of Trademarks for export trade.

Part eight of the Act provides for the rectification and correction of the register. Among other things it provides for the general power to rectify entries in the register the power to expunge or vary registration for breach of condition.

Part nine of the Act. The gist of this section is captured by section 42 as follows:

42. (1) A mark adapted in relation to any goods to distinguish in the course of trade goods certified by any person in respect of origin, material, mode of manufacture, quality, accuracy or other characteristic from goods not so certified shall be registrable as a certification trade mark in Part C of the register in respect of those goods in the name, as proprietor thereof, of that person.

Part ten of the Act deals with the functions of the registrar in relation to certain evidence, documents and powers.

Part eleven of the Act covers appeals and legal proceedings.

Part twelve of the Act is for offences and penalties. For example falsification of entries in the register is an offence and the penalty for falsely representing a trade mark as registered is:

(shall be guilty of an offence and liable to) a fine of one thousand five hundred penalty units or, in default of payment, to imprisonment for a period not exceeding six months, or to both.

Other offences attract a penalty provided in section 72 as follows:

72. Save where otherwise provided in this Act, any person who is guilty of an offence under this Act shall be liable to a fine not exceeding fifteen thousand penalty units or to imprisonment for a period not exceeding three years, or to both.

Part thirteen of the Act deals with miscellaneous items. They include registration of a Trade mark in a convention country; how to handle a jointly owned Trademark; regulations and a Trademarks journal. A trade marks journal is a vehicle for disseminating information about trademarks. Section 80 provides:

80. (1) The Minister may, when he deems fit, direct the publication by the Registrar of a journal, to be referred to as the Trade Marks Journal, containing particulars

of applications for the registration of trade marks and other proceedings or matters arising under the provisions of this Act, together with such reports of cases and other relevant matters as the Minister may deem fit.

The section has not made the publication of the Trade Marks Journal mandatory. Neither does it specify the frequency of the publication.. However, in practice the Zambia Patent and Trademarks Journal is published monthly as the official Journal of the Patents, Trademarks and Designs for the Zambia Patent Office. The last issue was volume XXXXIII, No. 09, 25th September, 2006. The Journal is published in line with the statutory requirements thus:

“The Zambia Patent and Trademarks Journal is the official journal of industrial property for the Zambia patent office. It incorporates the patent journal required by section 95 of the Patents Act and section 56 of the Registered designs Act to be published, and the Trademarks Journal, required by section 80 of the Trademarks Acts to be published.”⁴⁴

The publication is also in line with WIPO standards:

“ The Journal is published, as far as feasible, in conformity to WIPO standards ST.3,5, 9-11, 17 -20, 60 and 80 and other support standards issued by WIPO for publication of, or for presentation of industrial property...”⁴⁵

An important condition for advertising in the Journal is that no advertisement is accepted for publication unless it has been approved and carries proof of authorization by the Registrar of Patents, Trademarks and Designs.

In addition to this the Trademarks office should use any other means (electronic and print media) to publicize the Trade marks.

Part fourteen of the Act takes care of application and transitional provisions. It specifies that the provisions of this Act shall apply in respect of all trade marks, including trade marks registered before the commencement of this Act.

Part fifteen of the Act deals with Trademark agents. It covers matters such as registration of trademark agents; removal of names from the register; privileges of legal practitioners as patent agents; functions of trademark agents and entitlement to practice as trademark agents.

⁴⁴ GRZ, **Zambia Patent and Trademarks Journal** vol. xxxx 111, No. 09, 2006, p 274

⁴⁵ Ibid

From the foregoing summaries of the two Acts governing Patents and Trademarks one can safely say that on the domestic legislation we do have adequate provision for the protection of Patents and Trademarks in Zambia. A few areas that need strengthening are raising public awareness on Patents and Trademarks rights and making it mandatory for Patent users to carry out patent audits.

