South Africa
Trademark law: where is it heading?

Over the past year there have been a number of key trademark judgments by the South African courts – and none of these has paid more than lip service to the significant Constitutional Court judgment in the Laugh it Off Case in 2005. The division between the pronouncements of the Constitutional Court and the line of judgments from the more traditional courts goes to the heart of trademark jurisprudence and highlights a fundamental collision of values.

Background
South African law is essentially Roman-Dutch. The original Dutch founders of one of the key antecedents of the modern South African state in 1652 brought with them their system of law – the codified Roman law as interpreted and expanded upon by Dutch jurists. When the Cape colony fell into British hands in 1812 the common law of the land remained Dutch, but various aspects of the English common law, as well as the principle of the binding power of precedent, were grafted onto it. Efforts were later made to return the law to its Roman-Dutch roots, but the trademark law has, by and large, remained essentially the same as English trademark law up to the present time, with one important difference.

In 1994 South Africa elevated the Constitution to the position of supreme law according to the US model. At a stroke, all other laws and even the legislature became subservient to the Constitution. A new court of final appeal was established – the Constitutional Court, which sits in Johannesburg – superseding but not replacing the Supreme Court of Appeal, which sits in Bloemfontein and was, until 1994, the final arbiter of the law. For a time the chief justice remained a member of the Supreme Court of Appeal, but in recent years this position has been moved to the Constitutional Court, which is logically where it should be. Judges today are drawn from the ranks of both attorneys and advocates (traditionally the sole source of judicial appointments), and there is an emphasis on altering the racial and gender balance of the High Court from predominantly white male Afrikaners to a panel that is more representative of the population as a whole. However, the greatest change is the establishment of the Constitutional Court, which is designed to be a ‘people’s court’, eschewing even the tradition of placing the judges’ bench at a higher physical level than the desks for petitioners.

Case law
The South Africa chapter of IP Value 2006 considered the landmark Laugh it Off decision, in which the Constitutional Court reversed decisions of the court of first instance and the Supreme Court of Appeal in a dilution case and championed the constitutional right to freedom of expression, including the freedom of commercial expression. This decision was expected to signal a change in the attitude of the lower courts towards issues of freedom of expression, but thus far this has not been forthcoming. On the contrary, the pronouncements of the South African lower courts have been very clear on IP rights, strongly favouring the rights of proprietors over any defences which might be raised.

BMW Cases
The focus of this line of judgments is vehicle spare parts, and a field in which BMW has been particularly active and successful. Theoretically, South African law permits a trader in spare parts to identify the product that the parts fit by the trademark of the manufacturer of that product – this is specifically provided in Section 34(2)(c) of the Trademarks Act 1994, subject to the conditions that the use is in good faith, reasonable and in accordance with fair practice. If this is taken as purely illustrative of the sort of conduct that is not an infringement (a seller of spare parts clearly does not use the mark “as a trademark” – that is, to indicate that the parts fit a product of its own manufacture) or the US doctrine of fair use is applied, then interference with sales of non-original or secondhand spares would be rare. Regrettably, the South African Transvaal Provincia
Division (TPD) of the High Court has taken a very different view in a number of judgments, particularly in Bayerische Motoren Werke AG v Autostyle Retail (TPD Case 5887/2005) and Bayerische Motoren Werke AG v Commercial Auto Glass (Pty) Ltd (TPD Case 5889/2005).

The TPD has interpreted the infringement provisions of the act as imposing strict liability – if the registered trademark is used at all, whether as a trademark or not, use of the identical mark and confusion or deception need not be proven as this must be shown only where there is use of a similar mark. Therefore, a spare parts dealer, in stating it has parts for a BMW # series, automatically infringes. It then bears the onus of proving in the High Court that its use falls within the parameters of Section 34(2)(c), as it has made it “unequivocally clear” by something outside the use itself in the manner of qualifying language that the parts are not original BMW parts. In Autostyle careful analysis by the court found that this defence had been established in most of the alleged instances of infringement (there were nine alleged infringements). However, in two instances the court deemed it possible that a consumer could think the parts were original. The court therefore found in BMW’s favour and awarded the costs of the whole case against the parts dealer, effectively fining it at least $50,000.

