

Adams & Adams

Client newsletter of Adams & Adams [Intellectual Property and general, commercial attorneys]

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When things are not always black and white

PARALLEL IMPORTATION as an unfair business practice - a new opportunity to combat "Grey Products" in South Africa



Trade mark proprietors often make use of authorised distributors in the countries in which they wish to sell and market their products. These distributors, who have knowledge and experience of the local market, usually have exclusive importation and distribution rights for the trade mark owner's goods and services, which guarantees the trade mark owner access to that market. In return, the distributor assumes certain obligations, such as marketing, after-sale service, performance in terms of any warranties on the products and protection of the goodwill acquired in the product bearing the proprietor's trade marks by ensuring consumer protection and satisfaction.

When goods made with the authority of the trade mark proprietor - genuine, authorised goods - are diverted from their original destination to another country without the authority of the trade mark owner, usually to take advantage of different price structuring and without guaranteeing support or service for the goods, the goodwill can be put at risk.

The sale of parallel imports can seem to have a positive effect on the consumer as the goods may be cheaper than identical items sold locally by the authorised distributor. However, they are often sold without the consumer having any right to after-sale service, especially where the warranty for the product is territorial and will not be honoured locally. Retailers of grey products will generally not disclose that the products are not guaranteed by authorised distributors appointed by the trade mark owner in their local country, nor do they disclose that they have

none of the obligations of authorised distributors. Until now, there has been no obligation on the seller to disclose his relationship with the trade mark owner nor to indicate the nature of any after-sales service, for example that a "guarantee to fix a product" is provided only by the seller of the parallel import and not by the authorised distributor.

The Department of Trade and Industry recently published a notice amending the Consumer Affairs (Unfair Business Practises) Act 71 of 1998, which confers on the Minister of Trade & Industry powers to take corrective action to stop "unfair business practises".

This Notice came into effect on 9 February 2007 and defined a business practice in the context of parallel imports to mean:

"The business practice whereby branded products imported without the trade mark owner's authority are advertised, promoted and/or offered for sale to end users and where end users have not been alerted by the seller that it:

- a) is not designated by or on behalf of the trade mark owner as an authorised distributor of the branded product, and*
- b) that the authorised South African distributor is under no obligation to honour the manufacturer's warranties/guarantees and/or after-sales support."*

An unauthorised branded product is defined as a branded imported product imported without the express authorisation given by or on behalf of the owner of the trade mark and includes any tangible object or product promoted or offered in the ordinary course of business

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Welcome to two new partners

Adams & Adams welcomes André Visser and Danie Dohmen as new partners to the firm.

André heads up the commercial law section and Danie's expertise in intellectual property commercialisation and licensing and contractual matters relating to intellectual property will add capacity to the firm's intellectual property arena.

André has been practicing for more than ten years in the commercial law arena, particularly in project finance, mergers, acquisitions, corporate



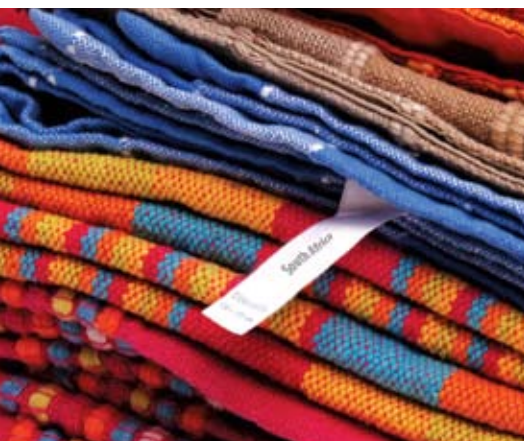
Danie Dohmen (left) and André Visser (right).

law, information technology, exchange control and tax law. He holds BComm LLB degrees from the University of Pretoria, with post-graduate qualifications HDipTax and HDip International Tax from the University of Johannesburg (formerly RAU).

Danie holds a BSc degree in physics and chemistry and an LLB from the University of Johannesburg (formerly RAU) and has close to ten years of experience. Danie's expertise will further strengthen the firm's capacity in his areas of practice

New regulations for textile labelling

In terms of new regulations, from 14 April 2007 it became compulsory for all textiles and items made from textiles to carry clear and visible labels stating the country of origin.