2.1 INTERNATIONAL PROTECTION OF IP RIGHTS

Both the Patents and Trademarks Acts refer to International provisions dealing with the protection of IP rights at that level. Part three of the Patents Act for example refers to conventions. This is a recognition that IP rights extend beyond one's geographical boundary. Like wise, the protection of IP rights must cross national boundaries.

The mother body responsible for protection of IP world wide is WIPO (World Intellectual Property Organisation. This intergovernmental organisation came into existence in 1967 and now operates as one of the specialized agencies of the United Nations system of organizations.⁴⁶

WIPO has set itself two main objectives:⁴⁷

- (i) To promote the protection of IP World wide.
- (ii) To ensure administrative cooperation among IP unions established by the treaties that WIPO administers.

The activities undertaken by WIPO in furtherance of its objectives include:⁴⁸

- (i) Normative activities, involving the setting of norms and standards for the protection and enforcement of intellectual property rights through the conclusion of international treaties
- (ii) Programme activities, involving legal technical assistance to states in the field of intellectual property
- (iii) International classification and standardization activities, involving cooperation among industrial property offices concerning patents, trademarks and industrial design documentation; and

⁴⁶ WIPO Summaries of Conventions, Treaties And Agreements Administered By WIPO p6

⁴⁷ Ibid

⁴⁸ Ibid

- (iv) Registration activities, involving services related to international applications for patents for inventions and for the registration of international marks and industrial designs.

Membership in WIPO is open to any State that is a member of the United Nations or any of its specialized agencies.

International protection of IP is achieved through conventions, treaties and agreements administered by WIPO. Numerous treaties on industrial property signed by member States are summarized in WIPO publication number 442E entitled: **Summaries of Conventions, Treaties And Agreements Administered by WIPO.**

Some examples of industrial property treaties are:

1. The Hague agreement Concerning The International Registration of Industrial Designs (1925). Presently there are three Acts of The Hague Agreement in force, the 1999 Act, the 1960 Act, and the 1934 Act. According to these Acts international registration may be obtained only by a natural person or legal entity having connections with a contracting party to any of the three Acts.⁴⁹

Under the 1960 and 1999 Acts an application for international registration must contain a list of the contracting parties in which the international registration is to have effect. The term of protection is five years subject to renewal.

The 1934 Act provides that once registered the registration extends automatically to all states parties to the 1934 Act, unless protection in any of those States is expressly renounced.⁵⁰

2. The Madrid Agreement Concerning The International Registration of Marks (1891) and The Protocol relating to that Agreement (1989).⁵¹ There are two treaties governing the system of international registration of marks.

(i) The Madrid Agreement (1891). The agreement has been revised several times the last one was in 1979.

⁴⁹ Ibid p12

⁵⁰ Ibid p13

⁵¹ Ibid p17

(ii) The Protocol relating to that agreement (1989). The aim of this protocol is to render the Madrid system more flexible and more compatible with the domestic legislation of certain countries which had not been able to accede to the agreement.⁵²

The Madrid system makes it possible to protect a mark in many countries that are contracting parties.

In order for a mark to be a subject of an international application it has to be first of all registered with the trade mark office of the contracting party. The advantages of the Madrid system are:

“ Instead of filing many national applications in all countries of interest, in several different languages, in accordance with different national procedural rules and regulations and paying several different fees, an international registration may be obtained by simply filing one application with the international Bureau (through the office of the home country) in one language (English, French or Spanish) and paying only one set of fees,

Similar advantages exist when the registration has to be renewed; this involves the simple payment of the necessary fees, every ten years, to the international Bureau. Likewise, if the international registration is assigned to a third party or any other change, such as change in name and or address, has occurred, this may be recorded with effect for all the designated contracting parties by means of a single procedural step.”⁵³

3. The Paris Convention For The Protection Of Industrial Property (1883)⁵⁴

The Convention applies to a wide range of industrial property: Patents, Trade marks, Industrial designs, Geographical indicators and so on.

