

Ambush marketing and protected events

by Owen Dean

In broad terms, a trade mark is a sign or symbol used by a trader to denote his goods and, more particularly, to distinguish goods of his manufacture or selection from the same or similar goods or services supplied by another trader. Provided a trade mark does not conflict with prior rights held by another in respect of his trade mark, or its use is not contrary to the general body of laws, a trader is free to use his trade mark to the fullest extent in the course of trading in, and/or promoting, his goods or services.

Registration of a trade mark under the Trade Marks Act 1993 in addition grants a trader the exclusive right to use his trade mark in relation to particular goods or services. During the registration process a trade mark is tested on whether it conflicts with other rights or the law in general and, once it has completed the registration process, the trade mark proprietor can be assured that he may make unfettered use of his trade mark in relation to his goods or services.

Against this background it is perhaps a strange notion that a trade mark proprietor can nevertheless act unlawfully through using his trade mark entirely within the ambit of the exclusive rights granted to him in respect of it under the Trade Marks Act. Recent legislation has, however, brought about such a situation.

Ambush marketing

Sponsorship of events, sports teams, tours and the like has become a very popular and effective means of promoting brands and brand building. By means of a sponsorship a brand holder associates his brand with an activity which enjoys and attracts public and media attention, thereby enhancing the reputation and public awareness of the brand. Vast sums of money are paid for sponsorship of events such as the Rugby World Cup, the Cricket World Cup, athletic tournaments and the like.

In the modern commercial world sponsorships are under increasing and serious threat on account of so-called 'ambush marketing'. In 2000 (June) *DR* 24 I described the phenomenon of ambush marketing as follows:

'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 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.'

Broadly speaking, ambush marketing can take essentially two forms, namely 'association' and 'intrusion'. By means of 'association' the ambush marketer misleads the public into thinking that he is an authorised sponsor or contributor associated with the event. This can be done by using the insignia of the event or insignia which are confusingly similar to such insignia, and furthermore by misrepresenting to the public in some manner that the marketer or his brand are associated with the event. By means of 'intrusion' the ambush marketer does not seek to suggest a connection with the event but rather to give his own brand or other insignia exposure through the medium of the publicity attracted by the event and without the authorisation of the event organiser. In both forms of ambush marketing the marketer has the objective of using the event as a platform to promote his brand or product but without incurring the financial and other obligations of a sponsor.

Prior law

Prior to 2003 our law gave some succour to event organisers and sponsors to prevent or curtail ambush marketing. By relying on a registered trade mark (for instance, registering the symbol of an event in respect of entertainment services under the Trade Marks Act), the trade mark proprietor could restrain the use of that mark or a confusingly similar mark in relation to such services. Similarly, under the law of passing-off, if the symbol of an event can be shown to enjoy a substantial repute with the result that the use of that symbol, or a confusingly similar symbol, by another party causes members of the public to think that the goods or services in relation to which that other party uses the symbol in question are connected in the course of trade with the event or the event organiser, this misleading activity could be restrained. Under the law of copyright the

unauthorised reproduction or adaptation of any substantial part of a logo, which qualifies as an artistic work under the Copyright Act, can be restrained. In certain circumstances; contractual restrictions can be placed on persons so as to restrain them from assisting or creating the potential for ambush marketing. The prohibition of the use of a mark (unless properly authorised) under the Merchandise Marks Act provides protection for that mark in a similar manner to registration under the Trade Marks Act.

In 2001 the Trade Practices Act 76 of 1976 was amended by s 1 of the Trade Practices Amendment Act 26 of 2001, which introduced a new s 9(d) into the principal Act. (See 2002 (Aug) *DR 9 – Editor*). In terms of this section a representation by a marketer who holds out, implies, or suggests a contractual connection or association between him and a sponsored event, or the person sponsoring the event, is rendered unlawful. Infringing against this provision is a criminal offence punishable by imprisonment or by a fine or by both imprisonment and a fine.

The foregoing legal measures are really concerned solely with ambush marketing by association and they do not cover ambush marketing by intrusion. There was thus a considerable loophole which ambush marketers could exploit.

Ambush marketing by intrusion

Ambush marketing by intrusion includes

- placing advertisements for a product on the outskirts of a stadium at which a sponsored sporting event is taking place;
- causing an aeroplane towing an advertisement for a product to fly over a stadium at which a sponsored sports event is taking place;
- running advertisements making reference to a sponsored sporting event, without suggesting that the advertiser is a sponsor of the event;
- running a promotional competition making reference to a sponsored event;
- causing a group or block of spectators attending a sponsored event to wear clothing promoting a product, which block of spectators would attract attention at the event and in televised renditions of the event; and
- generally bringing a product or its promotion to the attention of people interested in a sponsored event but without suggesting or implying any form of sponsorship of the sponsored event.

