
LAW

LETTER

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The fascinating world of Intellectual Property takes centre stage in this edition of Law Letter - not only Patents, Trade Marks and Copyright, but also the related rights of goodwill, brand identity, market space and domain names. Please remember that the contents of Law Letter do not constitute legal advice. For specific professional assistance, always ensure that you consult your attorney.

INTELLECTUAL PROPERTY



Patents & Trade Marks

■ Square Peg in a Round Hole

*"Those who create are rare; those who cannot are numerous.
Therefore, the latter are stronger."*

– Coco Chanel (1883 - 1971)

ERNO RUBIK applied for a Hungarian patent for the structural design of his toy cube in 1975, but failed to register the puzzle on an international basis within a year of the original patent. That prevented such registrations so protection could only be obtained in the name RUBIK'S CUBE as a trade mark. 350 million cubes have sold since 1980 and its magic is still working as global sales have recently rocketed despite the economic downturn. The original patent has since lapsed.

Seven Towns Limited, the British firm that licences all of Rubik's creations, sought better trade mark protection for the iconic cube by registering graphic representations of its shape as three dimensional marks in the 27 European Union member states and elsewhere in the world.

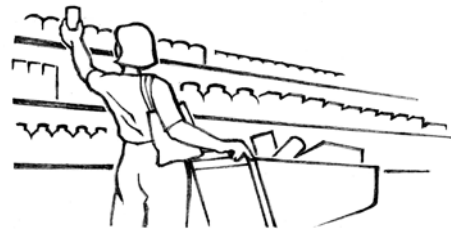
Seven Towns has been in a long-standing conflict with the German toy maker, Simba, that has been selling nearly identical looking cubes throughout Europe.

It brought infringement actions against Simba in Germany but these were suspended pending counter applications by Simba to invalidate the shape-based trade mark registrations. Simba averred that the cube lacked the necessary distinctiveness to qualify as a trade mark, that its shape was dictated solely by technology to obtain a specific result and consequently it should be unregistrable in terms of trade mark legislation.

In a court ruling the European Union Trade Mark Office refused to remove the registrations from its register. This has paved the way for Seven Towns to resume its infringement actions against the Simba cube.

This dispute underlines that where there is an overlap between patent and trade mark protection, inventors may choose rather to register trade marks as they can endure indefinitely, provided they are renewed.

Ruling of Cancellation Division of EU Trade Marks Office dated 14 October 2008.



■ Ambushed Sponsors

*"The liberty of the individual must be thus far limited;
he must not make himself a nuisance to other people."*

– John Stuart Mill (1806 - 1873)

MONOPOLIES are in conflict with the principle of a free market. For this reason trade mark protection can in certain circumstances be regarded as inhibiting the right to freedom of expression. However, being a badge of origin that distinguishes an owner's goods or services from those of others, it is also one of the backbones of the free market system.

Sponsors of big events enhance the value of their brands by associating it with the insignia of the event on the premise that only they will be entitled to this privilege. This monopoly extends to activities related to the event that enjoy wide public awareness. Sponsorships are under increasing threats from "ambush marketing" by traders seeking to gain benefits from the publicity value of events and the goodwill it generates, despite not having contributed anything to their staging.

When the ambush marketer misleads or misrepresents to the public that he is a sponsor of, or that he is associated with the event by linking his goods or services to it, his

EDITORIAL

■ Seek and Ye shall Find

"Don't address their brains. Address their hearts."

– Nelson Mandela

SOMETHING GOOD that has come out of the world's overheated economy is the acknowledgement by big business that it does not have all the answers. Questioning established norms and seeking to understand rather than to judge, to ask rather than to answer, may lead to more humane ways to do business. Caring and compassion are not highly rated in our performance based audit culture that is geared to gain short-term profits, but their value for lasting productivity and fulfillment needs to be reassessed.

Gandhi recounted how an acrimonious case at the start of his legal career as a young advocate in South

Africa taught him a valuable life lesson. It involved two prominent Indian businessmen of Pretoria suing one another for renegeing on promissory notes. A settlement was important for the well-being of the local community but was very difficult to secure. Agreement was eventually reached with the payment of moderate installments over a long period. Gandhi described his joy in realising that legal effectiveness could also have a heart and soul:

"I had learnt the true practice of law. I had learnt to find out the better side of human nature and to enter men's hearts. I realised that the true function of a lawyer was to unite parties riven asunder. The lesson was so indelibly burnt into me that a large part of my time during the twenty years of my practice as a lawyer was occupied in bringing about private compromises of hundreds of cases. I lost nothing thereby – not even money, certainly not my soul."

– MK Gandhi, *An Autobiography: The Story of My Experiments with Truth*.

activities are unlawful and there are legal remedies to counter this conduct.

Where no deception takes place it becomes difficult to categorise ambush marketing as unlawful. This occurs when a trade mark is used without any reference to the event but still benefits directly from its staging in such a manner that the sole rights of sponsors are diluted. Examples are aircraft towing banners advertising a product and flying over the stadium while the event is taking place; the placing of advertisements at the outskirts of such stadiums; blocks of spectators wearing promotional



clothing during the event that would attract attention on television; and making references to sponsored events in advertisements without implying any form of sponsorship.