The three main parts of the convention are:

- (i) **National Treatment:** with respect to the protection of industrial property, the convention provides that each contracting State must grant the same protection to nationals of other contracting States as it grants to its own nationals. In short no discrimination between nationals and non- nationals.

⁵² Ibid p17

⁵³ Ibid p 19

⁵⁴ Ibid pp 24 - 26

(ii) **The right of Priority:** This right means that once the applicant applies for protection in one of the contracting states, he may also apply for protection in any of the other contracting States. The later applications will have priority (hence the term 'right of priority') over others which were filed earlier by other persons for the same industrial property.

(iii) **Common rules:** The convention has rules for all contracting States.⁵⁵

Some examples are:

- Rules as to Patents: the inventor has the right to be named as such in the Patent.
- Rules as to marks: where a mark has been duly registered in the country of origin, it must, on request, be accepted for filing and protected in its original form in the other contracting States.
- Rules as to Trade names: the convention provides that protection must be granted to trade names in each contracting State without the obligation of filing or registration.
- Rules as to unfair competition: each contracting State is required to provide effective protection against unfair competition.

Apart from being party to the Paris convention, Zambia is party to the TRIPS Agreement.

The agreement confers rights on owners of IP to prevent all third parties to use the IP.

The TRIPS agreement is Annex 1C of the Marrakesh Agreement that established the World Trade Organisation (WTO). The agreement was signed in Marrakesh, Morocco, in 1994. The significance of the TRIPS agreement is that it sets out minimum levels of standards concerning IP in the form of trademarks, patents, copyrights, industrial designs, geographical indicators, integrated circuits and trade secrets.⁵⁶

The five broad issues covered by the agreement are:⁵⁷

- How basic principles of the trading system and other international intellectual property agreements should be applied
- How to give adequate protection to intellectual property rights
- How countries should enforce those rights adequately in their own territories

⁵⁵ Ibid pp 25 - 26

⁵⁶ Machemedze

- How to settle disputes on intellectual property among members of the WTO.
- Special transitional arrangements during the period when the new system is being introduced.

With regard to biotechnology, the TRIPS Agreement mandates 20year patent protection for all innovations subject to the normal tests of novelty, inventiveness, and industrial applicability. The TRIPS agreement also requires patents and patent holders to be granted National Treatment. This implies that a foreign product or company in a member state has to be treated the same way as a comparable product or company.

As a result of this agreement, the protection of intellectual property became an integral part of WTO.⁵⁷

The TRIPS agreement raises important questions for Africa in three main areas namely: Biopiracy, Farmers rights and Health and Pharmaceuticals.⁵⁸

In the biopiracy area, TRIPS does not guarantee the right of communities to control their natural resources. It does not recognize a community's ownership of resources it has tended for thousands of years. And yet, community ownership is a significant feature in Africa. A partial attempt to deal with this problem is the Convention on Biological Diversity (CBD). The Conventions is intended to prevent the theft of indigenous knowledge. Though this is a good gesture, the relationship between TRIPS and CBD is not clear. This still leaves indigenous communities across Africa vulnerable to manipulation by multinational corporations that can easily patent and profit from the knowledge of indigenous communities.

With respect to Farmers rights, the situation is sadly as bad as the community rights. The Farmers rights are not provided for under the TRIPS agreement. TRIPS does not allow farmers to save seed grown on their land for future use. This is contrary to other international agreements such as the Global Plan of Action for the sustainable use of Plant Genetic Resources for Food and Agriculture (GPA) and the International Undertaking on Plant Genetic Resources for Food and Agriculture. These two conventions provide for the right of farmers to save seed grown on their land for future use.

⁵⁷ ibid

In the Health and Pharmaceuticals area, TRIPS has included mechanisms intended to safeguard public health while respecting intellectual property rights. The important issue raised here in Africa is the economic and social cost of pharmaceuticals arising from patents on the same. In principle, the need to increase access to medicine in poor African countries is widely recognized but not the means to do so.