The regulations replace those published in April 2005 under Notice 657 of 2005, which have been repealed with effect from 14 December 2006. The European Community and the USA challenged the earlier regulations before the World Trade Organization on the basis that they did not comply with the Technical Barrier to Trade Agreement.

The regulations assist Government to determine the origin of imports coming into the country and to take action if they are not properly labelled and identified. The regulations extend to all textile goods covered in the Harmonized System Tariff and comply with international standards.

They are quite comprehensive in various respects. For example, it is illegal to state that a product is made in South Africa if it is only assembled in this country from imported fabrics or textiles. Also, anyone selling textile items in South Africa must add care instructions and

fibre content labelling as set out in the National Standards.

Labels must indicate if South African manufacturers used imported fabric to produce dyed, printed or finished textile products - from carpeting to clothes and shoes. According to the Government Gazette, labels on rebuilt or remade goods must state that they have been reconditioned, rebuilt or remade.

Offenders face fines of up to R5 000 per article and three years imprisonment on a first conviction. Fines for a second conviction are up to R10 000 per article and five years imprisonment.

Information on the National Standards and the textile goods covered in the Harmonized System Tariff is available on www.adamsadams.com.

For more information contact Marilyn Krige, a partner of the firm, marilyn@adamsadams.co.za

Social economic empowerment through counterfeit goods

Brand holders are having to react to large volumes of counterfeit items that are continually making their way across our borders. In one seizure in 1999, 28,000 pairs of counterfeit denim jeans belonging to a single importer were seized by Customs at Cape Town Harbour.

The jeans were copies of well-known brands including ROUTE 66, GUESS and ROXY. Traditionally after legal battles have run their course, counterfeit goods

are delivered to the brand holder's attorneys, who see to their destruction. However, this results in brand owners destroying hundreds of thousands of goods, including handbags, shoes and clothing on an annual basis.

In the case of these seized denim jeans, a series of legal obstacles ensured that this consignment was left untouched and in storage in Cape Town for over 8 years. As South Africans we live in a country

where poverty and unemployment are still rife. Therefore, instead of arranging for their destruction, the Cape Town office of Adams & Adams began investigating avenues by which the counterfeit jeans could be used to benefit the needy. After obtaining permission from the brand owners, as well as the Department of Trade & Industry, Adams & Adams teamed up with the non-profit organization, Catholic Welfare & Development (CWD),

... not always black and white

for sale or supply to "end users", who are any persons who purchase a product for their own use and not for resale.

The Notice states that the sale of grey products without notifying the consumer that the seller is not authorised to distribute the products and that the authorised South African distributor is not obliged to honour the trade mark owner's warranties and after-sales service on those products is an unfair business practice. The unlawful conduct is punishable by a fine not exceeding R200 000 or imprisonment for a period not exceeding 5 years or both.

The Notice requires that sellers of unauthorised branded products must include in all advertising and promotion (such as in-store promotions, brochures and websites) the following wording:

"The authorised South African distributor of this product is under no obligation to honour the manufacturer's guarantees/warranties or to provide after-sales service".

This wording must be in a conspicuous size and applied in a prominent place to allow consumers to read it easily.

The Minister has indicated that he will grant an exemption from any of the requirements set out in the Notice on a recommendation from the Committee established under the Act. Any person who sells grey products may apply for an exemption to the requirements to the Chief Director of the Committee.

The regulation is to be welcomed and is an innovative way in which to deal with thorny issues surrounding grey goods. While the Notice does not prevent grey products from being imported into South Africa, it does place restrictions on the method and manner of sale and distribution of grey products. Consumers will now be informed that, should they choose to purchase a product from an unauthorised distributor, they do so at their peril.

The Department of Trade & Industry will oversee the implementation. An enforcement team has been appointed to deal with complaints. Complaints lodged will be investigated and indications are that a "warning" will be given to the party not complying with the law in the introductory phase. Non-compliance will result in criminal charges being brought.

For more information contact Marilyn Krige, a partner of the firm, marilyn@adamsadams.co.za.



Research and development boost for South African economy

A new incentive to encourage scientific and technological research and development in South Africa has been introduced in terms of amendments to the Income Tax Act.