In Commercial Auto Glass the defendant, an aftermarket automotive glass supplier, had advertised under its own brand that it had windscreens for sale and listed the makes and models of car for which it had windscreens, with prices. All makes popular in South Africa were listed, including BMW. BMW sued for trademark infringement, stating that the public would be misled into believing that the windscreens in question were BMW-brand windscreens, despite the fact that the supplier made no representation on the brand of windscreen and did not use the BMW logo. The TPD found in favour of BMW, deciding that this use amounted to infringement and passing off because there was no accompanying statement making it unequivocally clear that the parts were not original BMW parts. The court did not specify exactly what would render the position “unequivocally clear”. The problem with this type of pronouncement is that it ignores the statement by the Constitutional Court that: “Courts must be astute not to convert the anti-dilution safeguard of renowned trademarks usually controlled by powerful financial interests into a monopoly adverse to other claims of expressive conduct of at least equal cogency and worth in our broader society.”

Applying that precedent to the present situation, the ‘right’ of spare-part traders to use the trademark of the manufacturer of the product for which the parts are intended is functionally meaningless, since they have no means of knowing, before they get to court, whether their best efforts to make it “unequivocally clear” that the parts are not those of the manufacturer will be sufficient. This is in direct contrast to the statement by the Constitutional Court in Laugh it Off that: “Courts must be astute not to convert the anti-dilution safeguard of renowned trademarks usually controlled by powerful financial interests into a monopoly adverse to other claims of expressive conduct of at least equal cogency and worth in our broader society.”

The simple fact is that it is a brave small trader indeed that will challenge a company as financially powerful as BMW, or any of the other major motor manufacturers, in court, simply because the cost is so high. This situation has occurred at least twice over the past year, and in both cases neither trader was doing anything other than what it appeared (at least to a lay person) the law specifically allowed it to do. This sends a powerful message about the enforcement of trademark rights that many rights holders may applaud. However, it is in direct contrast to the Competition Law and the opinion of the highest South African court, and has the effect of putting justice beyond the reach of most. This is particularly so if regard is had to the Counterfeit Goods Act and the Customs Act, which the TPD has interpreted to allow a customs officer to order the dispossession of goods on the strength of an ex parte complaint alleging counterfeiting, without compliance with the checks and balances contained in the Counterfeit Goods Act which are designed to cushion its more draconian provisions.

Counterfeit goods
In another major trademark case (AM Moola Group Ltd v The Gap Inc [2005] (6) SA 568 (SCA)) the court criticised the definition of ‘counterfeit’ in the Counterfeit Goods Act, expressing the view that an element of fraud should be required, but leaving open the possibility that simple infringement may amount to counterfeiting. Against the current legal background, the potential for abuse is obvious.
Conclusion

The basis of justice famously lies in balance, represented by the scales of justice. Justice is depicted blindfolded as no respecter of persons. Totalitarian approaches to law generally provoke those who believe in basic human rights – such as those entrenched in South Africa’s brave new Constitution – including making the right to be heard fundamental to any fair system of law. However, this is no right at all if it is reserved solely to the very rich. The principle of the rule of law presupposes that those who are affected by a law should be able to ascertain its meaning and effect. A system of language and law understood by only a few, where only a few have the ability to make authoritative statements about what is and is not permitted under the law, cedes power to those few. Lord Simon of Glaisdale wrote: “It is important to remember why our statutes should be framed in such a way as to be clearly comprehensible to those affected by them. It is an aspect of the Rule of Law. People who live under the Rule of Law are entitled to claim that the law should be intelligible. A society whose regulations are incomprehensible lives with the Rule of Lottery, not the Rule of Law.” (“The Renton Report – Ten Years On”, 1985 Stat Law Rev 133.)

The need for convenient remedies must always be tempered by the greater need to respect the imperative of impartiality and the basic right to have an opportunity to be heard in one’s own defence. South Africa’s highest court espouses that view, but the lower courts seem loath to recognise it. For IP owners the danger lies in intellectual property becoming perceived as having grown beyond its rational bounds and being perverted into a tool of anti-competitive economic repression. If that happens, as has happened already to pharmaceutical patent rights, the reaction when it comes – as it must – may lead to a very serious curtailment of the rights currently seen as legitimate.

Ron has been an IP practitioner in Africa for the last 24 years. He manages international trademark portfolios for a number of multinational companies and is responsible for the early identification of potential threats to several global brands. He holds a BL (Hons) from the University of Rhodesia. Ron serves on a number of committees including the IP Standing Advisory Committee to the South African minister of trade and industry, and he is the 2006 to 2007 chair of INTA’s dilution subcommittee for Africa and the Middle East.

Ron Wheeldon
Attorney
Tel +27 11 646 6666
Email ron.wheeldon@brands-man.com

Ron Wheeldon Attorneys
South Africa