BIZCOMMUNITY

Death and trade marks: How IP can be divided and transferred to heirs

By Dina Biagio and Jan-Gerhard Oosthuysen

22 Jun 2022

Death and taxes are inevitable, but how do intangible assets such as trade marks, copyrights and other forms of intellectual property and their related income streams, transfer to heirs in a deceased person's estate? Immovable tangible assets are usually foremost considerations when drafting a last will and testament, but intangible assets, such as intellectual property, are often overlooked. Like immovable property, intellectual property has the ability to continue to generate an income stream after the owner's death, and if managed correctly, some forms of intellectual property, such as trade marks, may appreciate in value over their lifespan.

For example, the legacy that author of the Harry Potter series, JK Rowling, will leave behind will endure long after her death, but what happens to the copyright that has formed the foundation for the more than £800m that she is estimated to be worth? Copyright subsists automatically (without the need for registration) in a work resulting from the skill and labour of the author. The copyright in Rowling's literary works will expire 50 years after her death – a comparatively long period for intellectual property rights.

The market value and the mechanisms by which intellectual property in all of its forms, will transfer to an heir, are usually not considered in any detail in a will.

Registered rights

An owner's rights in a patent, design registration or a trade mark registration, which entitles him to the exclusive use of an invention, design or trade mark, are recorded in registers at the Patent, Designs and Trade Mark Office. The respective statutes governing these forms of IP provide for them to devolve to heirs by operation of law. A letters patent, design or trade mark registration certificate are, in this way, analogous to a title deed for an item of immovable property. Much like with immovable property, the heir must be recorded as the new proprietor in the relevant IP register. The rights will not be enforceable by the new proprietor until this step has been taken.

Copyright

Devolution of copyright, although unregistered, is also specified by our copyright legislation to be assignable by testamentary disposition. Furthermore, it may be 'sliced and diced' so as to apply to only some of the acts which the owner of the copyright has the exclusive right to control, or to a part only of the term of the copyright, or to a specific country or other geographical area. In this sense, copyright can be thought of as a bundle of discreet and separable rights to prevent different things, in different areas for different periods of time.

It would therefore be possible, for example, to dispose in a testament, of some rights of copyright in a particular work (such as an artistic, literary or musical work or a computer program) to one heir for a first territory and to another heir for a second territory. It would also be possible to dispose of the right to licence others to perform a work (eg. a musical work) to one heir but the right to reproduce and distribute copies of the work, to another heir. Similarly, one heir could inherit the right to use and adapt a work (eg. a computer program) but not to license others to do so (which may be the exclusive right of another heir).

Know-how and trade secrets

The devolution of common law rights in know-how (such as trade secrets) are at best, uncertain.

The nature and transferability of rights in know-how (ie. information which is not generally known or readily ascertainable) are not regulated by statute. While an action for unlawful competition would certainly be possible under common law, the requirements, circumstances, or conditions which bestow such a right on a plaintiff are not as clear. Would a plaintiff have a protectable interest in know-how only if they created the know-how? What of circumstances where they arranged for and paid someone else to create it? Would acquiring knowledge of it legally entitle them to enforce rights in the know-how?

When adjudicating on the issue of unlawful competition, our courts have relied heavily on public perception and the mores of the community on what constitutes fair and just. A dilemma that might present itself is what would happen if a plaintiff, purporting to have acquired knowledge of and rights in know-how, in the form of a bequest, institutes legal proceedings for misappropriation of this know-how. Is an heir entitled to institute such proceedings even though it is common cause that it was the deceased's know-how on which a claim would be based?

In *Schultz v Butt [1986]* (A), the court stated the following when considering the unlawfulness of the defendant's actions:

> *"In South Africa the legislature has not limited the protection of the lawin cases of copying to those who enjoy rights of intellectual property under statutes. The fact that in a particular case there is no protection by way of patent, copyright, or registered design, does not license a trader to carry on his business in unfair competition with his rivals. In my viewthere is not in the present case any sufficient countervailing public interest to displace one's initial response to Schultz' methods of competition."*
>
> It would appear that, even if there are no registered rights protecting the know-how and no legislation governing the devolution of these rights to an heir, a regard for the public interest may still prevent unfair use of the know-how by another person, in competition with the heir.

Unregistered trade marks

It is generally accepted that common law rights in trade marks (ie. rights in trade marks that are used but not registered) form part of the goodwill of a business and are only transferable as part of the business that used the trade mark and established the reputation.

Generally, the owner of common law rights in the trade mark is entitled to prevent passing off by others. To succeed in a passing off action, the trade mark must have an established reputation and the use by another person of the same or a similar mark must be the cause of confusion in the market (ie. the products/services of a competitor are being associated with the trade mark by consumers).

If a deceased operated a sole proprietorship in association with an unregistered trade mark and an heir took over this business, they may not immediately be entitled to institute a passing off action. It is unclear whether the goodwill of a sole proprietorship (including common law rights in an unregistered trade mark) transfers to an heir by testamentary disposition. This is one more good reason to register your trade marks!

Conclusion

In summary, you may not have copyrights as valuable and significant as JK Rowling, but it may still be worth considering how your intellectual property rights should devolve to your heirs and taking steps now, such as registering unregistered rights or ceding unregistered rights expressly while alive, to ensure that this transfer is as simple and certain as possible.

ABOUT THE AUTHOR

Dina Biagio, Partner, and Jan-Gerhard Oosthuysen, Associate, at Spoor & Fisher