INTELLECTUAL PROPERTY FEATURE

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INTRODUCTION

What do the words Intellectual Property conjure up? The answer will undoubtedly be somewhat different depending on where you sit.

Intellectual Property Law is seen by many people as the “sexy” area of law (sorry M&A practitioners). And it is not hard to see the attraction, particularly for the general public whose imagination it captures.

There is the quirky side to IP – inventors who themselves believe their mix of some very weird ingredients will produce gold, or diamonds; that they really can produce a time machine or miracle pills for weight loss. The job of the IP practitioner in instances like this must be a test in diplomacy and patience.

There are the fascinating big buck cases. Many people will know of Christian Louboutin’s legal trade mark battles to protect his brand’s famously recognisable red sole shoes (which start at around £545 in London). The red soles apparently date back to 1992 when he painted a sole with nail varnish borrowed from one of his assistants.

Recently fashion, science and the environment have provided a different focus for the London Fashion Week. It is said that in the UK, a million tonnes of clothing is discarded and lands-up in landfills each year. The demand that products focus on diminishing their impact on the environment is increasing. Two leather-like products, one made from pineapple leaf fibre, and the other from the underground structure of mushrooms, are protected by various patents but Gillian Taylor of Reddie & Grole LLP writes that surprisingly few inventors of innovative materials appear to apply for patent protection. She comments that in an industry with a focus on branding, copyright and design rights, there appears to be a lack of awareness and understanding of the importance of patents.

Music is a sensitive area. I am sure I am not alone in wondering if I can hear a phrase from a classical 18th century piece of music in a 21st century song. After hundreds of years it must be quite difficult not to unknowingly include a phrase that is already out there. There is a considerable amount of money to be made, and lost, and it would appear that infringement is not clearly defined in music copyright law. In the fairly recent case involving Robin Thicke’s song “Blurred Lines” which he and Pharrell Williams wrote, it was found that musical passages had been lifted from Marvin Gaye’s song “Got to give it up”, to the benefit of his children who received over $5 million. And this year Katy Perry was ordered to pay Flame, a gospel rapper, $550,000 of her own earnings from her song “Dark Horse”. A US court awarded $2.7 million to the rapper and Perry’s label, Capitol Records, was ordered to pay the balance. Her lawyers said if the case is not dismissed pending a defence motion they will appeal.

And there is so much more – pharmaceutical patents that are set to expire – deals that are done to delay generic medicines reaching the market place; who will own an AI invention – man or machine; the need for patent systems to keep up with technological change. The World Intellectual Property Organization (Wipo) reports that 3.17 million patent applications were filed in 2017 (6% up from 2016); patent applications in Asia amounted to two-thirds of all application – with China having the greatest number; and over 50% of all patents related to AI have been published since 2013.

This is just a taste of what this field of law involves.

A further glance into the world of IP is provided by the writers who contributed articles for this feature. You will undoubtedly find this as fascinating as I did.

Myrle Vanderstraeten
PASSING OFF ON THE PAST

TARYN SIMPSON, LOGENDREE PILLAY AND JOEL MORRISON

Over time and for purposes of developing strong brands, brand owners may elect to effect changes to the get-up of their products. But hypothetically, what would happen if another trader uses parts of its rival competitor’s past get-up? Will our courts afford protection to such a plaintiff in these circumstances and if so, what will be the considerations?

A current answer to this question was provided in Beiersdorf AG v Koni Multinational Brands (Pty) Limited (85102/2017) [2019] ZAGPJHC 10; 2019 (4) SA 553 (GJ) (Nivea case) discussed further in this article.

Unpacking passing off

Passing off is a form of unlawful competition, which may be described as the conduct of a trader in the market place that represents to the public either directly or perhaps even indirectly, through such a representation, that its enterprise, merchandise, or services are that of its competitor (Paraphrased from the case of Adcock-Ingram Products Limited v Beecham SA (Pty) Ltd 1977 (4) SA 434 (W)).

Recognised forms of passing off, include (a) the unauthorised use by a trader of a competitor’s trade name (Brian Boswell Circus (Pty) Ltd. and Another v Boswell Wilkie Circus (Pty) Ltd (82/85) [1985] ZASCA 64; [1985] 2 All SA 512 (A); (b) the imitation of a rival’s get-up or the packaging of its product (Adcock-Ingram Products v Beecham 1977 (4) SA 434 (W)); and (c) unauthorised use of a rival’s trademark (Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v. United Tobacco Co Ltd t/a Willard Foods 1992 (4) SA 118 (A). [22].

To be successful in a claim for passing off, a plaintiff must prove – reputation; likelihood of deception; and damages likely to be suffered (Paraphrased from Pioneer Foods (Pty) Ltd v Bothaville Milling (Pty) Ltd [2014] 2 All SA 282 (SCA).

Summary of the Nivea case

In the Nivea case, Beiersdorf applied for an interdict against Koni, contending that Koni deceived consumers with their Connie Body Care Men Active Shower Gel get-up, which was similar to that of Nivea.

Koni’s defence was that Nivea’s get-up had changed over time and the Nivea get-up closest to the Connie get-up had been discontinued before Connie entered the market.

Beiersdorf’s argument, however, was that “… the Connie get-up has borrowed from the applicant’s stable of distinctive logos and features, both past and present, so as to create a composite which is deceptive to the average consumer”.

The court assessed the similarities between these two get-ups, such as the colour combinations, the colour of descriptive wording, the use of a wavy graphic feature, as well as the size of the two containers.

In the Nivea case, the court considered two very well established authorities on this subject: Adidas Sportschufabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd [1976 (1) SA 530) where, the court held, “…the use of the different names in this case is insufficient to negate the deceptive effect on the buying public of the conspicuous similarities in the appearance of the respective goods of the plaintiff and the defendant”.

Plascon-Evans Paints Ltd v Van Riebeck Paints (Pty) Ltd (1984  (3) SA 623 (A)), which “…dealt with the fact that consumers are subject to imperfect memory and general impressions in the manner in which they make their associations as to brand”.

The court ruled in Beiersdorf’s favour, stating that: “The memory in the market place of past get-ups can, in some circumstances, create associations which endure, and which can outlive changes in get-up and rebranding.” Koni was ordered to stop passing off its product as that of Beiersdorf and that all trade marks contributing to this effect should be removed.

What about the treatment of parts of a get-up being passed off? The court held that “parts of a get-up, if having the necessary distinction in relation to a particular mark or brand, can suffice to create confusion and that it matters not that the use of such parts has been discontinued”.

Critical analysis
Some key considerations which lawyers involved in any rebranding exercise would do well to consider are:

How far removed is the associative memory of the consumer from the old get-up versus the new one? The Nivea case had some interesting wording on this point, “...can, in some circumstances...”. This seems to suggest that there could potentially be circumstances whereby the court may find there to be no associative memory.

Perhaps where the re-branding is extensive, the links (distinctive characteristics) between the components of the old and new branding may be harder to prove. Nivea was fortunate in this regard as it was able to show these links in its brand which endured rebranding over time.

What is the position of the "ordinary purchaser"? It is worth mentioning that in South African passing off cases, our courts have considered the principle of the "ordinary purchaser" (Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd) [286/2000] [2001] ZASC 62; [2001] 4 All SA 235 (A), whereby he or she would not do an extensive comparison at the time of purchasing. Furthermore, some merchandise, as with Nivea, may even be an impulsive purchase.

Whilst re-branding may be a constant, this article’s objective is to shed light on how to protect old get-ups from the attempts of those who wish to pass them off as their own. Ultimately, it will be up to the courts to consider whether the criteria for passing off has been proven by a plaintiff.

Simpson, Pillay, Morrison are Legal Counsel with Absa.

“COME ON TWIST AND SHOUT NOW!” – A PERSPECTIVE ON COMPOSITE TRADE MARKS

W I M A L B E R T S

A trade mark can consist of various elements, a single word - or more; a device, a colour, a combination of these. In general, one must take a mark as one finds it. However, a trade mark attorney charged with securing the registration of a mark, or the avoidance of an infringement action, might contemplate the addition of a house mark or another mark to a less distinctive mark. The question considered in this article is what the significance of the permutations can be.