Multinationals involved in manufacturing medicinal drugs have taken advantage of the TRIPS Agreement to brand and patent their products so as to maximize their profits. The unsatisfactory result is high cost and unaffordable drugs for poor Africa! A viable solution to this is compulsory licensing and parallel import. This entails granting a license by a government or court to a third party to produce a generic version of a patented product. The patent holder is compensated through royalties from sales. Parallel import is importing a branded patented product without the approval of the patent holder.⁵⁹

What is the way forward for Africa? Thankfully the TRIPS agreement permits member countries to provide sui generis protection of plant varieties, excluding them from patenting. The African Union has taken a lead by drafting legislation intended to deal with problems of farmers and breeders' rights and biopiracy. What is needed though is for African governments to come up with laws that specifically cover issues such as: ⁶⁰

- Community Resource Rights regimes designed to economically empower communities to benefit from the resources biodiversity occurring within specific localized areas;
- Protection of indigenous knowledge systems, practices, innovations and technologies'
- Farmers' rights to conserve, save, exchange share, multiply and market farmers varieties and utilize them on a sustainable basis;
- Harmonizing and rationalizing the contradictions of the various international instruments using some elements from the African Union model legislation, which addresses issues, related to plant Breeders rights, Community Resources Rights, Farmers Rights and Access and Benefit Sharing in a broad framework.

⁵⁸ ibid

⁵⁹ ibid

⁶⁰ ibid

- On issues of drugs and public health, Governments, through their ministries of Health, Industry and Justice must formulate and or revise national patent legislation to ensure that public health needs are fully taken into account.

CHAPTER 3: RESEARCH FINDINGS

3.0 INTRODUCTION

This chapter seeks to discuss the main findings of the research carried out during October 2006.

In chapter one three questions were raised under the sub heading 'statement of the problem'. The questions were:

- To what extent are IP rights protected and promoted by private manufacturing companies in Lusaka?
- Do the private manufacturing companies carry out IP audits?
- Do the existing laws in Zambia protect and promote IP rights?

The objectives and hypotheses of the study were stated as follows:

OBJECTIVES AND HYPOTHESES OF THE STUDY

The specific objectives of the study were:

- To carry out an intellectual property audit survey in Lusaka focusing on industrial property (Patents, Trademarks, Industrial secrets).
- To establish the methods (if any) used by companies to promote and protect industrial property rights.
- To find out the extent to which the existing legislation adequately promotes and protects industrial property rights.
- On the basis of the findings of the study, to make recommendations on the status of intellectual property audit in Lusaka.

HYPOTHESES:

The following were proposed as the hypotheses:

- There will be marked variations in the promotion and protection of industrial property between local and foreign companies.
- The legislation is adequate but lacks enforcement.

3.1 RESEARCH METHOD AND CHALLENGES ENCOUNTERED

At inception, it was envisaged that the bulk of the data would be collected by administering a questionnaire and holding interviews with company officials.

With this in mind a questionnaire (see appendix) was drafted.

Thirty seven private manufacturing companies were visited by the researcher over a period of two weeks. Out of these, only twelve willingly filled in the questionnaire and answered verbal questions. The rest had the courtesy to look at the questionnaire then politely refused to answer any question. The common reasons for refusing was that it was company policy not to divulge information about the company in the absence of authority to answer questions. It seems in some companies giving information to the public is the prerogative of the chief executive officer. Such officers are so busy that they can hardly have time to attend to a student's questionnaire. The same officers were reported to be out of town for the next two weeks or so. '.....so come after next week or next month...' or what ever they think can put you off. The general attitude of company officials toward academic research activities conducted by outsiders is negative. They will use any pretext to send the researcher away with out providing the relevant data.