All these types of ambush marketing have the potential to jeopardise the long-term sponsorships of events and eventually the continued staging thereof. To stop the non-deceptive type of ambush marketing, South Africa pioneered a new approach to extend the common law principle of abuse of rights into the **Merchandise Marks Act**. Section 15A was introduced into the Act in 2002 rendering the use of a legitimate brand in relation to a sponsored event unlawful, if it was calculated to derive

a gratuitous promotional benefit from it without the authority of the organiser of the event.

The Minister of Trade and Industry may designate an event as protected for a fixed term by means of a notice in the Government Gazette as he has done with the FIFA World Cup tournament. Up to now all the litigation instituted has been settled.

The first judgment on ambush marketing is expected soon on a matter heard on 11 December 2008 in the High Court in Pretoria. This dealt amongst others with a Section 15A Notice under the Merchandise Marks Act.

FIFA applied for an interdict against the marketing of round lollypops with bubblegum centres by Metcash Trading Africa under the name "2010 POPS". Metcash registered this name as a trade mark in a logo form with the South African flag appearing in the zeros of the year. FIFA also wants to stop Metcash using "2010" with the flag and soccer balls to market lollypops as it gives the impression of having an official association with the tournament.

FIFA also averred that Metcash infringes its trade mark registration "SOUTH AFRICA 2010 BID".

Metcash countered that it is a known and successful marketing strategy to link goods with actual events. Soccer is topical in South Africa and was a logical theme for the marketing of its lollypops. It registered its "2010 POPS" trade mark two years before the Minister designated the tournament as a restricted event in 2006. Metcash contended that the Minister's publication in the Government Gazette

infringed on its trade mark registration and freedom of expression in terms of the Constitution.

Judge Msimeki has to decide whether our law recognises an absolute bar on all references to the tournament and the year 2010, or whether it is limited to misrepresentations. He reserved judgment.



Unlawful Competition

■ Claims to History

“Our language, our histories and culture are like a big ceremonial fire that’s been kicked and stomped and scattered... Out in the darkness we can see those coals glowing. But our generation are coal gatherers. We bring the coals back, assemble them and breathe on them again, so we can spark a flame around which we may warm ourselves.”

– Gary White Deer

WHEN PROMINENT members left the African National Congress during the latter half of 2008 to form a new party, they had problems finding an appropriate name. After a few unsuccessful attempts with other names the new party decided on Congress of the People with the abbreviated name Cope.

The ANC objected and applied for an urgent interdict to restrict Cope from using this name. Its objection stems from the historical Congress of the People that adopted the Freedom Charter in June 1955. Because it embodies the principles for which people fought and suffered in the liberation struggle that also underlie the Constitution, it is considered by many people as the most important document in the history of the country.

The historic events surrounding the Freedom Charter have not been in dispute. The ANC and its allies, the South African Indian Congress, the South African Coloured People’s Organisation, the South African Congress of Democrats and the South African Congress of Trade Unions became known as the Congress Alliance. It promoted the idea of a Freedom Charter and this culminated in the Congress of the People that was held at Kliptown on 26 and 27 June 1955.

The ANC did not bring this case on the basis that it had any proprietary or real rights in the name Congress of the People. Nor did it argue that simply because the name

refers to an important historic event, organisations are not free to appropriate it. The ANC contended that Cope’s use of the name Congress of the People constitutes unlawful competition by conveying a false message to unfairly attract votes to the detriment of rival political parties. The ANC would be particularly affected because the historic event forms an integral part of its goodwill.

Judge Ben du Plessis held that the mere use of the name Congress of the People does not convey that Cope is actually the 1955 Congress of the People. No reasonable voter would make such connection and Cope stated that it intends campaigning on the basis of upholding the principles of the Freedom Charter.

The judge also stated that use of this name does not afford Cope any exclusive claim to the 1955 event or to the Freedom Charter. Cope is not the sole heir and upholder of the ideals originated from this event.

Once it is registered as a political party, Cope would only have a monopoly to use Congress of the People as the name of a political party. That does not mean that people will in future forget history to the extent that they will identify a party founded in 2008 with an event that took place 50 years before that.

The court concluded that Cope’s use of the name does not convey a false message and consequently such use does not amount to unlawful competition. Justices Ngoope and Shongwe concurred with this judgment.

African National Congress v. Congress of the People (Association Inc under Section 21) and Others (55235/08) [2008] ZAGPHC 411 (12 December 2008).



Copyright

■ Mass Retreat

“Where words fail, music speaks.”

– Hans Christian Andersen (1805 - 1875)

THE RECORDING Industry Association of America (RIAA) abandoned its policy of instituting masses of legal proceedings against people unlawfully downloading copyrighted music on file sharing networks. Since 2003 it has filed legal proceedings against about 35 000 people in various countries for file-sharing.