Overview of case law
European law
A leading case is that of the then European Court of Justice (ECJ) in Medion AG v Thomson Multimedia Sales Germany & Austria GmbH [2006] ETMR 13. This matter concerned article 5(1)(b) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks. This provision reads:

“The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

... (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.”

The plaintiff’s mark was LIFE and that of the defendant THOMSON LIFE. The matter was referred to the ECJ for an opinion. The referring court essentially asked, as stated by the ECJ, whether article 5(1)(b) of the directive is to be interpreted as meaning that where the goods or services are identical there may be a likelihood of confusion on the part of the public, where the contested sign is composed by juxtaposing the company name of another, and a registered mark which has normal distinctiveness, and which, although it does not determine by itself the overall impression conveyed by the composite sign, has an independent distinctive role therein (para 18).

The court stated that a global assessment must be undertaken, and that the perceptions of consumers are important (para 27-28). It made the following important statements:

“29. In the context of consideration of the likelihood of confusion, assessment of the similarity between two marks means more than taking just one component of a composite trade mark and comparing it with another mark. On the contrary, the comparison must be made by examining each of the marks in question as a whole, which does not mean that the overall impression conveyed to the relevant public by a composite trade mark may not, in certain circumstances, be dominated by one or more of its components...

30. However, beyond the usual case where the average consumer perceives a mark as a whole, and notwithstanding that the overall impression may be dominated by one or more components of a composite mark, it is quite possible that in a particular case an earlier mark used by a third party in a composite sign including the name of the company of the third party still has an independent distinctive role in the composite sign, without necessarily constituting the dominant element.”
British law

How successful is the strategy mentioned in the introduction though? Aspects of this dilemma featured in the SMARTWEALTH decision of the United Kingdom Registry (https://www.ipo.gov.uk/types/trm/t-os/t-find/t-challenge-decision-results/o09418.pdf). The mark in question was UBS SMARTWEALTH in class 36. An opposition was lodged in terms of s5(2)(b) of the Trade Marks Act, 1994 on the basis of the mark WEALTHSMART in class 36. The section deals with the likelihood of confusion. In response to this allegation by the opponent, the holder filed (paragraph 4) a counterstatement denying the ground of opposition and stated:

- The holder claimed that the SMARTWEALTH element of the contested mark is a coined term and “a distinctive mark in its own right”;
- The UBS mark is a world-famous trade mark for financial services;
- The inclusion of the UBS house mark conveys information to consumers about the commercial origin of the services being offered and, as a result, the respective trade marks are conceptually dissimilar and distinguishable;
- Compared as wholes, including the reversal of WEALTHSMART to SMARTWEALTH, the respective marks are dissimilar.

The court found (paragraph 48, own emphasis) as follows:

“Taking all the relevant factors into account, I find that there is a likelihood of indirect confusion if the marks are used in relation to identical services, i.e. of consumers familiar with one of the marks mistaking SMARTWEALTH for WEALTHSMART, or vice versa, and the presence/absence of UBS not being sufficient to distinguish the providers of the services. In particular, a significant proportion of average consumers may be confused into believing that the user of the WEALTHSMART mark is connected with the services provided under the contested mark, for example as an agent or as a delivery partner.”

The inclusion of the UBS mark did thus not have any impact. In a case that also considered this issue, the marks “Decon” and “Decon-Ahol” were found to be identical (Decon Laboratories v Fred Baker Scientific [2001] RPC 293). A similar conclusion was reached in relation to the marks “Vantage” and “Vantage Rewards” in AAH Pharmaceuticals v VantageMax (2003) ETMR 18.

South African law

The question that arises again is what the relevance of the addition of a (famous) mark to another mark is? This issue arose in PepsiCo Inc v Atlantic Industries [2017] ZASC 109, and this seemingly simple question took decisions from (indirectly) the Registrar, a single judge, a full bench, and the Supreme Court of Appeal to be finalised. The ruling of the latter is discussed below.

PepsiCo is the proprietor of the registered marks PEPSI and PEPSI-COLA. Atlantic is the registered proprietor of the marks TWIST, LEMON TWIST, and DIET TWIST. PepsiCo applied for registration of the word mark PEPSI TWIST, and a device mark incorporating the words PEPSI TWIST. Atlantic opposed the applications. PepsiCo in turn applied for the expungement of Atlantic’s marks. The expungement application was based on s10(2) (a) and (b) of the Trade Marks Act (194 of 1993). The essence of the attack revolved around the contention that the word “twist” is a common English word which is merely descriptive of the kind, quality or characteristics of the goods to which Atlantic’s marks relate and is not inherently capable of distinguishing its beverages from those of other proprietors. In support of these averments PepsiCo relied on a dictionary which contains, among the meanings of “twist” as a noun, “a curled piece of lemon etc. peel used to flavour a drink” and “a drink consisting of a mixture of two different spirits or other ingredients, such as gin and brandy etc” (para 6).

The court did not accept this view. It was said that people familiar with cocktails may know that “twist” can mean a curled piece of citrus peel though the word would not be so used in isolation – one would speak of “a twist of lime peel” etc. “Twist” in this sense would at most create a mental association between the word and a refreshing or exotic drink”. (para 7).

The court then (para 8) made the important statement that it is:

“[It]probable that for most South African consumers the word ‘Twist’ as applied to Atlantic’s beverages is an arbitrary brand name without meaning,
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Like a made-up word, a common word which is arbitrary when applied to a particular product is the exemplar of a mark inherently capable of distinguishing. Such words are to be contrasted with descriptive words."

The mark TWIST, as applied to soft drinks, was consequently found to be inherently capable of distinguishing Atlantic’s beverages from those of other producers. Its registration was not precluded by it being purely descriptive (para 13).

The court specifically considered s10(14) as a ground of opposition. It was mentioned that the mark PEPSI TWIST is not identical to Atlantic’s registered marks. Consequently, the question arises is whether there is sufficient similarity to create a likelihood of deception or confusion (para 17).

The relevant test was stated (para 20, own emphasis) to be:

“In testing for deception and confusion, courts will usually identify the features, if any, of the respective marks which are dominant. If they share a dominant feature, there is ordinarily a greater likelihood of deception or confusion. As recently affirmed by this court, in the global assessment of the marks ‘the visual, aural and conceptual similarities of the marks must be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components’.”

In accepting the correctness of the Medion decision, the court ruled in favour of Atlantic.

To cut to the chase, the outcome of the case was inevitable. That is said though with an emphasis on the nature of the mark TWIST. In relation to this mark the court stated that “I content myself by saying that there is overwhelming evidence that Atlantic and its predecessors have used TWIST widely as a trade mark on millions of cans and bottles of soft drinks and through substantial advertising expenditure.” (paragraph 13). Use does not equal distinctiveness, but even so.

TWIST might in fact be a famous mark in a dilution context. And therein lies the rub. All men might be created equal, but all registered marks are not equally distinctive. Leaving aside famous marks and focusing on ordinary marks, it might be apposite to have regard to the concepts of weak and strong marks. These concepts are well-established in practice (see the United States Patent and Trademark Office, https://www.uspto.gov/trademarks-getting-started/trademark-basics; the European Intellectual Property Office https://euipo.europa.eu/knowledge/course/view.php?id=2408; and INTA, http://www.inta.org/TrademarkBasics/FactSheets/Pages/TrademarkStrengthFactSheet.aspx), and amongst academic writers (Ouellette “The Google shortcut to trademark law’ 2014 California Law Review 351 at 353).

The Pepsi ruling is to the effect that a mark retains its identity. But it would seem to be doubtful whether this principle could be applied smoothly to weak marks. This is so not necessarily because the senior component dominates the whole mark but because a weak mark remains so when part of a composite mark. This view might be illustrated by the American decision of Holding Company of the Villages, Inc. v. Power Corporation, No. 5:2011cv00631 - Document 27 (M.D. Fla. 2012) (available at https://law.justia.com/cases/federal/district-courts/florida/flmfdce/5:2011cv00631/265468/27/). Here the registered mark was THE VILLAGES for real estate development services, and the other party used VILLAGES OF LAKESIDE LANDINGS. In refusing relief, it was specifically taken into account that the mark was “weak” (page 13).