The incentive is twofold. Qualifying operating expenses are 150 percent tax deductible and the depreciation allowance for qualifying capital shifts from a 40:20:20:20 schedule to a 50:30:20 schedule. Expenses for registering, extending or renewing intellectual property, for example patents and designs, remain 100 percent deductible.

For research and development expenditure to qualify, activities must not only be performed in South Africa but must be for the discovery of novel, practical, and non-obvious information of a scientific or technological nature or for the creation of any invention, patent, design or computer copyright or other similar property of a scientific or technological nature.

No deductions are permitted for management or internal business processes, trademarks, market research, prospecting for minerals or exploration for oil and gas, sales or marketing promotion, social sciences or humanities.

Where expenditure is incurred partly for research and development and partly for other purposes, the deduction of 150 percent is only allowed for the research and development portion. Similar principles apply to buildings, plant, implements, utensils and articles partly used for research and development - only the research and development portion is eligible for the 50:30:20 depreciation.

Where a taxpayer recovers research and development expenditure that was allowed as a deduction, the recovery will trigger a recoupment of the income. Where the taxpayer ceases to use a building for research and development purposes, all deductions previously allowed will be recouped. This recoupment is reduced by 10 percent for each year that the building is used for research and development.

The 150 percent deduction does not fully apply to research and development projects funded by Government grants and is allowed only when the expenditure exceeds twice the amount of the Government grant.

Taxpayers claiming the 150 percent deduction or the 50:30:20 depreciation schedule must submit information about the project to the Minister of Science and Technology.

The incentive applies from 2 November 2006 and applies to all actually incurred expenditure or buildings, machinery, plant, implements, utensils and articles of a capital nature.

This article has been kindly provided by KPMG.

For more information contact Alan Lewis, partner of Adams & Adams, al@adamsadams.co.za or Saul Greenblatt, KPMG South Africa, saul.greenblatt@kpmg.co.za.

Complaints in the .co.za name space No April Fool's Day Joke

Cybersquatting is not uncommon in South Africa. However, until very recently, anybody who wanted to object to a domain name in the .co.za name space had no option but to institute proceedings in the High Court.

Fortunately, a change in South Africa came about when the Minister of Communications promulgated the much-awaited Alternative Dispute Resolution ("ADR") Regulations on 22 November 2006,¹ making it possible to resolve disputes relating to domain names in the .co.za name space. The regulations were promulgated in terms of the Electronic Communications and Transactions Act No. 25 of 2002 ("the ECT Act").² The ECT Act makes provision for a .za Domain Authority to be established with the objective of administering the .za TLD of the Internet.³

The alternative dispute resolution process for .co.za names was brought in line with the existing Uniform Dispute Resolution Policy of ICANN, which has been available for many years for domain names registered in the generic Top Level Domains ("TLDs") and certain country code TLDs.

ADR domain name dispute providers ("ADR providers") were accredited in South Africa and opened their doors for business from 1 April 2007. The South African Institute of Intellectual Property Law ("SAIPL") is one of the accredited ADR providers.⁴

Although there are active sub-domains in the .za name space, the regulations only relate to the .co.za domain names. The domain name regulations promulgated in South Africa are based on those of Nominet in the UK.

The regulations make provisions for complaints to be lodged on the basis that a domain name is "an abusive registration" and/or that it is "an offensive registration".

An abusive registration applies to a domain name which was either registered or acquired in a manner that took unfair advantage of or was unfairly detrimental to the complainant's rights or has been used in a manner that takes unfair advantage of or is unfairly detrimental to the complainant's rights. This type of registration would be typical of cybersquatting. Factors that would be taken into account to prove that a domain name is an abusive registration would include evidence that:

- the registrant registered the domain name primarily to sell or transfer the domain name to the complainant or to a competitor for an amount in excess of the registrant's reasonable out-of-pocket expenses;
- the registrant registered the domain name to block intentionally the registration of the domain name in which the complainant has prior rights;
- the domain name was registered to disrupt unfairly the business of the complainant;
- the registrant registered the domain name to prevent the complainant from exercising his or her rights;
- the registrant provided false or incomplete contact details in the WHOIS database;
- the domain name was registered as a result of the relationship between the complainant and the registrant and

the complainant has been using the domain name exclusively and paid for the registration or renewal thereof.

