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South Africa

# Focus on Trade Marks

## Ambush marketing prohibited

### NO unauthorised use of a trade mark in relation to a protected event



Two recent legislative amendments introduced measures to prohibit ambush marketing in South Africa, ie. intentional conduct on the part of a person or company to obtain an unjustified promotional benefit from a sponsored event, such as sponsored sports or cultural events or other recreational activities. Sponsorships usually entail an aspect of promotional exclusivity at the sponsored event, and in television and radio broadcasts of the event, for the trade marks and brand names of the sponsor(s). Ambush marketing generally involves the unexpected appearance or display at the event, often in strategic or highly visible positions, of advertisements, promotional material or other matter or products featuring the name or trade mark of the perpetrator in such a manner as to imply or suggest, falsely, an official association or connection with the event or with the organisers of the event.

Section 9 of the Trade Practices Act no. 8 of 1976 already prohibited advertisements, statements, communications, descriptions and the like in relation to the sale or leasing of goods, and to the rendering and provision of services which, directly or indirectly, are false or misleading in material respects. The Act also already created offences in the event of contravention, and contained certain penalties in the event of conviction for such an offences. Section 9 was amended by the Trade Practices Amendment Act no. 26 of 2001 to provide that a false or misleading advertisement, statement, communication, description or indication for purposes of section 9 will include such conduct which is intended, directly or indirectly, to imply or suggest a contractual or other connection or association with any event or organisation by virtue of patronage or sponsorship.

Adams & Adams Head Office, Pretoria

Increased penalties were also prescribed. In the case of a first conviction a fine not exceeding R5 000 can be imposed, or imprisonment for a period not exceeding two years, or both. In the case of a second or subsequent conviction, these are increased to R10 000 and five years respectively.

In view of the recent Cricket World Cup event co-hosted by South Africa, a further legislative amendment was introduced to provide a quick and effective mechanism for dealing with

## New Associates

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ambush marketing. The Merchandise Marks Amendment Act no. 61 of 2002, which came into effect on 17 January 2003, introduced into the Merchandise Marks Act no. 17 of 1941 definitions of 'event' and 'protected event', and inserted a new section 15A prohibiting the use of a trade mark in relation to a protected event in a manner calculated to achieve publicity for that trade mark so as to derive a special promotional benefit from the event, unless prior authority is obtained from the event organiser.

The concept of 'use' is defined to include visual or audible representation or reproduction of the work, or the use of the mark in promotional activities in a way intended to associate it with the event. It is evident that the legislature intended to include in the prohibition use of the mark in radio and television broadcasts of the event.

These legislative amendments demonstrated a resolve by Government to put in place a more effective mechanism to address the undesirable interference in sponsorships by ambush marketers. The effectiveness of this mechanism - and the potential excessive use thereof - was illustrated during the Cricket World Cup series early in 2003.

The World Cricket Cup matches were duly designated by the Minister as 'protected events', and the exclusivity of use and display of the sponsors' products, brand names and promotional material was strictly enforced by the events organisers. Members of the public attending the cricket matches were warned beforehand not to take unauthorised products or promotional material into the stadiums, and not to display such products or materials in or in the vicinity of the sports stadiums. This prohibition was so strictly enforced, that spectators attempting to take a six-pack of a conflicting brand of cold drink into the stadium found that their six-pack was seized.

# South Africa may accede to Madrid

The government of South Africa, through the Department of Trade and Industry (DTI), is finalising a decision to accede to the Madrid Protocol for the registration of trade marks. The Standing Advisory Committee of the Minister of Trade and Industry has been investigating the implications over the past year.

DTI and CIPRO (the Companies and Intellectual Property Registration Office) arranged a workshop on the Madrid Agreement and Protocol early in November 2002, with representatives of WIPO (the World Intellectual Property Organisation), when all aspects of the Agreement and Protocol were discussed in detail. The workshop was attended by members of the IP profession, officials of CIPRO, and industry representatives.

South Africa's expected accession comes just after the accession by the US (which country has delayed implementation until November 2003), and at the time of the expected accession by Canada. Although the process for South Africa has been set in motion, accession is not expected before late 2004.

The operation of the Madrid system relies heavily on cooperation between the International Bureau (IB) of WIPO and the national registration office. And it is in this regard that a problem has been identified : the South African Trade Marks Office at present has a backlog of some 36 months in the examination of trade mark applications. With the requirement of the Madrid Protocol that the IB must be notified of a refusal of the trade mark application by the national office within 18 months after filing, failing which the trade mark is deemed to have been accepted, it is foreseen that the current examination period applicable to both local and convention applications will have to be reduced drastically. CIPRO is engaged in different initiatives, with the assistance of WIPO and OHIM, to increase its examination capacity.