The following dictum from Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd [1946] RPC 39 is also relevant, dealing with descriptive, read weak marks:

“So it is that, just as in the case of a trade mark the use of distinctive words is jealously safeguarded, so in the case of trade names the court will not readily assume that the use by a trader as part of his trade name of descriptive words already used by another trader as part of his trade name is likely to cause confusion and will easily accept small differences as adequate to avoid it.”

A last relevant decision is that of Dinnernates (Tvl) CC v Piquante Brands International (Pty) Ltd [2018] ZASCA 43. Here the marks were PEPPAMATES and PEPPADEW. The court concluded (para 22) that:

“The distinctive element for trade mark purposes is therefore the suffix DEW, which is wholly different from MATES. Because ‘PEPPA’ phonetically sounds like ‘pepper’, the likelihood of confusion will not arise, especially if it is used in combination with another word such as DEW or MATES.”

In summary it would seem that, like so much else in trade mark law, the issue of composite marks will depend on what is on the table. That is the twist in the tale.

Alberts is a Professor of Mercantile Law at the University of Johannesburg.
USING THE ARB INSTEAD OF THE COURTS

GAIL SCHIMMEL

I was recently privileged enough to be the guest speaker at the Anton Mostert Chair of Intellectual Property Public Lecture at the University of Stellenbosch. This article is a reworked extract of part of that address.

While thanks to the controversial Chicken Licken matter, consumers were quickly aware of the existence of the Advertising Regulatory Board and happy to lodge complaints with us, what has taken far longer is to see the courage of brands, lawyers and agencies to trust the unknown. It is only in the past two months that we have started to see an increase in competitor complaints similar to the levels that the ASA received.

There are many ways that competitors can use the ARB and the Code to gain a competitive advantage. At the ASA we would see the eruption of industry wars – two competitors in an industry unleashing a barrage of complaints at each other – often with very little basis. But that is not the sort of complaint that I want to touch on. What I want to talk about is the genuine use of the ARB in matters that might have gone to court on a passing off action.

The ARB offer an alternative to a passing off action. That alternative is wider and it is undoubtedly cheaper. At worst, if it fails at enforcement stage, the ARB decision is a powerful basis for bringing the matter to court on an interdict basis.

Let’s start at passing off. We know that it is a delict that is based on the exploitation of goodwill or reputation, to “pass off” your goods as those of your competitor, with actual or likely damage arising.

Passing off is reflected in the Code in Clause 8 on Exploitation of Goodwill:

“8. Exploitation of advertising goodwill
8.1 Advertisements may not take advantage of the advertising goodwill relating to the trade name or symbol of the product or service of another, or advertising goodwill relating to another party’s advertising campaign or advertising property, unless the prior written permission of the proprietor of the advertising goodwill has been obtained. Such permission shall not be considered to be a waiver of the provisions of other clauses of the Code.
8.2 Parodies, the intention of which is primarily to amuse and which are not likely to affect adversely the advertising goodwill of another advertiser to a material extent, will not be regarded as falling within the prohibition of paragraph 8.1 above. In considering matters raised under this clause consideration will be given to, inter alia, the likelihood of confusion, deception and the diminution of advertising goodwill. Furthermore, whether the device or concept constitutes the “signature” of the product or service, is consistently used, expended throughout media and is prominent in the mind of the consumer.”

Here we see the elements reflected:
1. You may not take advantage of the advertising goodwill of another party;
2. There must be actual or likely confusion; and
3. It must result in the diminution of advertising value.

The difference here is that this is not an absolute list. These are issues to which “consideration will be given” and “inter alia”. Arguably, this allows the ARB a wider net for considerations of equity. But the real difference lies in Clause 9 – the Imitation Clause:

“9.1 An advertiser should not copy an existing advertisement, local or international, or any part thereof in a manner that is recognisable or clearly evokes the existing concept and which may result in the likely loss of potential advertising value. This will apply notwithstanding the fact that there is no likelihood of confusion or deception or that the existing concept has not been generally exposed.
9.2 The provisions of Clause 9.1 above shall apply for a period of two years from the date of last usage of the advertising, packaging or labelling concerned. In considering whether or not an infringement has taken place consideration will be given to, inter alia, the extent of exposure, period of usage and advertising spend, whether the concept is central to the theme, distinctive or crafted as opposed to in common use. Furthermore the competitive sphere will also be taken into account. In considering international campaigns, consideration will be given to, inter alia, the undue imitation thereof by local advertisers. This, however, will only apply if the advertiser is committed to start trading in the local market within a reasonable period of time.”

Using the ARB presents your clients with a faster and cheaper option than the courts, and should always form part of the Intellectual Property practitioner’s arsenal.
This clause has a passing resemblance to a trade mark action – and could be used in place of such an action – with the important difference that you do not have to hold a trade mark:

- It is designed to protect original intellectual advertising property.
- It does not need actual confusion.
- It does not need reputation.

It also – and this is not an aspect that has been well explored – does not have the parody exception that we see in Clause 8.

Let’s look at two recent matters we handled to understand how the ARB is understanding these clauses.

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<tr>
<th>Colgate</th>
<th>Bliss Brands</th>
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<tbody>
<tr>
<td><img src="image1" alt="Colgate Fabric Softener" /></td>
<td><img src="image2" alt="Bliss Fabric Softener" /></td>
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</table>

This was the first matter brought before us on these clauses.

MAQ changed the name and hence the get up of its fabric conditioner – which we learnt in the course of this matter is the proper word for fabric softener – to MAQ Soft.

Sta-Soft took issue.

The trade marks experts amongst you know that this is a clever move. The action would have been unlikely to succeed at trademark level, as the registration specifically excluded the word “soft”. It would be unlikely to succeed at passing off, as there was little likelihood of confusion. Their only hope was the ARB.

For the ARB, the question will always revert back to the consumer. While passing off protects the owner of the intellectual property – the ARB protects the consumer first; and then the owner of original creative work.

We understand the query in Clause 8 to boil down to this – would the consumer either grab the wrong product; or grab the exploitative product thinking it had some relationship to the original. The Directorate said:

“To find such exploitation, the Directorate must be convinced that the consumer is likely to be deceived or confused into believing that either the product is the same product, or bares some relation to the Sta-Soft product. The classic question is whether a hurried consumer would grab the wrong product off the shelf; but the query goes further as to whether the consumer would think that the two products have some relationship to each other.”

In the MAQ matter, we found that the bold branding made this unlikely, and there was no evidence before us to shift this perception:

“It is not impossible for a matter of this nature to come before the Directorate where the similarities in the packaging are so patently obvious that the Directorate can make an assumption of confusion without any proof thereof. This is not such a matter. The very different brand names outweigh any other similarities, and in the absence of proof the Directorate cannot assume likely confusion.”

On the issue of imitation, however, things went a bit differently.

Step one was a finding that while the look and feel seem very close – it was only the introduction of the word “soft” that was a recent addition. The complaint was therefore, in essence, about the word soft:

“However, the Directorate is also aware that when one compares the packaging of the MAQ product used from 2012 to 2018 with the packaging under consideration, one sees that the bulk of the similarities on which the Complainant relies have in fact been in place since 2012. The Advertiser has not suddenly undergone a radical transformation that resulted in a complete change of look and feel.”

We were certainly not going to be the people who suddenly give protection to ordinary words used in an ordinary way, so the question could not be about soft in isolation:

“On one hand, the word ‘soft’ is an ordinary word used in its ordinary meaning. In addition, it is highly relevant to the product – which is commonly referred to as fabric softener by consumers, and which makes washing soft. The use of the word soft in isolation cannot amount to imitation, and nothing in this decision should be read to say that it does.”

But “soft” was used in a particular context – a context of that already very similar packaging; and a context of a very similar appearance of the word soft. It was also of interest to us that this appeared to happen for no explicable reason – other than an attempt to bring the two products closer together:

“But the word is not used in isolation:

- It is used on packaging that already has a number of similar elements;
- It is used at an angle, in a ‘bubble’ font, in the same position as that adapted by Sta-Soft;
- Both versions employ the device of using the arm of the ‘f’ to cross the ‘t’;
- It deviates from the rest of the MAQ range which uses a capital letter, dark blue branding for the product descriptor that appears below the word ‘MAQ’;
- It is usually blue, which is a colour associated with Sta-Soft branding.”