Without sponsorships being safeguarded against ambush marketing by intrusion they are vulnerable to being undermined and not to achieve the intended benefits to which the sponsor is entitled. Uncontrolled ambush marketing by intrusion can seriously undermine the attractiveness of sponsoring events and ultimately the viability of staging events.

Prohibiting ambush marketing by intrusion is more far-reaching than preventing ambush marketing by association. In the latter case the ambush marketer makes a misrepresentation to the public and the restraint placed on him curtails his deception of the public. Conduct of this nature is per se contrary to public policy. In the case of intrusion, however, no deception takes place and categorising the marketer's conduct as being 'wrongful' is more difficult.

Challenging ambush marketing by intrusion

Legislators around the world have grappled with the problem of how to control or eradicate ambush marketing effectively and, more particularly, ambush marketing by intrusion. The problems of ambush marketing by intrusion are not unique to South Africa, but the South African legislature has perhaps pioneered the way to eradicating this form of ambush marketing. By means of the Merchandise Marks Amendment Act 61 of 2002, the South African legislature has adopted a novel approach and has introduced the concept of acting unlawfully by abusing the right to use a trade mark. In this regard the legislature has been highly innovative and has adopted an approach which

is as far as is known unique in the world. The approach is an extension of the common-law principle of abuse of rights.

Generally speaking, a marketer who promotes his own legitimate product acts lawfully and within the norms of acceptable business practice. However, in the same way that the law recognises that an individual can abuse his rights and thereby act unlawfully, so too ought a marketer to be reined in from marketing his brand in certain abusive ways.

Under the common law, for example, while conducting himself on his own land in a manner which is in principle lawful and regular, an individual can nevertheless be found to be acting unlawfully *vis-à-vis* his neighbour if he causes an undue nuisance to that neighbour. For instance, it is generally lawful for a person to play recorded music on his own property; but if he plays the music at such a high volume that he unreasonably disturbs his neighbour's right to enjoy peace and quiet on his own property, playing music in this manner can be unlawful. This principle of unlawful abuse of rights has been applied and adapted to the misuse of one's own brand or trade mark in marketing and advertising.

The law introduced by the Merchandise Marks Amendment Act addresses the question of the prohibition of ambush marketing by intrusion and is founded on the principle of abuse of rights. The deliberate use of a brand – a marketer's own legitimate brand – in relation to a sponsored event, without the authority of the event organiser, in a manner which is calculated to achieve publicity for that brand and thereby to derive gratuitous promotional benefit from the event is rendered unlawful.

Abuse of a trade mark in relation to an event

The Merchandise Marks Amendment Act amends the Merchandise Marks Act 17 of 1941, to introduce a new s 15A into that Act. For the sake of convenience we shall refer to the new provision which has been inserted into the Merchandise Marks Act as the 'trade mark abuse provision'.

The amendment introduces the definition of 'event' into the Merchandise Marks Act in order to complement the trade mark abuse provision. An 'event' is defined to mean any exhibition, show, or competition of a sporting, recreational or entertainment nature which is held in public, has the potential to attract the attention of the public or to be newsworthy, and is financed or subsidised by commercial sponsorship. An 'event' includes any broadcast of the foregoing. A 'protected event' means an event which has been designated as such by the Minister of Trade and Industry in terms of the abuse of trade mark provision (s 1 of the Merchandise Marks Amendment Act, amending s 1 of the Merchandise Marks Act.)

The Minister of Trade and Industry may, after investigation and proper consultation, designate an event as a protected event by means of a notice in the *Government Gazette*. The notice must stipulate the date with effect from which the protection commences and on which it terminates. The latter date must not be later than one month after the completion or termination of the event itself. The Minister may stipulate conditions subject to which the protection will be granted (s 15A(1)(a) of the Merchandise Marks Act as amended by s 2 of the Merchandise Marks Amendment Act.)

The Minister may not designate an event as a protected event unless he considers that the staging of the event is in the public interest and he is satisfied that the organisers have created sufficient opportunities for small business, and in particular those of previously disadvantaged communities (s 15A(1)(b) of the Merchandise Marks Act as amended by s 2 of the Merchandise Marks Amendment Act).

While an event is a protected event it is unlawful to use a trade mark in relation to that event in a manner which is calculated to achieve publicity for that trade mark and thereby to derive special promotional benefit for it from the event without obtaining prior authority of the organiser of such event. The concept of 'use of a trade mark' includes any visual representation, or any audible reproduction, of the trade mark in relation to goods or in relation to the rendering of services, or using that mark in promotional activities in any way which, directly or indirectly, is intended to be brought into association with or to allude to an event.