Judges at Work

Big recording companies were embarrassed by bad press received from some lawsuits against small fry defendants, such as parents of children accused of unlawfully sharing music files on the Internet. The legal offensive did little to stem the tide of downloading music and the small settlements in most cases may also have called for a change in policy. Class actions against the recording companies using unscrupulous tactics in the RIAA anti-piracy campaign were also imminent.

The deciding issue for shelving the pending proceedings seems to have been the District Court of Minnesota overturning the judgment in *Virgin v. Thomas* in September 2008, the first music file-sharing case to go to trial. On 4 October 2007 a federal jury ordered Jammie Thomas to pay six recording companies US \$220 000 for downloading 24 copyrighted songs and then providing them online through a file-sharing account on a media distribution system.

A new trial was ordered on the grounds that the court erred by instructing the jury that *"the act of making copyrighted sound recordings available for electronic distribution on a peer-to-peer network, without license from the copyright owners, violates the copyright owners' exclusive right of distribution, regardless of whether actual distribution has been shown."*

The RIAA confirmed on 19 December 2008 that it will deal differently with the downloading of music in future. It has worked out preliminary agreements with Internet service providers to terminate access to file-sharers that did not respond to repeated warnings to stop this practice. It reserved its rights to sue such repeat offenders.

■ **domain.name.disputes.org**

TRADE MARK infringement disputes on South Africa's top-level domains such as "co.za" used to be resolved in the High Court up to 1 April 2007. On this date the Alternative Dispute Resolution Regulations in terms of Sections 69 and 94 of the **Electronic Communications and Transactions Act** came into effect.

If a complaint is filed that a domain name registration "takes unfair advantage" of someone's rights or "is contrary to law or likely to give offence to any class of persons", the registrant has to submit to the procedure under these Regulations. It must be adjudicated by an accredited domain name dispute resolution service. After having been accredited, the South African Institute of Intellectual Property Lawyers has already issued more than 20 decisions in terms of these Regulations.

It is an effective procedure with less time constraints and legalities to comply with than a long-winded court application.

■ **Ref Counter**

"Intelligence is quickness to apprehend as distinct from ability, which is capacity to act wisely on the thing apprehended."
 – Alfred North Whitehead (1861 - 1947)

JUDGE VAN OOSTEN in the Johannesburg High Court made some interesting remarks in a case which came before him. Normally the issues in dispute appear clear from the pleadings or from the pre-trial meetings between the parties or by agreement between the parties. However that does not tie the hands of the judge in appropriate cases. The judge stated:

"I cannot accept the notion of the judge merely acting as an umpire in the adjudication of disputes between parties. It is also the judge's duty to ensure that justice is done. If during the consideration of a matter a fundamental issue arises, which the parties have overlooked or have failed to recognise, and it is in the opinion of the judge in the interests of justice necessary and convenient to determine that issue, I can see no reason why this cannot be achieved through a process of fairness to all the parties concerned. Fairness ...would embrace... that proper notice of the issue and its proposed determination be given to all the parties and further that the principles of audi alteram partem (hear both sides) be observed. The possibility of prejudice always remains an important consideration. In the absence of prejudice the court, in my view, should not hesitate to adopt such a course in order to arrive at a just decision of the case."



If the parties overlook a question of law arising from the facts agreed upon, the court could hardly be bound to ignore the fundamental problem and only decide the secondary and dependent issues actually mentioned by the parties. This would be a fruitless exercise, divorced from reality and may lead to a wrong decision. This does not mean that a court will always be free to enlarge the issues. Difficult as it may sometimes be to find the right balance between undue judicial passivism and undue judicial intervention, judicial officers must strive to do so.

SA Enterprise Development Fund v. ICC Africa Ltd 2008 (6) SA 468 (WLD).

Close Corporations

■ A Family Business

"Sin has many tools, but a lie is the handle which fits them all."
– Oliver Wendell Holmes (1809 - 1894)

JUDGE BENNIE GRIESEL in the Cape High Court had found Mr Nizaar Ebrahim and Mr Abbas Ebrahim, son and father, personally liable for a debt incurred by a close corporation of which Mr Ebrahim junior was the sole member. They appealed and a full bench of five judges in the Supreme Court of Appeal re-considered the matter.



The facts were that the father and son had run the close corporation without books or documentation and they had allowed the debt to be transferred from one close corporation to another without any consideration or payment. This transfer showed reckless disregard for the solvency of the close corporation, for its ability to repay the debt it had incurred, and for its capacity as a legal entity

to accumulate and preserve assets of its own. This in turn amounted to trading recklessly as provided by Section 64 of the **Close Corporations Act** of 1984, in other words, an attitude of reckless disregard for the consequences.

Appeal Judge Edwin Cameron said that the entire existence of the close corporation was a mere formality, which explained the failure to keep records or accounts, and the consistent disregard of the independent well-being of the close corporation amounted to a reckless operation of its business. This manner of doing business had left the creditor unpaid. Both father and son had being knowing parties to the reckless operation of the close corporation's business and the High Court was correct, having given full and careful consideration to the matter, that they should each be personally liable. The appeal was dismissed with costs.

Ebrahim & Another v. Airport Cold Storage (Pty) Ltd 2008 (6) SA 585 (SCA).

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