The other problem encountered was lack of awareness of what IP rights were, and in particular, what IP audit was all about. In some companies the researcher was sent to the company auditors to see whether they would answer the questions while in others the researcher was tossed between human resource officers and accounts personnel. Either way these were not very helpful. In one large company they had a legal counsel who was very knowledgeable and helpful. It seems, as expected, legal counsel are very conversant with IP rights. The researcher also noted a general absence of legal counsel in almost all companies visited. Does this mean the officer is irrelevant? Or are companies trying to cut costs by dispensing with the office of legal counsel? The latter seems more plausible. Informal chats with some of the company officials helped to dispel the fears that they had about IP audit research. Some officials realised the value of IP after being enlightened and willingly filled the questionnaire.

The companies targeted were all manufacturing industries. The products produced include beer, furniture, beverages, footwear, industrial chemicals, pharmaceuticals and cookware.

3.2 RESULTS OF THE RESEARCH

The results presented here are based on the questions raised under the statement of the problem and the hypotheses.

- To what extent are IP rights protected and promoted by some private manufacturing companies in Lusaka?

Question five and six on the questionnaire were designed to solicit data on the promotion and protection of IP rights among the manufacturing companies. The data collected shows that 90% of the sampled companies have a trademark; 18% have a patent and less than 1% have industrial secrets. From these figures trademarks seem to be the most popular IP. The most widely used method of protecting the IP is to register with the Registrar of Patents and Trademarks. About 73% of the sample used this method of protection.

The second method used to protect IP is through advertising the trademark. Though this is popular on company products, less than 1% of the sample indicated that they use this method to protect their IP. By raising awareness of the Trademark, the General Public begins to identify a particular trademark with a named company. This way any infringement may be easy to notice. Zambia Breweries for example runs adverts which promote their trademark thus:

‘ Truly Zambian Beer’ and ‘ Mosi, Great nights, Great mornings, Great beer’. These help to single out the beer produced by the company. Of course such slogans have to be registered if at all the company is to have exclusive rights to use them.

Mazoe Orange Crush advertise their trademark on each of their products thus:

“Mazoe Orange Crush. Bottled by Invesco Ltd, Ndola Zambia, under authority of Schweppes Holdings Ltd. Mazoe crush is a registered Trademark of Atlantic industries.”

Insofar as 73% of the sampled companies have registered their trademarks, we can conclude that to a large extent IP rights are legally protected via registration with the Registrar of Patents and Trademarks. Promotion of IP is done indirectly by having the trademark on company products.

From the results of this study, Patents and industrial secrets are not popular as IP among the companies surveyed. Ignorance by company officials could account for low

recognition of these types of IP. Informal conversations with some company officials revealed appalling ignorance and sheer lack of concern for these IP assets among the sampled companies. The solution here lies in raising awareness of patents and industrial secrets as valuable IP. Who will do this? The onus is on the users of IP.

As far as these two forms of IP (patents and industrial secrets) are concerned they are not widely promoted and protected. Perhaps some of the manufacturing companies just operate under license, as the Invesco Company quoted above. They may not have their own inventions and trade secrets to protect. This aspect ought to have been thoroughly investigated.

If a company operates under license, it has to follow certain agreements. WIPO has provided guidelines on technology licensing. Put simply, technology licensing, means an agreement between parties who receive and exchange approximate benefits and value. According to WIPO, there are five simple ideas that go with technology licensing.

- First: Technology licensing only occurs when one of the parties owns valuable intangible assets, known as intellectual property. The owner has the legal right to prevent the other party from using it. The owner gives consent to the use of IP in exchange for money or something else of value.
- Second: There are different kinds of technology licenses. Some licenses are for certain IP rights only. For example a license to copy and distribute a certain work of authorship. Some licenses may be for all the IP rights of any kind. For example a license to develop a new software product protected by trade secret, patent, and copy right law.
- Third: Technology licensing occurs in the context of a business relationship in which other agreements are often important. The agreements are interrelated.
- Fourth: Technology licensing negotiations, like all negotiations, have sides(parties) whose interests are different, but must coincide in some ways. Both sides of the negotiation should have an element of value to offer.
- Fifth: Technology licensing involves reaching agreement on a complex set of terms.