For me, the hard part is getting my head around these two clauses in layman’s terms. The Directorate said:
“The potential loss lies in the fact that the word ‘soft’, in the bubble font, at an angle, used for a fabric conditioner, would previously only have evoked the Sta-Soft product. This (rather than likelihood of confusion) is evidenced by the survey results. The use of the word in the manner that the Advertiser has done it potentially diminishes this value.”

This is how I understand it:
Clause 8 protects you if the consumer would be confused into thinking the brands were the same or now related.
Clause 9 protects you in the future. Whereas before the imitation, the word soft could only have evoked Sta-Soft; after the imitation – despite the lack of confusion – if someone else now used “soft” it would not be clear which brand would be evoked.

It is also important to remember that the protection in Clause 9 is only granted to original intellectual property. In the matter of Shoprite Checkers – African Cosmetics, we found that while the original product might have had a novel business idea, their packaging used generic elements that were common in the industry.

When they sought protection, therefore, there was nothing to protect.

Using the ARB presents your clients with a faster and cheaper option than the courts, and should always form part of the Intellectual Property practitioner’s arsenal.

• Schimmel is the CEO of the Advertising Regulatory Board.

WEEDING OUT THE OLD

FEROSA-FAE HASSAN

An influx in the sale of cannabis products in South Africa has caused much confusion among consumers. We have seen cannabis beverages, oils, soaps, creams and even foods infused with cannabidiol (CBD) oils. There have also been numerous exhibitions and festivals across the country demonstrating the health benefits of these goods. As you are no doubt aware, the Constitutional Court (CC) in the judgment of Minister of Justice and Constitutional Development and Others v Prince; National Director of Public Prosecutions and Others v Rubin; National Director of Public Prosecutions and Others v Acton and Others [2018] ZACC 30, held that certain provisions of the Drugs and Drug Trafficking Act (140 of 1992) and the Medicines and Related Substances Act (101 of 1965) are unconstitutional based on the right to privacy. The result is that the use, possession or cultivation of cannabis in private for personal consumption was decriminalised. It has been stressed that only the private use of cannabis is permitted. So, how are these “cannabis products” available for sale in our local stores?

While it is marijuana that is commonly associated with the word cannabis, the starting point is to understand that there are variants and derivatives of cannabis. These variants and derivatives contain different levels of tetrahydrocannabinol (THC), the component in cannabis responsible for that cloud nine feeling – so we’re told! While the sale of THC and marijuana products remains illegal in South Africa, products containing CBD and hemp (which contains low levels of THC) are legally available for sale. Preparations containing CBD must comply with the standards published by the Minister of Health as Regulation 756 in Government Gazette (42477) on 23 May 2019:

• it must contain a maximum daily dose of 20mg CBD with an accepted low risk claim or health claim which only refers to:
  • general health enhancement without any reference to specific diseases;
  • health maintenance; or
  • relief of minor symptoms (not related to a disease or disorder)
• alternatively it must consist of processed products made from cannabis raw plant material and processed products where only the naturally occurring quantity of cannabinoids found in the source material are contained in the product and which contain no more than 0,001% of THC and no more than 0.0075% total CBD.”

It is certain that this newly tapped CBD and hemp market in South Africa will result in more cannabis-related trade mark applications being filed. If this market is of interest to you, safeguard your rights and protect your trade marks as soon as possible.
levels of THC in these products, they are unlikely to affect your mental faculties.

Within the trade mark context, previously applications containing any reference to cannabis were deemed contrary to law or contrary to public policy or morals and did not qualify for registration. In light of the CC judgment, this position has changed. In August, the South African Trade Marks Office published updated Guidelines On The Examination of Trademark Applications. According to these guidelines, cannabis-related trade mark applications will now be accepted - on condition the Applicant undertakes that the products comply with the standards set by the Minister of Health. Non-compliance with these standards would render the sale of the product and its trade mark application(s) contrary to law.

While the sale of cannabis itself (whether recreational or medicinal) has been legalised in jurisdictions such as Canada, South Africa has a long way to go. We are confident that as public policy in South Africa continues to evolve, and given the huge market potential associated with the cannabis industry, South Africa will make strides in this regard. It is anticipated that in the near future more legislation and guidelines will be passed, weeding out the old laws. This will ensure adherence to legal standards and the general regulation of the cannabis industry. It is certain that this newly tapped CBD and hemp market in South Africa will result in more cannabis-related trade mark applications being filed. If this market is of interest to you, safeguard your rights and protect your trade marks as soon as possible.

Hassan is an Associate with ENSAfrica.
The article was reviewed by Manisha Bugwandeen-Doorasamy, an Executive.

NAOMI KLEIN’S NO LOGO REVISITED

HANS MUHLBERG

It’s been 20 years since Naomi Klein published No Logo, the best-selling pot-stirrer that said harsh things about brands. Companies using the hollow-brand model, selling brands (lifestyles and tribal identities) rather than goods. Brands shaping our lives. Brands more powerful than governments.

So, what’s changed? That’s the subject of the article No Logo at 20: Have we lost the battle against the total branding of our lives? (Dan Hancox, Observer, 11 August 2019).

The title does rather suggest the answer. In 2019, we’re told, it’s even more relentless – brand engagement, brand content, brand ambassadors! But what’s changed on the trademark law front? Some thoughts:

Brand ubiquity: It has consequences. Trade mark protection is required in more classes. More co-branding or trade mark licensing arrangements are required.

Personal brands: We’re all brands now, says Hancox - yes you may drive or deliver for a well-known name but this is the gig economy and you’re on your own. This new Whoopee, I’m a brand world doesn’t translate into much when it comes to trade mark protection or enforcement - it’s still only the sportsmen and celebs who do that stuff.

We’re seeing more companies sending demand letters that are light in tone, humorous even. It’s not that they’re becoming more tolerant, they’re simply worried about seeming unreasonable and reactionary. Or, worse still, uncool!
But there’s much greater brand awareness. Paradoxically perhaps, Hancov suggests that people who have to become brands (because corporations don’t want to employ them) are unlikely to have much respect for corporate brands.

**Trademark protection:** It’s perhaps easier to protect a brand internationally than it was 20 years ago, thanks in part to a greater uptake of the international registration system (Madrid Protocol). And there are multimedia files for marks that can’t keep still. But in some ways, it’s harder – registers are full, there’s no room at the inn. Another difference might be that many of the mega brands are about services rather than goods - Amazon, Google, Facebook, Twitter, Netflix, Uber, Airbnb, Deliveroo and Trivago.

**Establishing a reputation:** Marks with a reputation often enjoy a greater level of protection than marks without. They say that reputations are hard to build and easy to destroy. Maybe reputations are now as easy to build as to destroy, what with Followers, Likes and the like. Much simpler than turnover level of protection than marks without. They say that reputations are hard to build and easy to destroy. Maybe reputations are now as easy to build as to destroy, what with Followers, Likes and the like. Much simpler than turnover and advertising expenditure figures!

**Overreach:** One of the issues raised in No Logo was that brand owners were acting like bullies, making claims that were legally unsustainable. Has this changed? Not much, judging by the endless stream of overreach stories we see.

But the new-found media interest in trade mark law - coupled with the huge power of social media - is changing behaviour slowly. We’re seeing more companies sending demand letters that are light in tone, humorous even. It’s not that they’re becoming more tolerant, they’re simply worried about seeming unreasonable and reactionary. Or, worse still, uncool!

**Spoofing:** It’s now so much easier to take the mickey out of a brand. Who needs to produce spoof t-shirts, as the South African company Laugh-it-Off did many years ago with its Black Labour (Black Label) spoof. Now trade mark spoofing is a mere meme away!

Things have changed a bit since No Logo.