An offensive registration on the other hand applies to the registration of a domain name in which the complainant cannot necessarily establish rights but the registration of which is contrary to law, contra bonos mores or is likely to give offence to any class of persons. An offensive registration would include domain names that advocate hatred based on race, ethnicity, gender or religion and/or constitute an incitement to cause harm.

The ADR process is, as intended, quick and fairly simple. A single adjudicator or a panel of 3 adjudicators can be selected for a dispute. Once the complaint has been submitted to and processed by the ADR provider, the registrant has 20 days within which to lodge its response. Thereafter the complainant has 5 days to lodge a reply. Once the pleadings have been sent to the adjudicator, he will have 14 days within which to issue his decision. Either party will have the right to appeal the decision. An appeal is only possible against a decision by a single adjudicator and not to a decision of 3 adjudicators.

The regulations also provide that, if legal proceedings are initiated regarding a domain name that is already the subject of a complaint in terms of the ADR Regulations, the adjudicator will suspend the dispute immediately.

From a cost perspective, the fee charged is in line with the fees charged by international ADR service providers

1 The ADR regulations were published in Government Gazette No. 29405 of 22 November 2006. The full text can be downloaded at www.domaindisputes.co.za/content.php?tag=7

2 http://www.internet.org.za/ect_act.html

3 <http://www.zadna.org.za>

4 <http://www.domaindisputes.co.za>. The SAIPL was established in 1954 and represents over 140 patent attorneys, patent agents, trade mark practitioners and academics who specialise in the field of intellectual property law. In South Africa, only adjudicators with more than 10 years of experience in the field of intellectual property law have been appointed as senior adjudicators. In many instances, the adjudicators have in excess of 20 years of experience in intellectual property law.

5 The full decision can be downloaded at www.domaindisputes.co.za/content.php?tag=6

Nigeria service marks - update

The Nigerian Minister of Commerce issued a notice some months back in terms of which it has purportedly become possible to register service marks in that country.

In an amendment notice, the Minister has incorporated into the fourth schedule of the Trademark Regulations what appears to be the 9th Edition of the International Classification of Goods and Services. This amendment has, however, not been passed by following the required legislative process but under a Section of the existing Trademarks Act, which empowers the Registrar to make regulations. It is arguable that the amendment has not been adopted properly and could be open to attack.

Despite reservations about the possible invalidity of any applications filed prior to legislative enactment through the National Assembly, many businesses have elected to file service mark applications.

The danger of foreign marks being "hijacked" by unscrupulous parties, which is not uncommon in Nigeria, is causing proprietors to assume the risk and file now, rather than later. Although the situation is by no means clear, it is hoped that it will be possible to ratify the situation and maintain any applications filed prior to the implementation of more formal legislative amendments.

We are monitoring the situation and developments will be posted on www.adamsadams.com.

For more information contact Simon Brown or Megan Moerdijk, Partners, Foreign Trade Mark Department sbb@adamsadams.co.za or megan-m@adamsadams.co.za.



and amounts to ZAR 10, 000 (approximately EUR 1,050) in the case of a single adjudicator and ZAR 24,000 (approximately EUR 2, 525) for 3 adjudicators.

The first dispute in the .co.za name space was lodged with the SAIIPL on 11 April 2007 and the decision published on 7 June 2007.⁵ The case concerned the domain name <mrplastic.co.za> registered in the name of Mr Plastic & Mining Promotional Goods CC. The complainant was Mr Plastic CC. The complainant was incorporated as Mr Plastic (Pty) Limited in 1976 with a sole shareholder, a Mr Gerry Evans. In 1986, the entire shareholding was transferred to a Mr Eugene Snyman. In 1991, the company was converted to a close corporation (a more informal type of body corporate) under the name Mr Plastic CC. The interest in the close corporation was subsequently sold. The current sole member of the close corporation is a Mr Melville van Niekerk.

In 1980, Mr Evans commissioned the design of a logo for the complainant. The logo comprised a cartoon character of a man in dungarees and cap standing on the letters "Mr Plastic". The man holds a flag pole with a pennant flying above his head (depicted above).

The complainant had used its name and trade mark MR PLASTIC for some 27 years and had acquired a substantial reputation in the name. The registrant had used the trade mark and trading style MR PLASTIC for some 18 years. The mark and name MR PLASTIC was also in use by other entities in the plastics business.

