

# **Ambush Marketing**

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Ambush marketing takes place when a trader seeks to utilise the publicity value of an event, for instance a major sports tournament or a concert, to gain a benefit from it despite not having any involvement or connection with that event and more particularly having made no financial contribution to entitle him to derive benefit from it. Major events having publicity value have become important vehicles for the promotion and advertising of products and organisers of such events generally require a monetary payment for participation in the promotion value of the event. Such financial contributions generally take the form of sponsorships. Typically a trader would pay sponsorship money to an event organiser in order to obtain exposure for his product at the event. This exposure could take the form of advertising hoardings or providing clothing for participants in the event and the like.

Ambush marketing has become a major threat to the viability of sponsorship of events and thus for the holding of events since, without the sponsorship, many sporting and entertainment events are not economically viable and cannot be staged. It is thus in the interests of event organisers and of sponsors to curtail or minimise the scourge of ambush marketing. In this article I seek to describe the legal remedies available to events organisers and sponsors to eradicate ambush marketing and possible future improvements or developments to the armoury of those who would eradicate ambush marketing.

## **Forms of ambush marketing**

Ambush marketing can manifest itself in two manners. Often a major event has a name, logo, or other insignia identifying it. Unauthorised persons use these insignia, or insignia which are sufficiently similar to the authentic insignia to cause confusion. In this form of ambush marketing the ambush marketer misleads the public into thinking that he is an authorised sponsor or contributor associated with the event. In the other form of ambush marketing, the ambush marketer seeks not to suggest a connection with the event but rather to give his own name, trade mark, or other insignia exposure through the medium of the publicity attracted by the event; this is done without any authorisation of the event organiser. I will refer to the first form of ambush marketing as 'forging' and to the second form of ambush marketing as 'intrusion'.

## **Remedies available to control ambush marketing**

There are several areas of the law which can assist event organisers and sponsors in controlling ambush marketing. None of them provides a complete answer and it is generally preferable that a combination of them should be utilised.

### **Trade mark infringement**

Where an event organiser has a registered trade mark which is used to identify the event, for instance the Olympic Games symbol, and that trade mark is forged, the event organiser will have recourse under the Trade Marks Act 1994 and can institute civil court proceedings for trade mark infringement. Infringement of a registered trade mark entitles the proprietor of that trade mark to obtain an interdict restraining the offending conduct, payment of damages, delivery-up of all materials in the possession of the defendant featuring the offending mark and costs of suit. I shall refer to these forms of relief collectively as 'standard relief'. Trade mark infringement remedies cannot, however, counteract ambush marketing by intrusion.

### **Passing off**

The insignia and identifying features of an event can be protected under the common law if they are well known and enjoy a repute to the extent that persons seeing such insignia call the event to mind. In the event that these insignia are forged, a civil law claim can be made against the forger on the basis of so-called 'passing off' and the standard relief is available to the event organiser. Passing off cannot, however, be used to counteract ambush marketing by intrusion save where the manner in which the ambush marketer uses his own insignia suggests that there is some connection, such as authorisation, between the use of that insignia and the event or event organiser. This form of passing off may, however, be very difficult to establish.

## **Copyright infringement**

Insignia used by an event organiser which are pictorial or graphic can constitute 'artistic works' under the Copyright Act 98 of 1978, while insignia and other written materials relating to the event which have some substance and embody in written form the result of independent thinking and creation can constitute 'literary works' under the Copyright Act. If these artistic or literary works are copied – either identically or in substance – by a forger such copying can give rise to a claim of copyright infringement and the copyright owner can claim the standard relief.

Copyright infringement can also give rise to the commission of a criminal offence and the Copyright Act makes provision for severe penalties to be imposed. In the case of a first offence an infringer can be fined an amount of up to R5 000 for each article to which the offence relates, or be imprisoned for a period of three years, whichever is greater. For a subsequent offence these amounts are increased to R10 000 and five years, respectively. Copyright infringement cannot, however, occur in the case of ambush marketing by intrusion.

## **Merchandise Marks Act**

An event organiser can have his trade mark or other insignia declared by the Minister of Trade and Industry to be a 'prohibited mark' under the Merchandise Marks Act 17 of 1941 and if such a mark is forged a criminal offence is committed. The sentences which can be imposed for offending under the Merchandise Marks Act are the same as those that can be imposed under the Copyright Act. The Merchandise Marks Act is of no assistance in preventing ambush marketing by intrusion.