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**NEW DAWN FOR CREATIVES IN KENYA**

*Esther Omulele*

On 18 September, the Kenyan Copyright (Amendment) Bill, 2019 was signed into law by President Uhuru Kenyatta (the new law). The Bill had undergone various reviews since 2016 when it was introduced to Parliament. The coming into effect of the new law marks a new day for copyright holders as it significantly amends the Copyright Act (12 of 2001) which has been the governing statute for protection of copyrights in Kenya.

In particular, the new law changes the legal conceptualisation of copyright and related rights in Kenya. It further reinforces proper governance and administration of collective management organisations (CMOs), especially in management of royalties payable to copyright owners. This addresses major concerns in governance and administration of royalties accruing from exploitation of creatives’ copyrights.

The new law also seeks to domesticate the provisions of the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, that came into force in Kenya on 2 September 2017.

Key amendments introduced by the new law:

**New definitions**

The new law has introduced new definitions. This includes definitions dealing with Internet Service Providers (ISPs) and domestication of the Marrakesh Treaty. It has also incorporated other definitions from the Copyright regulations to enable proper implementation of the Copyright Act. Amendments have also been incorporated into the existing terms to conform with current realities, such as technological advancements and the Constitution.

**Collective Management Organisations (CMOs)**

The new law has replaced the term “collecting society” with “collective management organisation” to reflect the conventional role of CMOs, which is to manage copyright works and royalties accruing from exploitation of such works on behalf of copyright holders. A body may be constituted as a CMO provided that it is licensed by the Kenya Copyright Board (KECOBO) to negotiate for the collection and distribution of royalties belonging to copyright owners.

The new law introduces core values of good governance, proper management, transparency and accountability which ought to be observed by CMOs in the distribution of royalties that accrue from exploitation of copyright works. This shall be realised in the following ways:

1. **Administration of CMOs**

The new law has introduced the criteria for qualifications of directors and chairpersons of CMOs. It also limits the term of office for directors and chairpersons of a CMO to three years. They will be eligible for re-election for one further term. The term limits will ensure sufficient institutional memory and consistency of personnel, thus allowing predictability for both internal and external stakeholders. The term of office will also be short enough to enable occasional revitalisation of CMO operations through new leadership.

2. **Inspection and Supervision of CMOs**

The new law grants KECOBO the mandate to inspect, investigate and supervise various aspects of a CMO’s operations. The mandate extends to the books of accounts and organisational records of a CMO. KECOBO
may order and direct a CMO to undertake various remedial actions where a CMO does not observe the interests of its members.

Enhanced oversight and enforcement actions against CMOs that do not effectively manage the interests of their members will arguably reign-in conduct that has decreased the effectiveness of collective management of copyright in Kenya. This will boost the governance of CMOs significantly, to the benefit of artistes and other copyright owners.

Copyright Register
The new law empowers KECOBO to maintain a register of all works registered pursuant to the Copyright Act. The register is accessible to the public upon request. This provision appreciates the need to create a verifiable record of registered works for an author, owner, assignee or exclusive licensee.

Copyright Tribunal
The Copyright Tribunal replaces what was defined as the Competent Authority in the previous act. The Copyright Tribunal will have jurisdiction to hear and determine a dispute over copyright registration. It will also hear and determine appeals against KECOBO’s refusal to grant a certificate of registration to a CMO or where KECOBO has imposed unreasonable terms and conditions for grant of a licence or certificate of registration to a CMO.

It is important to note that the Copyright Tribunal will not have the power to determine disputes between CMOs and their members. This has largely been reserved for KECOBO and its Executive Director.

Other developments
The new law amends the Copyright Act in line with global trends in copyright law. It provides for contemporary developments by protecting ISPs against liability for the transmission of copyright-infringing material through the network and bandwidth they provide to customers as part of their ordinary course of business. An ISP will be required to action any takedown notice received from a copyright holder relating to infringing material and to provide information to investigative agencies where necessary. However, there is no general obligation on ISPs to monitor transmitted material or actively seek out circumstances of infringing material on its networks.

These protections are known as “safe harbour” provisions. They are a recognition of the pervasive nature of infringement of copyright by utilisation of the internet, and the role that ISPs play as a conduit of data and provider of internet connections. They respect the perception of an ISP’s role as merely providing a “dumb pipe” for data to flow between various points on a network.

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DESIGN PROTECTION FOR SPARE PARTS IN SOUTH AFRICA AND THE UNITED STATES

RALPH VAN NIEKERK

In BMW v Grandmark International 2014 (1) SA 323 (SCA), the Supreme Court of Appeal found BMW’s registered designs for vehicle spare parts to be invalid. The designs in question were for a bonnet, a grille, a headlight assembly and a front fender. The court held that the design of these parts did not qualify as aesthetic designs because consumers select them solely to perform the “function” of replacing the original with an exact match. According to the SCA, aesthetic designs must be “those that invite customer selection – and customer discrimination between articles – solely by their visual appeal”. The court found the designs to be purely functional and, therefore, incapable of protection as aesthetic designs.

In South Africa, designs can be filed as either aesthetic designs or functional designs. An aesthetic design has “features which appeal to and are judged solely by the eye, irrespective of the aesthetic quality thereof”, and a functional design has “features which are necessitated by the function of the
Section 14(6) of the Designs Act excludes from the protection of a registered functional design any feature of pattern, shape or configuration of an article that is in the nature of a spare part for a machine, vehicle or equipment.

An almost identical case came before the United States Court of Appeals for the Federal Circuit in Automotive Body Parts Ass’n v. Ford Global Techs., (Fed. Cir. 2019), with the opposite outcome. Ford held two registered designs (called design patents in the USA) for the hood (bonnet) and headlamp of its popular F150 truck (bakkie) and sought to enforce these against the Automotive Body Parts Association (ABPA). ABPA adopted the same argument as Grandmark: anyone wanting to replace a Ford F150 bonnet or headlamp will want a replacement part that matches the original. The court summarised this as, “[ABPA] argues that Ford’s hood and headlamp designs are functional because they aesthetically match the F-150 truck.”

The Federal Circuit rejected this theory of functionality, holding that: “the aesthetic appeal of a design to consumers is inadequate to render that design functional ... We decline ABPA’s invitation”. The SCA in Grandmark, however, found that consumers would not even consider aesthetic appeal at all. Our Court said: “The articles embodying the designs are not selected by customers for their appeal to the eye. They are selected solely for the function they perform – which is to replace components so as to restore the vehicle to its original form”.

This framing is important as it led the respective courts to different outcomes. The ABPA in the Ford case may also not have had proper evidence for all of its contentions. Consider, for example, the following extract: “ABPA declares that customers care about design in the initial sales market, but not when they select replacement parts. But ABPA cites no supporting facts. Instead, it ignores abundant record evidence regarding performance parts available as replacements for customers who ‘want [their vehicles] to look better’.”

Design protection remains available in South Africa for an entire vehicle, for custom parts such as non-standard performance parts, and possibly for interchangeable parts that are used across multiple vehicle types (e.g. wing mirrors, wheels, seats and steering wheels). But unlike in the USA where spare parts can be protected by designs as long as the design of the part is not essential to its use, in South Africa standard, non-interchangeable spare parts are considered as purely functional and incapable of design protection.

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WHAT IS IN A NAME?

JEANINE COETZER

In a significant move to advance intellectual property protection and enforcement in South Africa, the Department of Trade and Industry established the Companies Tribunal in terms of the Companies Act (71 of 2008) to resolve company disputes, including disputes relating to the erroneous use and/or registration of company names. Since its inception, many disputes heard and adjudicated by the Tribunal have been around company names.

While South Africa has a robust legal framework to resolve commercial disputes of any nature, the relative ease and lower costs associated with tribunal proceedings have afforded brand owners an avenue to protect and enforce their trade marks.

However, this has resulted in a deluge of cases before the Tribunal - and some questionable decisions.

While South Africa has a robust legal framework to resolve commercial disputes of any nature, the relative ease and lower costs associated with tribunal proceedings have afforded brand owners an avenue to protect and enforce their trade marks.

Considering the jurisdiction conferred upon the Tribunal by the Companies Act in adjudicating company name disputes, it begs the question whether or not a brand owner has a discretion to apply to the high court to resolve the dispute and obtain relief based on the factual matrix decided before the Tribunal.