Anyone who offends against the trade mark abuse provision commits a criminal offence and the normal penalties provided for in the Merchandise Marks Act apply to such offence. Although the Merchandise Marks Act does not specifically provide for civil law remedies, under the common law it may in certain circumstances be possible for a competitor of someone offending against the abuse of trade mark provision to bring a claim of unlawful competition against the offender. In this

connection see Dean, 'Handbook of South African Copyright Law' (Cape Town: Juta 1987) paras 10-11.

Analysis of the trade mark abuse provision

An event organiser who wishes to avail himself of the provision must, in anticipation of the forthcoming event, make representations to the Minister of Trade and Industry to persuade him to designate the forthcoming event as a protected event. No provision is made for automatic protection of any event. In his application to the Minister he must persuade the Minister that the staging of the event is in the public interest and that such staging, or perhaps the events leading up to it, or the aftermath, will create sufficient opportunity for small businesses, and in particular those from previously disadvantaged communities, to benefit from the event. I submit that this onus will be discharged if the taking place of the event creates commercial or other beneficial opportunities for the favoured sector, for instance making handicrafts or memorabilia to be associated with the event, or perhaps that part of the proceeds will be made available to the favoured sector for development opportunities.

If the Minister is satisfied that the event organiser has discharged this onus, he must publish a notice in the *Government Gazette* designating the event as a protected event and giving the terms of protection. If the event is given protected event status subject to certain conditions, those conditions must be stated in the notice. The Minister's decision must, however, be preceded by investigation and proper consultation. No indication is given as to the nature of the matters to be investigated by the Minister or on which he must engage in consultation, or with whom he must engage in consultation. Presumably, these issues should include the viability and stature of the event and whether it is in the public interest that the event should enjoy the available protection. It is assumed that the investigation and consultation would also relate to whether – and, if so, the extent to which – the event will create sufficient opportunities for small businesses operated by previously disadvantaged communities.

Taking all this into consideration, I submit that a forthcoming event is not likely to qualify for protection unless it has major significance such as, for instance, the Cricket World Cup, the Olympic Games, the Soccer World Cup, or other major events in which South Africa and the staging of the event is likely to be in the international limelight. The Minister does, however, have a wide discretion in this regard.

The trade mark abuse provision prevents the unauthorised use of a legitimate trade mark, even a registered trade mark by the registered proprietor within the scope of his registration, without authorisation by the organiser of the event. The criterion for the prohibition applying is that the manner of use of the trade mark must achieve publicity for that trade mark and as a result thereof the trade mark and its proprietor must derive special promotional benefit from the event. The trade-mark proprietor must also intend that the use of the trade mark must have this result. While it is generally the trade-mark proprietor or his agent who may fall foul of the provision, the provision itself in principle casts the net wider and makes the prohibition applicable to any person who uses the trade mark in the contemplated manner. In practice it is unlikely that anyone not in the trade-mark proprietor's chain of supply of the goods or services to the public will intentionally attain the contemplated result of achieving publicity for the trade mark and deriving special promotional benefit for it from the event. The casual spectator at the event who wears an article of clothing featuring a trade mark would not normally have the intention of achieving publicity for that trade mark and deriving special promotional benefit for it from the event.

Prohibited use of a trade mark is not limited to what happens at the stadium or other venue where the event takes place but can occur in any activities which can relate to the event. In essence, the prohibition affects any use of a trade mark, no matter where and when it takes place (provided it falls within the term of the prohibition), which seeks to 'ride on the back' of the event. This would include in-store promotions, running competitions in the media, and promotional and advertising activities in general.

The notice by the Minister in the *Government Gazette* declaring an event a protected event must prescribe a fixed term for the protection. It is possible that a potentially infringing activity could be commenced and undertaken prior to the commencement of the term and/or put into effect after the expiration of the term. In other words, what is a legitimate promotional activity can suddenly become unlawful once the term commences and can become lawful again once the term ceases. Seen from the point of view of the event organiser the term of protection should thus commence on a date well in advance of the commencement of the event. From the perspective of the ambush marketer, he should commence his ambush marketing activities as early as possible but should be reconciled to the fact that it may be necessary to discontinue them with immediate effect on the publication of the Minister's notice.

While enterprising and imaginative ambush marketers may be able to find loopholes in the trade mark abuse provision – time and experience will tell in this regard – it is thought that in general the provision is effective in preventing ambush marketing by intrusion in the circumstances where it is applicable. The provision was in force during the 2003 Cricket World Cup held in South Africa and instances of ambush marketing taking place were at a minimum. No instances of proceedings being instituted under the provision are known. Perhaps the greatest merit of the provision is its deterrent value. Based on the experience of the Cricket World Cup it seems to be an effective provision.

Conclusion

The South African legislature has taken bold and imaginative steps in attempting to counteract ambush marketing. The legislation appears to have passed its first major test with flying colours. It will be interesting to see how it fares in the future and whether other countries follow the precedent set in South Africa.

Owen Dean BA LLD (Stell)
is an attorney at Spoor & Fisher in Pretoria.