## **Counterfeit Goods Act**

Where an ambush marketer infringes a registered trade mark, infringes copyright, or forges a prohibited mark under the Merchandise Marks Act, action can also be taken against him under the Counterfeit Goods Act 37 of 1997. This Act renders the forging of the aforementioned forms of property a criminal offence and imposes the same penalties as the Copyright Act. The Counterfeit Goods Act contains procedural provisions which are of great assistance to the owner of the right being forged and is, in principle, an effective tool for dealing with ambush marketing by forgery. It is, however, of no assistance in dealing with ambush marketing by intrusion.

## **Harmful Business Practices Act**

The Harmful Business Practices Act 71 of 1988 makes provision for the Business Practices Committee to investigate certain practices which are considered to be contrary to the public interest in that they harm the relations between businesses and consumers, unreasonably prejudice consumers or deceive consumers and, if the committee decides that they are undesirable, it can make a recommendation to the Minister of Trade and Industry who can prohibit them. Once a prohibition has been issued the further conduct of the practices concerned will be unlawful and constitute a criminal offence. Ambush marketing by means of forging and intrusion could be affected by this legislation but the mechanism provided by the Act is cumbersome for purposes of dealing with ambush marketing.

## **Trade Practices Act**

The Trade Practices Act 76 of 1976 makes ambush marketing by forging involving the making of false representations, in principle, a criminal offence. This is in effect a manifestation of the passing off principle. The Act does not, however, impact on ambush marketing by intrusion save to the extent that a marketer may use his own trade mark or insignia to make a false representation, that is, to suggest that the use of his own trade mark has been authorised by an event organiser or sponsor.

## **Contract**

An event organiser or sponsor can, and invariably does, regulate the use of his insignia by others with whom he deals. Such an agreement can stipulate the conditions subject to which the insignia are used and the restrictions placed on their use. The conditions and restrictions are, however, only binding on or applicable to persons who enter into a contractual relationship with the event organiser or sponsor or persons upon whom someone entering into a contract with an event organiser or sponsor is obliged to place additional restrictions. Generally speaking, an ambush

marketer who perpetrates forgery has no contractual relationship either direct or indirect with an event organiser or a sponsor.

Contractual obligations or restrictions can also be placed on others by means of mass contracts, that is, contracts entered into with the public at large such as persons attending or participating in an event. An example of this is conditions to which the sale of an entrance ticket are made subject. For instance, spectators or participants could be prevented from displaying, advertising or promoting non-sponsors' products. Contracts can impose a measure of control of ambush marketing by forging and by intrusion.

### **Regulatory measures**

Legislation, whether national, provincial or municipal, may be capable of being utilised to prevent promotional activities taking place outside the venue where an event is to be held or air space above a stadium being used for advertising purposes and the like. The nature of the regulatory measures which may be capable of being taken will depend very much on the nature and location of the event and the attitude of the relevant regulatory authorities. These measures could be used primarily to prevent ambush marketing by intrusion but also ambush marketing by forgery to some extent.

### **Shortcomings of available remedies**

None of the above remedies, whether individually or in combination, provides the total answer, or even really an adequate solution, to the problem of ambush marketing. This is particularly true of ambush marketing by intrusion. Events organisers and sponsors are largely helpless when it comes to dealing with ambush marketing by intrusion save in circumstances where this form of ambush marketing can constitute passing off. A skilful ambush marketer who wishes to perpetrate intrusion can usually do so without running the risk of falling foul of the law of passing off. There is a limit to the extent to which an event organiser or a sponsor can counteract ambush marketing by intrusion by means of imposing contractual restrictions or obligations. The current state of the law thus leaves a lot to be desired when it comes to dealing with ambush marketing by intrusion.

The legal remedies discussed above provide fair protection against ambush marketing by forging. The main problem in this regard is the cumbersome nature of these remedies when applied to the situations in which ambush marketing arises in practice. Those remedies which give rise only to civil law infringements (ie trade mark infringement, passing off and contract) can usually be enforced only after the event has taken place and it may take months or even years before relief can be obtained. By that time the relief may be of merely academic importance. For instance, it would be cold comfort to the organisers of the 2003 Cricket World Cup in South Africa if a claim arising during the time of tournament is resolved only eighteen months later. An interdict restraining the offending conduct at that stage would be worthless and a damages claim would be difficult to quantify or to prove. Even in the case of those remedies which give rise to criminal offences, in general, warrants issued by a magistrate must first be obtained before action can be taken and frequently event organisers or sponsors will have no knowledge of the offending conduct until the time of the event, by which stage it is usually too late to obtain a warrant for the police or other officials to take action. For the major part, the chief value of these remedies is of a deterrent nature but in many instances the profits to be made or the benefits to be gained from ambush marketing far outweigh the possible penalties which may follow at some stage after the event.