The judgment handed down in Global Vitality Incorporated v Enzyme Process Africa Limited and Others (20884/2013) [2015] ZAWHC 111 (21 August 2015) is a case in point. Whilst the decision broadly covers a range of legal issues related to passing-off, cancellation of trade mark registrations, a company name objection and an objection to a co.za domain name registration, the judgment particularly reaffirms the high court’s jurisdiction over disputes relating to company names.

Global Vitality (the Applicant) is the USA manufacturer, distributor and seller of dietary nutritional supplements under its Enzyme Process brand. The Respondent was appointed in South Africa to distribute Enzyme Process products. The relationship between the parties deteriorated and the distribution agreement was terminated as a result of the Respondent’s inappropriate conduct in four key instances: (i) it purchased and imported similar dietary nutritional supplements in unbranded packaging from other foreign manufacturers, and labelled and sold those (unbranded) products in South Africa under the trade mark Enzyme Process; (ii) it registered a local company under the name “Enzyme Process Africa (Pty) Ltd”; (iii) it registered the domain name enzymeprocess.co.za in its own name; and (iv) it registered the trade mark Enzyme Process in South Africa in its own name.

Global Vitality chose to enforce its rights and initiated legal proceedings, winning on all counts - cancellation of the offending trade mark registrations, the transfer of the offending domain name, an order to change the offending company name and passing-off. The court also made vital pronouncements in deciding the offending company name dispute.

Relief sought by Global Vitality included an order directing the respondent to change its registered company name to one that did not incorporate the mark Enzyme Process, or any mark confusingly similar thereto. Global Vitality argued that the Respondent’s company name, “Enzyme Process Africa”, falsely implies or suggests, or would reasonably mislead a person to believe, that the Respondent is still its distributor or associated with Global Vitality in another significant way.

The court turned to the provisions of s11(2)(a)(iii), s11(2)(b) and s11(2)(c) of the Act which prohibits, inter alia, the registration of a company name that is the same as a registered trade mark owned by a different person, or a mark which is the subject of an application for registration as a trade mark in South Africa; or which falsely implies or suggests or would reasonably mislead a person to believe that the company is part of, or associated with, any other person or entity.

Section 157(1) sets out who has locus standi to resort to the remedies contained in s156, i.e. “and who may therefore apply to Court, the Companies Tribunal, the Panel or the Commission to address complaints or secure rights” and, in terms of s157(1)(a), includes a person “directly contemplated” in any provision of the Companies Act.

Section 156 particularly provides that a person contemplated in s157(1), who seeks to address an alleged contravention of the Act, or to enforce any provision of, or right in terms of the Act, may do so by, inter alia, applying to the Tribunal for adjudication in respect of any matter in terms of the Companies Act, or applying for appropriate relief to the high court that has jurisdiction over the matter.

The court identified an internal remedy in s160(1) for the resolution of disputes concerning the reservation or registration of a company’s name. It pro-
All it takes is the right partner
vides that any other person with an interest in the name of a company may apply to the Tribunal for a determination whether the name satisfies the requirements of the Companies Act.

It concurred with Global Vitality’s contention that the existence of the internal remedy in the Act does not bar its application to court for relief in respect of a complaint regarding the respondent’s company name.

The court’s decision turned on the interpretation of statutes and that the word “may” in s157 and s160, when given its ordinary meaning, means “expressing possibility”. Conversely, the word “shall” means “expressing an instruction or command”. The court held that instead of being peremptory as with the word “shall”, the word “may” then logically allows for a discretion.

It pointed out that a party dissatisfied with a decision of the Tribunal has recourse to the high court and s160(4) confers on a court the power to review a tribunal decision. It is deliberated that an interpretation of s160(4) limiting the court’s jurisdiction to review power only, would lead to “insensible or unbusinesslike results”.

In reaching its decision, the court identified three vital considerations: (i) It was the specific intention of the legislature to adopt the use of the word “may”; (ii) A limiting interpretation otherwise would require an Applicant to institute proceedings in two separate forums at the same time, for inextricably linked relief, turning on the same legal principles and the same facts; (iii) This would theoretically result in two different forums (i.e. the Tribunal on the one hand, and the court on the other) reaching different decisions on the same factual matrix.

The Tribunal’s decision would then be subject to review by the high court in terms of s160(4), whereas the decision of the court would be subject to the appeal process, with the two legal processes running parallel to each other.

The court concluded by granting the order sought by Global Vitality directing the Respondent to change its offending company name. The Global Vitality judgment fundamentally underpins the jurisdiction of the high court in company name disputes – which remains the principal forum for the resolution of disputes and the interpretation and enforcement of the Companies Act.

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SO YOU THINK YOU CAN MOVE?

RUAN DICKINSON

In the not too distant future, brands will come to life in so many more ways. The golden arches of McDonalds could be in hologram format or will have some flickering or other motion effect. The well-known Facebook logo could incorporate a futuristic motion together with a newly created sound and the Coca-Cola mark could change colours as you enjoy your fizzy drink. It seems that we will have to loosen our hips when it comes to the future of brand communication, as there will be a lot of movement involved.

Brands currently communicate in a very static way. For example, the famous Nike Swoosh logo is stationary on all promotional materials and products. One could say that the Swoosh logo still has two left feet at this stage of its dancing development, but soon it will cha-cha its way into our lives. When buying Nike’s new running shoes, the Nike Swoosh logo could light up or have some animated effect as you run faster, which is also how it could reflect on all forms of electronic communication. Brands are finding new ways to interact with customers and thanks to technology and the fact that the average smartphone user spends approximately three hours staring at his/her smartphone each day, brands are communicating and engaging with audiences by way of multimedia - in other words by means of, among others, motion marks/movements and sounds.

Not only will brands need to work on their marketing “moves” but they will also need to adapt their strategy to protect their intellectual property as marks incorporating motion and/or sounds are eligible for trade mark protection. A trade mark is a sign that is capable of distinguishing the goods or services in relation to which it is used from similar goods or services belonging to a different person. As such (back to the Nike example), in addition to it using its current stationary Swoosh logo to differentiate its goods, Nike may also use an animated Swoosh logo to differentiate its goods from those of its competitors in the market place. Consumers are no longer relying exclusively on “standard” brand identifiers like words, names, logos or slogans to identify the source of the goods or services it buys. They now experience (hear, see, smell and feel) products and services in many ways, all of which are capable of identifying the source of the goods or services. As such, if the Swoosh logo has a specific animation to it, consumers will not only be able to identify the goods as being original Nike goods due to the static Swoosh mark but also through the specific animation used. Brands should protect this specific animation/motion by filing a trade mark application to prevent third parties from using a similar animation/motion in relation to similar goods as it may tarnish a brand’s reputation.

When it comes to recording your “move” on the South Africa trade mark register, it has to be capable of being graphically represented. But how would one graphically represent a multimedia or motion mark? Fortunately our definition of a “mark” is broad enough to encompass trade marks such as holograms, motion and multimedia marks. The Registrar of trade marks recently issued guidelines which state that when filing a non-traditional mark, for it to satisfy the “graphic representation” requirement, an applicant may file the mark as a series of still images together with a detailed description explain-
looking at still images. In the future one would hope to see a trade marks register incorporating technology to enable the public to view all motion marks in full action. Unfortunately we’re not there yet.

Other territories ready to make big moves include the EU countries. The EU authorities have recently made amendments to the EU Trade Marks Directive by eliminating the graphical representation requirement upon filing a trade mark application. As such, once a brand has created a new “move”, it can dance its way onto the EUTM register by simply submitting a file in graphical format that reflects the motion and/or sound of the mark without having to explain the movement of the mark in detail. This will result in such marks being adequately represented on the register and easier and more accurate to prosecute and/or possibly enforce. I anticipate South Africa and all other territories moving toward the EU’s approach in that it, well… makes sense.

Dickinson is an Attorney, Trade Mark practice, KISCH IP.

Not only will brands need to work on their marketing “moves” but they will also need to adapt their strategy to protect their intellectual property as marks incorporating motion and/or sounds are eligible for trade mark protection.