These guidelines are available in a WIPO publication entitled: **Successful Technology Licensing.**

Under the Zambian Law patents are promoted and protected by registration with the registrar of Patents and Trademarks office and publication in the Patents journal.

EMPLOYMENT AGREEMENTS

Another method of protecting IP assets is by employment agreements with relevant workers. Forty two percent of the sampled companies indicated they do have employment agreements with relevant employees and that these are periodically reviewed. Sadly, fifty eight percent of the sample did not have employment agreements.

Any serious manufacturing industry must take stock of internal documentation and security procedures that best protects their inventions and trade secrets. This entails having employees to document and report the progress of their work for those involved in research related activities. Employee agreements could also be used to safeguard access to information that could be used to injure the company in the event that a former employee joined a rival company.

As highlighted in the literature review section of this essay, a typical employment agreement would include among other things:

- An undertaking by the employee to assign his entire right, title and interest in and to all inventions, improvements or discoveries during the period of his employment in the firm.
- An undertaking to promptly disclose the inventions, improvements and discoveries to the IP department or any designated person.
- An undertaking not to engage in any employment other than with the company and not to disclose any trade secrets or confidential information acquired during the course of employment.
- An undertaking not to disclose any trade secrets acquired elsewhere.

In the light of these points for protecting IP via employee agreements, it is regrettable that 58% of the sampled companies do not have employment agreements. This suggests that this form of IP protection is not widely practiced. Among the 42% of the companies that

reported carrying out IP audits, were well established companies that seem to appreciate the value of IP and are beneficiaries of the same.

FREQUENCY OF EMPLOYMENT REVIEWS

Among the companies sampled the frequency of review of employment agreements ranges between one and two years. For some companies the reviews are at the same time as the annual audit of the company property. The literature reviewed in this essay suggests that the appropriate times for IP audits include:

- Before a significant acquisition of technology
- In the early stages of a company's formation to institute systematic procedures for protecting and perfecting intellectual property rights.
- At critical junctures in a company's life cycle.
- In conjunction with the development of or acquisition of a new product.
- When there is a change in or new development in law.

For manufacturing industries that do not value IP all these suggested times are irrelevant.

HOW ARE IP AUDITS DONE?

The aim of this question was to determine how manufacturing companies carry out their IP audits. According to the survey results, less than 1% of the respondents carry out IP audits when all company assets are audited. A similar percentage indicated that IP audits are by way of market surveys and visiting the Registrar of Patents and Trademarks.

The first method is in tandem with what most major manufacturing companies do. IP audits are not treated separately from the audit of all company assets. This task is carried out by company auditors or accounts personnel. The literature review section suggests three possible persons to carry out IP audits:

- In house personnel: a company may have conversant personnel who can do the audit.
- In house counsel: if a company has a legal counsel it can involve her because the work to be done is of a legal nature.
- Outside counsel: a company may want to engage an outside counsel who has expertise in intellectual property audit.

From these it appears IP audits are undertaken by legal counsels. This type of personnel is sadly not readily available in the sampled manufacturing companies. The results

obtained from the questionnaire are different from what the literature reviewed suggest. This is due to the notable absence of legal counsel in the sampled companies. It seems there is a serious lack of expertise to carry out IP audits.

DO THE EXISTING DOMESTIC LAWS PROMOTE AND PROTECT IP RIGHTS?

Chapter two of this essay discussed the legislation that seeks to protect IP in Zambia. The two statutes referred to are: The Patents Act (Cap 400) and the Trademarks Act (Cap 401). The chapter not only discussed but answered the question raised here. Some extracts of the chapter and the answer to the question are summarised here.