The complainant was not able to register the domain name <mrplastic.co.za>, by virtue of the registration of the domain name in dispute. Furthermore the registrant's use of the domain name had given rise to instances of confusion. The complainant's complaint was based on the claim that the domain name was an "abusive registration". For the complainant to succeed with its ground of objection, it had to establish that the name MR PLASTIC was distinctive of it. In the absence of a registered trade mark and a licence granted by the registered proprietor, the rights arising under the

common law from the use of a mark inure to the benefit of the actual user. There was nothing in the evidence to show that the registrant and other entities, Mr Plastic (Natal) CC and Mr Plastic (Cape) CC, had used the names under the supervision or control of the complainant or that the complainant had conducted itself as a licensor.

Accordingly, the adjudicator found that the use of the name MR PLASTIC by third parties had caused the rights in the name MR PLASTIC to be diluted and the adjudicator questioned whether or not the name MR PLASTIC was still distinctive of the complainant only. The adjudicator also referred to the lack of inherent distinctiveness in the name. Weighing up all relevant considerations, the adjudicator held that the complainant had failed, on the evidence, to show that the name or mark MR PLASTIC was distinctive of its business and thus that it had a valid claim of passing-off against the registrant under the South African common law. The complainant therefore failed to discharge the onus of showing, on a balance of probabilities, that it had rights in respect of the name or mark MR PLASTIC enforceable against any third party and, in particular, against the registrant.

Furthermore, the adjudicator concluded that the fact that the registrant had been commonly known by the name or trading style MR PLASTIC and had been associated with this mark for a period of 18 years indicated that it had used the name as a concurrent user and had acquired concurrent rights in the name and mark MR PLASTIC. The adjudicator held that the complainant had failed to show that it had established rights in respect of a name or mark identical or similar to the domain name in dispute. Accordingly, the complaint was dismissed.

Although this case related to concurrent rights in a name and was therefore not a typical cybersquatting case, it has paved the way for a new chapter in domain name cases in South Africa. The process has proved to be a credible procedure for members of the public, as justice has been swiftly and inexpensively dispensed. Two other rulings have already been handed down.

For more information contact Mariette Viljoen, a partner of the firm, mv@adamsadams.co.za



National Credit Act geared for responsible spending

According to the Act, the consumer now has the right to terminate a lease or an instalment agreement entered into at any location other than the registered business premises of the credit provider. The termination must take place within five business days after signing the agreement - the so-called 'cooling off' period. The consumer must deliver a termination notice and tender the return of any money or goods to the credit provider or pay in full for any services already received in terms of the agreement.

Furthermore, a consumer may, at any time and without notice or penalty, prepay any amount owed to a credit provider.

A credit provider must accept any payment, even if it is before the payment due date. Each payment must be credited to the consumer on the date of receipt to satisfy any unpaid or due interest and any unpaid or due fees or charges and to reduce the amount of the principal debt.

A consumer also has the right to receive any documentation required in terms of the Act in plain language. Consumers should insist that the credit provider explains anything that the consumer

may not understand before signing any agreement.

The only items that may be included in a credit agreement are the principal debt, an initiation and service fee, interest, the cost of any credit insurance, default administration charges and collection costs. Should any of these items accumulate whilst the consumer is in arrears, the amount that the credit provider may sue the consumer for may not exceed the unpaid balance of the principal debt.

Any consumer may insist on an explanation as to the exact amount of interest that will be applicable to the credit agreement and the interest rate must be disclosed in the agreement.

The National Credit Act is aimed at a mutually beneficial relationship – consumers wishing to obtain credit must be made fully aware of their rights and obligations in terms of the credit agreement, whilst credit providers' activities will now be regulated.

For more information contact Leander Opperman, Partner and Head: Banking Law, Leander-o@adamsadams.co.za

The new National Credit Act applies to every credit agreement between parties dealing at arm's length within South Africa - thus not to informal lending between two individuals where the parties are not transacting at arm's length.

Partner wins business achiever's award



Marilyn Krige a partner at the firm was awarded the Business Women's Association of South Africa's Business Achiever's Award in the "professional category" at a gala awards ceremony on 2 August 2007. This is the first time this award has been made to an attorney.