South Africa's Trade Marks Act no. 194 of 1993 will have to be amended to provide for the Madrid filing procedure. DTI has indicated that a drafting team including representatives of the profession will prepare a draft Bill in the course of 2003. It has also been indicated that, although the accession to the Madrid Protocol may in principle be approved by Parliament during the 2003 session, the deposit of the accession documents will only take place once the legislative amendment has been effected.

# New broadcasting rights created

Two legislative amendments were effected during 2002 to provide for so-called 'needle time' rights, ie. broadcasting rights for sound recordings and for live performances. Although both the Copyright Amendment Act no. 9 of 2002 and the Performers' Protection Amendment Act no. 8 of 2002 were promulgated on 25 June 2002, the regulations to provide for the functioning and regulation of royalty collecting societies have not yet been finalised.

## Broadcasting rights for sound recordings

The Copyright Amendment Act, 2002 amended section 9 of the Copyright Act, 1978 to provide for further exclusive rights in respect of sound recordings, namely

- broadcasting the sound recording;
- causing the sound recording to be transmitted in a diffusion service; and
- communicating the sound recording to the public.

A new section 9A was also introduced, prohibiting any person from carrying out any one of the above acts without payment of a royalty to the owner of the copyright, unless an agreement to the contrary exists. Section 9A provides for the royalty to be determined by agreement between the user (ie. the broadcaster), the performer, and the owner of the copyright in the sound recording. Furthermore, the owner of the copyright who receives the royalty must share the royalty with the performer(s) whose performance is featured on the sound recording. This is clearly an attempt by the legislature to ensure that performers will share in the royalty income generated by the record industry through broadcasting.

Finally, it is provided that the Minister of Trade and Industry, in consultation with the Minister of Finance, is to regulate for the establishment of collecting societies, the composition, funding and functions of which are to be regulated.

## New Associates

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## Broadcasting rights for live performers

The Performers' Protection Amendment Act, 2002 amended the Performers' Protection Act, 1967 to provide for exclusive rights in regard to broadcasting and communication to the public to vest in the performer. It is further provided that no person may, without payment of a royalty to the performer

- broadcast the performance;
- cause the performance to be transmitted in a diffusion service; or
- cause the performance to be communicated to the public.

Again the amount of the royalty payable is to be determined by agreement between the performer and the broadcaster. A performer who has authorised the fixation of the performance (eg. by the making of a sound recording) shall be deemed to have granted the person who made the sound recording the exclusive right to receive the royalty in respect of the broadcast, provided that the performer will be entitled to share in the royalty.

## Regulation of collecting societies

A set of draft Regulations to regulate the establishment and functioning of royalty collecting societies for purposes of collecting and distributing the broadcasting royalties, has been published for comment. Many issues and concerns were raised. An indication was given that a drafting team would be set up, including representatives of the IP profession, to prepare a refined version of the draft Regulations. It is not clear in what manner royalty payments are to be handled in the absence of authorised collecting societies.

# Assignment of IP rights needs exchange control approval

**Ike Papageorge**

The High Court of South Africa, in the matter of *Lindsay Jacques Couve and another v. Reddot International (Pty) Limited and others* (unreported), held that the assignment of intellectual property rights by a South African resident to a non-resident without exchange control approval is null and void. Ike Papageorge, senior partner in the Trade Mark department, successfully handled the matter (photo right).

In coming to this decision, the Court referred to section 10(1)(c) of the Exchange Control Regulations, which states that:

> 'No person shall, except with permission granted by the Treasury and in accordance with such conditions as the Treasury may impose, .... enter into any transaction whereby capital or any right to capital is directly or indirectly exported from the Republic'.

The court found that the rights in and to patent applications and the concomitant right to receive royalties constitute 'capital'. The acquisition of a patent or patent application is regarded as a capital expenditure and allowed as a reduction in determination of a taxable income, which supports this view. The net effect of the agreement was therefore the export or part export of the capital in the form of rights in and to the patent and in and to the concomitant right to receive royalties. The assignment of rights in the case transferred 'capital' without the permission of the Treasury (ie. without approval by the exchange control authorities) and the transaction was contrary to the provisions of section 10(1)(c) and was unlawful.

By analogy, the same provisions would apply to other forms of intellectual property, including trade mark rights. Based on the decision mentioned above, a trade mark application or registration has an inherent 'capital' value and its assignment from a local proprietor to a foreign one without exchange control approval must be invalid. In practice, the authorities will require a realistic valuation of the assigned right and for the local proprietor to receive adequate value for the right before approval is granted.



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