The Patents Act provides for inventions and other purposes incidental thereto. Section 6 in particular provides thus:

6. (1) There shall be kept at the Patent Office a register of patents, in which shall be entered-
- (a) particulars of patents in force, of assignments and transmissions of patents and of licences under patents; and
 - (b) notice of all matters which are required by or under this Act to be entered in the register and of such other matters affecting the validity or proprietorship of patents as the Registrar thinks fit.

The Law makes it mandatory to register a patent with the Registrar of Patents as a way to protect such IP.

Part three of the Patent Act deals with internal provisions and covers matters like: convention arrangements, convention applications, special provisions as to vessels, aircraft and land vehicles, protection of inventions communicated under international agreements and ARIPO patents. ARIPO means African Regional Industrial Property.

The importance of part three is that it provides protection for an invention in other countries that are party to conventions.

Part five, provides for three things viz. grant, effect and term of the patent. It covers matters like the grant of a Patent, the term of the patent, renewal of the Patent, extension of the patent and the use of the Patent invention for services of the state.

Part seven covers Patent infringements. The onus of enforcing infringements is placed upon the Patent owner or Licensee as provided by section 53. The offences and penalties are found in part twelve.

The Trademarks Act provides legal protection for trademarks. The Act makes provision relating to the registration of Trade Marks and for other purposes incidental thereto.

Section 6 is very instructive on the registration of Trade Marks:

6. (1) There shall be kept at the Trade Marks Office for the purposes of this Act the record called the register of trade marks wherein shall be entered all registered trade marks with the names, addresses and descriptions of their proprietors, notifications of assignments and transmissions, the names, addresses and descriptions of all registered users, disclaimers, conditions, limitations and such other matters relating to registered trade marks as may be prescribed.

The third part covers the registration and the action for infringement. Among the issues covered are: no action for infringement of unregistered trademark; registration to be in respect of particular goods and infringement of rights.

From the forgoing summaries of the two Acts governing Patents and Trademarks one can safely say that on the domestic legislation we do have adequate provision for the protection of Patents and Trademarks in Zambia. A few areas that need strengthening are raising public awareness on Patents and Trademarks rights and making it mandatory for Patent users to carry out patent audits.

Public awareness is currently undertaken through a monthly journal published by the Patents office. The interested parties for this journal that currently sells at K4000 per copy are IP holders and not the public in general. In raising public awareness, there is a need to go beyond this.

HYPOTHESIS

The proposed hypotheses were thus:

- There will be marked variations in the promotion and protection of industrial property between local and foreign companies.
- The legislation is adequate but lacks enforcement.

The first hypothesis was based on the assumption that the sample would include many local and foreign manufacturing companies. As it turned out, only 16.6% of the companies sampled were foreign while the rest were local.. Earlier in this chapter, it was observed that 66% of the sampled companies protect their IP by registering with the Registrar of Patents and Trademarks. Granted that registration is a statutory requirement, there are no marked variations between local and foreign companies in this form of protection of IP. A few companies, both local and foreign, also have employment agreements and advertise their IP as additional protection. Public awareness is an importance means of protecting IP. The additional protective measures did not show any significant variation between local and foreign companies. Perhaps the result could have been different had the sample been larger. Another important factor is the size of the company. Large companies, such as Zambia Breweries, are more likely to promote and protect their IP than small companies due among other things to costs involved.

The second hypothesis was that: The legislation (for protecting IP) was adequate but lacked enforcement. In chapter two the main features of the Patents and Trademarks Acts were highlighted. As far as domestic protection of IP is concerned, Zambia has adequate provisions. But other than simply requiring companies to register their IP with the Patents office, and providing for raising awareness of Patents rights, the Acts should make it mandatory for companies to carry out IP audits annually and submit reports to the Patents office.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATIONS

THESIS OF THE ESSAY

In this essay, the significance of IP has been made. Creators of IP have rights and must benefit from their creation. In order for this to occur, IP should be promoted and protected. The compelling reasons for so doing have been stated as follows:

- The advancement and wellbeing of humanity depends on its capacity to create new things in the areas of science and technology and culture.
- When intellectual property is protected, it encourages further innovation in that the owners or creators of intellectual property will be willing to invest in it knowing fully well that their property has legal protection.
- The promotion and protection of intellectual property steers economic growth, creates new jobs and industries and enhances the quality and enjoyment of life. Intellectual property has the potential to stimulate economic development and social and cultural wellbeing.