The awards – in the categories start-up, entrepreneur, corporate and professional - recognise women in top level positions who are considered as role models and who are seen to be actively making a difference in business. The award is also of great significance, as South Africa celebrated women's month in August.

Marilyn received her award for her contribution to the growth of the firm and her position as a role model to professional women and as a mentor to what they can achieve, whilst balancing this with family life and contributions to social development.

The Businesswoman of the Year Award has been honouring South Africa's outstanding businesswomen since 1980. It has grown in stature over the last 26 years, to become the premier event of its kind in the country and a notable part of the South African business calendar.

The award recognises the success of women leaders in business, thereby creating a cadre of female role models whose achievements inspire other women to raise their sights and reach their goals. It also creates a mechanism for applauding and celebrating women's contribution to the economy.

Words do not always mean what they say

In the Supreme Court of Appeal (“SCA”), Verimark (Pty) Limited (“Verimark”) appealed against an interdict granted in favour of Bayerische Motor Werken Aktiengesellschaft (“BMW”) restraining Verimark from infringing BMW’s rights in its registered trade mark BMW logo in classes 3 and 12. Verimark had used pictures of BMW motor cars on packaging for and in advertising for its Diamond Guard polishes and BMW’s logo was clearly visible.

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... social economic empowerment

charity that helps to alleviate poverty, promote enterprise and empower the less-fortunate, specifically women and children. CWD leapt at the opportunity and employed four women to “de-trademark” the denim jeans by ensuring that all distinguishing signs and branding were removed, after which they were given to the needy.

This ground-breaking initiative was only possible as a result of the Department of Trade and Industry permitting CWD to remove fake buttons, labels and rivets and re-branding the jeans with CWD’s own logo. In terms of the new textile labeling regulations in South Africa (dealt with elsewhere in this newsletter), such “rebranded” clothes can be distributed in South Africa.

The prospect of converting counterfeit products into new CWD branded goods for the needy will hopefully be the basis for a social upliftment sewing academy for unemployed women, who will then start up their own enterprises and be able to support themselves. With close monitoring, rebranded counterfeit clothing can be useful and the normal destruction of counterfeit goods can be avoided.

The interdict had been granted in terms of Section 34(1)(a) of the Trade Marks Act, which indicates that the rights acquired by registration of a trade mark shall be infringed by “the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so near resembling it as to be likely to deceive or cause confusion”.

The word “mark” in the Act is defined to mean: “Any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the aforementioned”. In contrast, a “trade mark” is, in effect, defined as a mark used to distinguish the goods or services of the proprietor from those of others. Two earlier unrelated judgments and the judgment on appeal were based on a literal interpretation of Section 34(1)(a), in which the word “mark” in Section 34(1)(a) was interpreted in accordance with the definition in the Act. Also, it had been widely accepted that the wording of Section 34(1)(a) of the Act was clear and that, when it was introduced in 1995, the Section was intended to extend to use of an infringing mark both as a trade mark and otherwise than as a trade mark (which were dealt with in separate provisions in the previous Trade Marks Act).

In contrast to the earlier decisions, the SCA indicated that no-one would perceive that there was a material link between BMW and the Diamond Guard product nor that the logo on the cars was any guarantee of origin in relation to the polish. The SCA stated that Section 34(1)(a) should not be interpreted to give greater protection than that necessary for obtaining a trade mark registration, namely protecting the trade mark as a badge of origin. Having considered judgments of the European Court of Justice and English Courts, the SCA concluded that infringement would only arise if there is a “material link between the product and the owner of the mark”. Applying its reasoning, the SCA indicated that no-one, in its judgment, would perceive that there was a material link

between BMW and the Diamond Guard product or that the logo on the cars performed any guarantee of origin in relation to the Diamond Guard product. As a result, there was no infringement.

The result is that, when determining infringement in terms of Section 34(1)(a), the word “mark” is effectively interpreted as “trade mark” as defined in the Act rather than as “mark” and the scope for relief in any infringement action is more limited than previously believed.