Ideally what is required is a remedy which covers all forms of ambush marketing by forgery and by intrusion and which is capable of immediate enforcement on the spot through confiscation of merchandise and other forms or manifestations of ambush marketing. In practice this means that new legislation is necessary specifically to address the peculiar nature of ambush marketing and to provide practical and effective means of combating and eradicating ambush marketing. In the absence of such new legislation event organisers and sponsors are all too prone to be preyed on by ambush marketers.

### **Legislative initiatives**

There have in recent times been legislative initiatives aimed at counteracting ambush marketing.

### **Abuse of trade marks**

Mindful of the harm caused by ambush marketing, the Association of Marketers took the initiative in formulating and proposing custom-made legislation for dealing with ambush marketing. A draft

was prepared and submitted to the Department of Sport and Recreation and to the Department of Trade and Industry.

The draft adopted a new departure point and its basis was to prevent ambush marketers from abusing their position or any trade mark rights which they might have. It provides that, in certain circumstances, the use of a trade mark, including a marketer's own legitimate trade mark, in relation to an event without the authority of the event organiser, in a manner which is calculated primarily to achieve publicity for that trade mark and thereby to derive promotional benefit from the event, is prohibited.

The use, or more correctly misuse, of a trade mark contemplated by the draft is the misuse of the mark on, or in physical or other relation to, goods or in relation to the performance of services, or in promotional activities, which directly or indirectly in any way have, or are brought into association with, or allude to, the event. The event concerned would be a gathering of people or other happening staged or shown in public which is likely to attract the attention of the public, be newsworthy or to achieve notoriety and is financed to a significant extent by commercial sponsorship, and which is declared by the Minister of Trade and Industry to be a protected event. Such a declaration by the Minister would have to be obtained in advance, before the event. Using a trade mark contrary to the provisions of the legislation would constitute a criminal offence. It is envisaged that the legislation should be introduced into the Merchandise Marks Act.

This draft would render unlawful any deliberate attempt to perpetrate ambush marketing by forgery or by intrusion and would equate these two forms of ambush marketing. It would enable the police or other enforcement officials to act promptly on the spot at events if ambush marketing were taking place. It would greatly enhance the ability to counteract ambush marketing by intrusion which is an insidious form of ambush marketing. Its focus on the conduct and intent of the ambush marketer in abusing his position, and even his rights, makes it novel and unique.

The draft legislation found favour with the Department of Sport and Recreation which adopted it as its own proposal. However, the Standing Advisory Committee which advises the Minister of Trade and Industry on matters relating to intellectual property considered that it was too far-reaching and that its radical nature was not justified by the perceived ill that it sought to counteract. The committee accordingly entered into a dialogue with the Association of Marketers with a view to modifying draft legislation or formulating a different approach.

### **Amendment to the Trade Practices Act**

Pursuant to the dialogue entered into between the Advisory Committee and the Association of Marketers, an alternative approach was formulated and a draft amendment to the Trade Practices Act was prepared. The effect of this proposal is to adopt what one might describe as the 'passing off approach', namely that any conduct by an ambush marketer which creates any likelihood of his mark, goods, services, or activities generally being connected with an event organiser or a sponsorship is rendered unlawful and made a criminal offence. The proposed provision is specifically to the effect that a representation by a marketer which is intended, directly or indirectly, to suggest a contractual or other connection or association with any event, person, organisation, or place by virtue of patronage or sponsorship is deemed to fall within the ambit or the general protection contained in the Trade Practices Act described above. This proposed legislation is open to the criticism that it takes the matter little further than the existing remedies described above. It focuses virtually entirely on ambush marketing by forging and has limited application to ambush marketing by intrusion. In my opinion it has limited practical value and will provide scant succour to event organisers and sponsors who suffer from ambush marketing.

### **Conclusion**

In the modern marketing environment ambush marketing is undoubtedly an undesirable practice which should be eradicated. This being so, a dynamic legal system should provide adequate and effective means for counteracting and eradicating it. It is a unique problem and insofar as it concerns intrusion it is significantly different from problems with which intellectual property law has had to deal in the past. It therefore requires a novel and innovative approach and in essence the abuse of the trade marks principle espoused originally by the Association of Marketers provides the essence of the solution. It may be that the earlier draft needs to be toned down and tightened up so that its effect does not spill over into activities which are legitimate, but it provides the germ of a solution to the problem. This germ should be nurtured and brought into full blossom. If this happened South Africa would take the lead internationally in dealing with a worldwide problem, but one which would become very pertinent in this country when South Africa stages the Cricket World Cup and possibly the Soccer World Cup and Olympic Games.

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