Dickinson

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This iconic 9-story building is located in the heart of the legal hub in Keerom Str in Cape Town, just a stone’s throw from The Cape Town High Court. Tuynhuys Luxury Serviced Apartments is the ideal space for work and play. It’s design is tailored to modern and sophisticated living and has been planned to perfection by maximising both space and light.
A BROADER VIEW OF PATENTS: CONSIDERING THEIR VALUE IN AFRICAN COUNTRIES

RALPH VAN NIEKERK

Like all IP rights, patents are territorial and if you want to stop a competitor from copying an invention in a particular country, you need to have a patent there.

Given the global world we live in, successful inventions tend to be adopted widely and used in many countries. Patent holders often protect their competitive global position by filing patents in only a few key countries where patent rights are respected and enforceable. If a competitor is not able to practise the invention in those markets, the feasibility of doing so in the rest of the world is limited.

For many patent holders, protecting their inventions internationally does not extend much beyond the so-called “IP5”: China, the United States, Japan, South Korea and Europe. The graph of patent applications at the top ten offices shows that patent filings drop off very quickly outside of the IP5:

Given this picture, is there much value in having patents in other countries in the world? In particular, is there any real value in having patents in Africa, especially in some of the smaller African countries?

As a South African patent attorney, I am frequently asked a version of this question by clients overseas. Since a patent is a right to exclude others from practising the invention, I am quizzed as to what the patent litigation landscape is like in Africa and how easily a patent can be enforced against a competitor. Patent litigation in Africa is rare outside of South Africa, however, and objective measures of the strength of enforcement may not be available in many African countries.

But does the fact that a patent gives you the right to bring legal action against a competitor mean that the patent has no value to you unless you plan to enforce it? The answer is a resounding “no”. There are several good reasons to have a patent in African countries even if you never plan to enforce it there. I would go so far as to say that there are even good reasons to have a patent in a country in which enforcement options are limited to nonexistent.

Royalty rates and exchange control

Many African countries have strict exchange control requirements that govern the flow of capital into and out of their economies. For a company doing business in Africa, expatriating profits made from their African operations may not be a simple matter. Local officials may carefully scrutinise cross-border licence agreements and query the royalty rates charged.

Transfer pricing principles must be applied when supplies are made between related entities within a corporate group structure. In particular, when royalties are paid by a local subsidiary to a foreign parent company, the royalty charged must be aligned with what would be charged on an arms-length basis between unrelated parties.

A patent held by a parent company in a country of a local subsidiary can be powerful evidence that the technology being licensed is unique and justifies a higher royalty rate to be paid to the parent company. A local patent can be very useful in convincing exchange control authorities of this fact.

Tender processes

If the patented invention is one that will be used by government authorities, a local patent can help avoid what would otherwise be a competitive tender process.

I recently saw an example of this when the City of Cape Town asked my client for evidence that its water filtration system was patented. We provided details of the patent and the City issued my client with a letter confirming that they were the sole supplier of the system. The City did not go through the usual rigmarole of issuing a tender for competitive bids and this resulted in a valuable contract renewal for my client.

Local patents can therefore enable government contracts to be obtained more easily and on more favourable terms for products and services covered by the patent.
Competition law liability

While enforcement of IP rights in some countries in Africa may be weak, the same is not true of their competition laws. African competition law regulators are effective in many countries and fines of up to 10% of a company’s turnover may be awarded. In South Africa, amendments to the Competition Act have just increased penalties to up to 25% of turnover for second offences.

A patent can justify commercial arrangements that would otherwise be anti-competitive. For example, tying arrangements are situations where a company agrees to supply a first product to another company, on condition that the other company also buy a second product from them. Such arrangements are usually seen as anti-competitive but if both products are the subject of patent protection and are bundled as part of the same licence, this will usually not be a problem. Similarly, boycotting a competitor by refusing them access to a technology may be anti-competitive unless the technology is the subject of a local IP right, in which case it is the supplier’s prerogative to whom to licence it. If a firm is dominant and has market power, charging an excessive price for a product or service or refusing to grant access to an “essential facility” may also be anti-competitive unless that product, service or facility is covered by an IP right.

South Africa’s Competition Act provides, in s10(4), that, “A firm may apply to the Competition Commission to exempt from the application of this Chapter an agreement or practice, or category of agreements or practices, that relates to the exercise of intellectual property rights, including a right acquired or protected in terms of … the Patents Act”. An application for exemption under this provision is only available based on a local, South African patent. Similar considerations would apply in other African countries.

As a shield to potential competition law liability, patents in African countries can, therefore, be extremely valuable.

Tax benefits

Some African countries offer tax benefits to encourage local research and development. For example, s11D of South Africa’s Income Tax Act provides an incentive for conducting R&D in South Africa. The incentive is by way of enhanced tax deductibility of up to 150% for qualifying expenditure incurred in respect of R&D. South African patents may be used to bolster an application made under s11D, as the definition for R&D includes:

“...systematic investigative or experimental activities of which the result is uncertain for purpose of discovering non-obvious scientific/technical knowledge, or creating an invention, a registerable design, a computer program (as defined in the relevant IP legislation) or knowledge essential to the use of such invention, design or computer program; or developing or significantly improving any qualifying invention, design, computer program or knowledge if such development or improvement relates to any new or improved function or improvement of performance, reliability or quality.” [My emphasis]

So for any patents that relate to developments which occurred at least partially in South Africa, having registered IP rights like patents helps demonstrate that the R&D activities fell within this definition. It is expected that other African countries will also adopt similar progressive measures in future to stimulate local R&D.

A narrow view of patents sees their function as only their ability to exclude competitors. This article has explored four other good reasons for having patents which may be even more valuable to a patent owner than the right to exclude. None of these reasons involves the quality of the local courts or available enforcement mechanisms, and should be taken into account when deciding where patent protection may be valuable.

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AWAKENING THE LION IN THE JUNGLE

PART 4

O W E N  D E A N

Finalising the action

Subsequent to the dismissal of the application to set aside the attachment of Disney’s South African properties to found an action, the damages action continued.

It was set down for trial on 21 February 2006. Disney essentially based their defence on the same grounds as had been advanced in its application to set aside the attachment. Certain further defences, mainly of a legal technical nature were, however, also advanced. These included a concerted challenge to the originality of MBUBE as a copyright work. Disney contended that, in reality, it was not composed by Solomon Linda but was rather a traditional song picked up by him. It was in the public domain and was free for use by all. This claim was a cause for concern. If established, it would be fatal to the Executor’s case and would be the death knell to ever being able to claim any remuneration for the direct or indirect use of MBUBE.

The family’s bird that had come home to roost would have turned out to be a dead duck.

Shortly before the trial date, settlement negotiations took place between the parties. These negotiations also involved Abilene Music. This company was drawn into the settlement negotiations by its position as the licensor, directly or indirectly, of all the defendants. It had given Disney an indemnity when granting the licence to use THE LION SLEEPS TONIGHT. Disney called up this indemnity and required Abilene to make good its undertakings to reimburse it for any losses incurred due to blemishes in the licence. This emphasised the point that Abilene Music was in fact the true defendant in the proceedings, although it was not before the court.

The negotiations gave rise to a settlement agreement that met all the objectives of the Executor in launching the case. Abilene undertook to pay to the Executor a lump sum amount of money by way of compensation for past uses of THE LION SLEEPS TONIGHT. Furthermore, it undertook to pay royalties to the Estate in respect of all future uses of the song, on a worldwide basis, for the next 10 years. This was a very beneficial deal for the Estate. Damages for South Africa only had been claimed in the case. The Estate owned the copyright only for the British countries. It had no rights for the rest of the world, including the USA. Moreover, the term of the South African copyright in MBUBE (Solomon Linda’s lifetime plus fifty years) was due to expire in five years – in 2012. The Estate was being given royalties for five years beyond the expiration of its rights. The royalties due to the Estate would be calculated on a percentage of all receipts from use of THE LION SLEEPS TONIGHT that accrued to Abilene as the copyright owner. It should be mentioned that Abilene was licensing under their own copyright in THE LION SLEEPS TONIGHT and only a relatively small portion of the royalties that they received could be attributed to the underlying work, MBUBE. Their song, THE LION SLEEPS TONIGHT, was making the money, not MBUBE.