In a cross-appeal on another issue, BMW relied on section 34(1)(c) of the Trade Marks Act, the so-called “anti-dilution provision”, which protects well-known marks against infringement by marks that are likely to take unfair advantage of or be detrimental to the distinct character or the repute of the registered trade mark. It was accepted that Verimark’s use of BMW’s logo was not detrimental to and did not tarnish BMW’s logo and that, to succeed, BMW was required to satisfy the SCA that Verimark was taking unfair advantage of the reputation of the BMW logo. The SCA found that, even if Verimark had taken advantage of the reputation of the logo, this was not done in a manner that was unfair. One could not expect Verimark to advertise car polish without using the representation of any make of car and it would be contrived to expect it to show vehicles in such a way that their logos are hidden. Verimark’s emphasis was on the effectiveness of its own product and did not affect BMW detrimentally. The cross-appeal was therefore dismissed.

Although the decision in terms of Section 34(1)(c) was consistent with earlier decisions and effectively confirms that Section 34(1)(c) is of little value to proprietors, the interpretation of Section 34(1)(a) came as a surprise to many. It indicates that a strictly literal interpretation of the Section is no longer appropriate and that the use under consideration must create a material link between the allegedly infringing product and the trade mark proprietor for there to be infringement.

For more information contact Alan Smith, Chairman, ajs@adamsadams.co.za

What is inside the bottle?

The regulations to govern the bottled water industry, recently introduced in terms of the Foodstuff, Cosmetics and Disinfectants Act, 54 of 1972 by the Department of Health, have been welcomed because it is essential that any industry that generates some R1,5 billion every year and supplies goods that people consume should state clearly what it is offering.

According to the South African National Bottled Water Association the industry has been growing at 20% per year for the last 12 years. Consumption is expected to be some 570 million litres per year by 2010.

Despite the fact that water in most places in South Africa is good enough to drink, the bottled water industry continues to thrive. In an industry with such huge growth, consumers have the right to know what they are buying – and swallowing. This is where the new regulations come into play.

The regulations state that labels on bottled water should indicate where the product originated and what has been added.

The regulations govern the quality of water and the claims that can be made in relation to bottled water. Bottled water is any water packed in a sealed container and offered for sale as a foodstuff for human consumption but does not contain sugar, sweeteners, flavouring or any other foodstuffs. Flavoured water is thus not classified as bottled water.

Bottled water is divided into three categories. "Natural water" is sourced from natural springs or boreholes. This water should not be processed or treated other than to remove solid particles. "Water from origin" includes rain and spring water which is then treated, altering the chemical composition of the water. The method of sanitation must be stated as well, as the composition. "Prepared water" has undergone anti-microbial treatment that might modify its physio-chemical characteristics. This includes municipal water to which certain minerals are added and from which certain minerals and salts

are removed. The method of disinfection or treatment must be stated, for example to indicate if the water has been pasteurized or treated by reverse osmosis. The supplier must indicate if it comes from a public or private distribution system.

Suppliers are required to attach labeling to indicate the nature of the water. One can indicate if the product is still or sparkling. The labeling must also state the constituents and chemical characteristics, including calcium, magnesium, sodium, potassium, chloride, sulfate, alkalinity, nitrate and fluoride. The amount of iron and aluminum must be stated. In addition, the total dissolved solids and pH should be declared. The regulations also stipulate that water may only be treated to eliminate unstable constituents, such as iron, magnesium, sulfur or excess carbonates. Carbon dioxide may be added or re-incorporated, if necessary. Oxygen in the form of air or ozone may also be added and the water may be treated to conserve its micro biological fitness for human consumption.

Requirements have been set for the maximum levels of certain trace elements and minerals that may be present. Apart from the usual ones that should not be in drinking water, the water should not contain more than 0,05mg/litre chromium or 0,05mg/litre copper.

Claims relating to any medicinal effect, either preventative or curative, are not allowed. Statements or pictorial devices about the nature, origin, composition or properties of bottled water that may create confusion are also forbidden. For example, the addition of the Heart Foundation logo is prohibited.

Regulations on bottled water in South Africa are welcomed



While many welcome the regulation of the industry, the average person may still have difficulty distinguishing between natural spring water, natural mineral water, prepared water and water from source.

More education to enable the consumer to identify the kind of bottled water, what it contains and its beneficial properties is therefore essential to ensure that the new regulations are beneficial. Severe penalties could be imposed on recalcitrant role-players and the Department of Health has warned manufacturers and bottlers to toe the line.

For more information contact Marilyn Krige, a partner in the firm, marilyn@adamsadams.co.za