Serious investors will rarely invest in countries where IP rights are not enforced. They will not benefit from their investment as their products will be unscrupulously produced and sold. The country as whole may lose FDI.

Any company that deals with IP must determine the status of its IP assets, i.e, carry out periodic IP audits. Measures must then be put in place to promote and protect IP assets.

As IP is valuable to both the business community and society in general, there is a need to create an IP culture. In developing countries like Zambia creating an IP culture entails pursuing a pro active policy. This, as Kamil has pointed out, means starting with:

- An IP audit to assess the current status of IP assets;
- The preparation of a national IP strategy, integrated with scientific, cultural, trade, economic and educational policies;
- Incentives and awards for inventors and authors, as well as for societies and collective organizations that develop and use IP assets.

With all these points in mind this research sought to:

- Examine the extent to which IP rights are promoted and protected by private companies in Lusaka.
- Explore whether or not the private companies in Lusaka do carryout IP audits.

- Establish the adequacy of the domestic laws in promoting and protecting IP rights.

The research findings are as follows:

- Most companies have a Trademark while very few have a Patent. The most common method adopted for promoting and protecting the IP is by statutory registration followed by raising public awareness via advertising and through employment agreements.
- There is a serious lack of expertise to carryout IP audits in the manufacturing company. Consequently, IP audits are not widely carried out.
- There are adequate provisions for the protection of IP. The acts governing Patents and trademarks provide adequate protection of IP assets.
- There were marked variations in the promotion and protection of IP between local and foreign companies.
- The patents and trademarks journal is the main vehicle used by the Patents office to publicise the Patents and Trademarks in Zambia.

CONCLUSION

IP audits are not widely practiced among the private manufacturing companies. This is partly due to lack of expertise in the field and lack of awareness of IP audits. What many companies do is to fulfill the statutory requirements of IP, i., register with the Registrar of Patents and companies. This is not enough as there is a potential for huge losses if a company ignores its intellectual properties. For this reason a business should consider at least performing an informal intellectual property audit to determine an appropriate level of management and protection of the property.

The most common industrial IP assets protected by registration are Trademarks.

RECOMMENDATIONS

- On the basis of the findings of this study, there is a need to raise the IP awareness among the private manufacturing companies and the general public at large so as to create an IP culture. To achieve this, a proactive approach is recommended.
- There is a need to raise awareness specifically for IP audits among the manufacturing companies. It is recommended that IP audit should be a compulsory part of the audited accounts of the companies.

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APPENDIX

QUESTIONNAIRE ON INTELLECTUAL PROPERTY AUDIT

INTRODUCTION

In fulfillment of the requirements for the completion of the Law Degree at UNZA every final year student is required to undertake an investigation leading to the writing of an Obligatory Essay. It is for this reason that I am undertaking a survey of intellectual property audit in selected manufacturing companies in Lusaka. Please help me by answering the questions below.

1. Name of the company
2. How long has the company been operating in Zambia?
3. Is the company local or foreign
4. What is the main line of business for the company?
.....
.....
.....
5. Does the company have any of these Intellectual property assets? (a) Trademark (b) Patent (c) Industrial secrets. Tick what is appropriate.
6. How does the company promote and protect its intellectual property?
.....
.....
.....
7. Does the company have employment agreement with relevant workers concerning its intellectual property assets?
If so how often does the company review such agreements?
.....
.....
8. Does the company carry out intellectual property audit?
9. If so how often does the company carry out such audits?
10. How does the company carry out the intellectual property audit?
.....
.....
.....

Thank you for your co-operation.