Disney and Abilene publicly acknowledged that THE LION SLEEPS TONIGHT was derived from MBUBE. Solomon Linda would henceforth be designated as a co-composer of THE LION SLEEPS TONIGHT. It would be recognised that THE LION SLEEPS TONIGHT was, in essence, a South African song. This was important to the Department of Arts and Culture. The settlement further provided that the Executor would withdraw the litigation and all further claims on behalf of the Estate against Abilene or any of its licensees would be waived; a trust must be appointed by the Executor to administer funds which would flow to the heirs arising from the settlement. The details of the payments to the Estate were to be strictly confidential. Any breach of this obligation could lead to the agreement being cancelled and all payments being forfeited. I believe Disney insisted on this provision as it did not want to create a precedent - being seen as paying large amounts to anyone who might in future be tempted to come forward with a spurious claim against them.

The effect of the settlement was to confirm the prima facie court findings in its judgment in the application to set aside the attachment; in this sense the court’s decision in that application was made final. Importantly, it avoided the possibility that the trial court could find MBUBE was a traditional work and was not the subject of copyright.

A very favourable financial outcome to the case had been achieved. The Estate had received sufficient funds for it to deal with the matter in this way and to disburse a substantial residue to the heirs. This amount would also be supplemented by a flow of meaningful royalties for the next 10 years.
The legal team was delighted with this settlement and had no hesitation in recommending that it should be accepted. In reality, the Executor had no choice; it was a no brainer. The funds advanced by the Department of Arts and Culture had run out and no further funding for the trial was on hand. It would cost vast sums to take the case through to its final conclusion and if the case proved unsuccessful, the Estate would have to pay the Defendants' legal costs in addition to its own further costs. Even if the case were successful there was always the prospect of an appeal which would incur substantial cost liabilities, and there was simply no money available. We were chasing damages in the amount of around R20,000 and it would have made no sense to incur many multiples of this sum (that we did not have) in realising this goal.

Although they had not been parties to the proceeding and therefore were not actually involved in the litigation, the settlement was discussed with the daughters and explained to them by Rian Malan. They agreed to it and each of the daughters signed the settlement agreement, which clearly set out the terms of the settlement, including the financial arrangements and the sums of money involved.

**Consequences of the settlement**

The settlement acknowledged that THE LION SLEEPS TONIGHT has a South African origin and is thus an element of South African culture. Furthermore, it demonstrated that the reversionary interest in copyright is available to the heirs of South African authors who created their works during the period 1916 to 1965. Indeed, it showed a similar availability to the heirs of authors who created works in any country in which the 1911 Imperial Copyright Act was in force, if the works in question were made during the currency of that legislation. The family of Bob Marley who had been a native of the West Indies, a former British territory, consulted me in this respect. Israeli lawyers also consulted me because the Imperial Copyright Act had operated in that country as well.

The settlement demonstrated what steps could be taken by the heirs of South African authors whose works had been appropriated by others and whose heirs may not have received proper compensation; commercial wrongs could be redressed. This facility is important to the heirs of those South African authors who suffered legal and economic disabilities under the Apartheid system. The Department of Trade and Industry is currently promoting a Bill to amend the Copyright Act to introduce a provision that will limit the effect of any assignment of copyright to a period of twenty-five years. This harks back to the Dickens Clause and to this court case.

From the point of view of the Executor, the settlement was very satisfactory. By relying on a right derived under South African copyright law, the Executor, by means of a single court case, was able to bring about a worldwide recognition of the rights of the Estate and to achieve a flow of money to the heirs arising from the exploitation of THE LION SLEEPS TONIGHT throughout the world. This had been secured from a company that was not even a party to the litigation. It had taken all of six years. After a lengthy period of being stealthily stalked, the sleeping lion awoke with a start.

On a practical level, immediately after the signature of the settlement agreement the lump sum payment from Abilene was made to the Executor. The Executor set about winding up the Estate in the standard manner. He paid the debts
owed by the Estate which included the counsels’ fees (which had become payable by virtue of the contingency agreement), a large sum of money to the Fiscus in Estate Duty, and the fees and disbursements for the administration of the deceased estate. A small portion of Spoor & Fisher’s fees not covered by the funding from the Department of Arts and Culture was also paid. At this stage, the matter was approached on a standard business basis. A very favourable financial outcome to the case had been achieved. The Estate had received sufficient funds for it to deal with the matter in this way and to disburse a substantial residue to the heirs. This amount would also be supplemented by a flow of meaningful royalties for the next 10 years.

The Trust was duly formed as required by the settlement agreement. As previously described, this was also necessary to avoid the heirs becoming the copyright owners, which would have had dire consequences. Some other entity had to become the copyright owner. The Trust was well suited for this purpose; the daughters were unfamiliar with financial management and international money transactions involving exchange control and were ill-equipped to manage the finances of the royalty receipts and distribution. The Trust could perform this function on behalf of its beneficiaries, the family.

I wanted to put distance between myself and Spoor & Fisher, on the one hand, and the Trust, on the other hand to obviate any suggestion that the firm had acted in the case in order to place itself in position to control the flow of money. Both the firm and I are intellectual property specialists and were not in the business of administering trusts.

Consequently, I chose and approached certain appropriate individuals to act as Trustees. I selected Hannro Friederich who, as the family lawyer, had made the whole journey, Nick Motsatse, the CEO of the South African Music Rights Organisation which administered royalty collections on behalf of composers and an individual who was a leading figure in the Record Industry, on account of their expertise. I also approached Rian Malan to act as a Trustee in view of his involvement in the matter and with the daughters but he declined. The record industry man resigned after a short while. It had become apparent that the management of the Trust required financial expertise. I accordingly approached Glen Dean (no relation), the financial manager of Spoor & Fisher, to become a Trustee purely in a personal capacity and not as a representative of the firm. He accepted the position. This team managed the Trust for several years, acting on a non-remunerative basis. Nick Motsatse resigned after a while and, at the daughters’ insistence, was replaced by Themba Diлада, a relative of the family.

All the Trustees I recruited complained that performing their function was a demanding experience and sooner or later they found it to be too much, causing them to resign. Ultimately, the Trust was left in the control of Themba Diлада and people whom he recruited.

The Executor formally assigned the copyright in MBUBE to the Trust and the Trust set about performing its primary function of administering the flow of royalties. The residue of the assets of the Trust, which was a substantial amount, was distributed to the heirs.

The daughters became disenchanted about the amount of the money they were receiving. Unfortunately, they had been led to believe by others that they would be receiving a vast deluge of millions of rands. This was a mistaken belief, perhaps influenced by the trumped-up amount of damages stated in the papers in the court case. They would be receiving a large amount of money, but nothing like the amount they were expecting.

A factor that, to my knowledge, has not been investigated is whether Abilene has meticulously carried out their obligation to transfer the requisite share of the monies that they receive from the use of THE LION SLEEPS TONIGHT to the Trust. The amount that they should be transferring is peculiarly within their own knowledge. According to the Netflix movie, each of the daughters has received in the region of R3.5 million.

The future

The settlement agreement has run its course. No further royalties are expected to flow in terms of it. The South African MBUBE copyright and the copyright in most other former British Countries expired seven years ago. The song has been in the public domain for this period. The daughters must accept this position. It is the law. Copyright has a limited lifespan.

In principle however, all is not necessarily lost. The settlement only dealt with the Trust’s claim of copyright against Abilene and its licensees, including Disney. Over the years many others, including Folkways, have used THE LION SLEEPS TONIGHT and WIMOWEH without being licensed by Abilene or paying royalties to the Linda heirs. Actions for copyright infringement perpetrated during the life of the copyright could be pursued against them. Furthermore, in certain “British” countries, including the UK, Australia, New Zealand and Canada, the term of copyright in musical works has been extended to seventy years beyond the composer’s death. Ongoing copyright infringement claims can be brought in these countries until 2032. Charles Dickens has left the family a valuable legacy.

However, pursuing any such claims will require expenditure of large sums of money. Few professionals are likely to extend charity to individuals who have been the recipients of millions. Here is an opportunity for philanthropists who believe that individuals ought to be able to benefit from litigation without paying for it.

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