

Quo vadis South African Trade Marks?

OWEN H DEAN
Spoor and Fisher

1 Introduction

Where are South African trade marks going? This is a good question to ask as we stand on the threshold of the third millennium. Many factors can play a role in the answer to this question; they include political, economic, and social factors. Unless one has a reliable crystal ball, the answer to this question can best be sought by examining where South African trade marks have come from, where they are at present, and the principal issues which could have a bearing on future developments. By following this process, a prediction as to the future path of South African trade marks can perhaps be made on a reasonably scientific basis. In making a prediction as to the future course of South African trade marks, it is perhaps inevitable that the views expressed will be coloured by where one believes South African trade marks ought to go.

2 Whence South African Trade Marks?

South African trade mark law is comprised of the common and statutory law, presently the Trade Marks Act 194 of 1993. These two bodies of law supplement each other and have common roots. There are, however, substantial differences between the protection afforded to a trade mark at common law and under statutory law.

2.1 The Common Law

The South African common law is Roman-Dutch law. Roman-Dutch law had little, if anything, to say about trade marks. For the last century, trade-mark common law has assimilated the principles of the British common law, notably those relating to passing-off. In the latter half of this century, legal purists have sought to reconcile the body of passing-off law built up by the South African courts with the Roman-Dutch common law and have thus attempted to find roots for the essentially British passing-off action in Roman-Dutch law. This has been achieved by casting passing-off as an Aquilian action in delict, in other words, as an action derived from the Roman-law *lex Aquilia*. In the final analysis it is of little consequence, because the principles of the South African passing-off action are now firmly established in the South African common law in a somewhat *sui generis* guise.

The essence of a passing-off action is that the plaintiff's trade mark must enjoy a sufficient repute to render it likely that the use of a confusingly similar mark by another will cause that person's goods or services to be connected in the course of trade with the plaintiff.

2.2 Statutory Law

The several South African Trade Marks statutes have to a greater or lesser degree been based on corresponding British statutes. With the passage of time, successive Trade Marks Acts have been progressively less closely based on their British counterparts. Nonetheless, there is a marked degree of similarity between the 1993 South African Act and the current British Trade Marks Act 1994.

2.3 British Trade-Mark Law

For all intents and purposes the origins of British statutory trade-mark law were in the Trade Marks Registration Act 1875. This Act grew out of the common-law passing-off action. It effectively made registration of a trade mark the equivalent to the existence of repute, which was the basis of the passing-off action. It made registration a condition precedent for the bringing of infringement proceedings, and fulfilled the important function of providing a source from which traders could ascertain the existence and extent of rights in trade marks held by others. It laid down criteria for trade marks to be capable of registration.

The 1875 Act was repealed by the Patent, Designs and Trade Marks Act 1883, which substantially re-enacted its provisions. This Act was, in turn, repealed by the Trade Marks Act 1905, which made way for the Trade Marks Act 1938. This Act was then replaced by the 1994 Act.

2.4 South African Trade-Mark Law

The 1875 British Act spawned Trade Marks Acts in the Colonies and Republics which later comprised the Union of South Africa. The Cape Colony adopted a Trade Mark Statute in 1877, the Natal Colony in 1885, the Orange Free State in 1893, and the Transvaal in 1892. These provincial statutes were all repealed by the Patents, Designs, Trade Marks and Copyright Act 9 of 1916. Chapter 3 of this Act dealt with trade marks. This chapter was couched in virtually identical terms to the 1905 British Act.

The 1916 Act is the foundation of modern South African statutory trade-mark law. The register created under that Act incorporated all registrations obtained under the earlier provincial Acts.

The 1916 Act, for the first time, defined a trade mark and included in that definition not only marks already in use but also marks 'proposed to be used in relation to goods in respect of which registration was sought'.

Chapter 3 of the Act of 1916 was repealed by the Trade Marks Act 62 of 1963, which Act was closely based on the 1938 British Act. It provided for the division of the register into parts A and B, and afforded limited protection in part B to marks which, although not distinctive, were capable of becoming distinctive through use, and thus registrable in part A of the register. It also introduced assignments of trade marks

without goodwill and the licensing of trade marks in strictly controlled circumstances by means of its registered user provisions. The facility to register trade marks which the proprietor did not intend to use, as defensive trade marks, was created and provision was made for registration of containers as trade marks. The Act adopted the International Classification created in terms of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957).

The 1963 Act was amended by the Trade Marks Amendment Act 46 of 1971. The major innovation was the extension of the Act to cover the registration of marks in respect of services. It was repealed by the 1993 Act, which came into force on 1 May 1995. This Act was amended by the Intellectual Property Laws Amendment Act 38 of 1997.

When the 1993 Act was drafted, it was intended that it should bring South African trade-mark law into line with developments elsewhere in the world, in particular in the European Community. With a view to harmonizing the national trade-mark laws of the members of the Community, the European Commission had issued a Trade Mark Directive. Our law makers sought to have our new Act conform substantially with the European Directive. At the same time, the British legislature was preparing the British Trade Marks Act 1994; its main object was to bring British trade-mark law into conformity with the European Directive. An early draft of the 1994 Act was made available to the South African law makers during the drafting phase of the South African statute; our law makers borrowed substantially from the work of their British counterparts. Both law makers were working from similar departure points and were seeking essentially to attain the same objectives. As it happens, the South African Act was passed before the British one, but it can nevertheless be said to have been derived from its later British counterpart. There are, however, significant differences between the South African and British statutes.

3 South African Trade Marks at Present

3.1 Essential Features of the 1993 Trade Marks Act

By virtue of its derivation, the current Act can with assurance be said to be a 'state of the art' law. It has much in common with current British, Continental, and Commonwealth (Australian and New Zealand) trade-mark law. It is well adapted to meet the requirements of business and commerce at present and for the foreseeable future. Some of the essential features of the Act are highlighted briefly below.

3.1.1 Definition of a 'Mark'

A mark is defined to include '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' (s 2). The shape and colour of goods are specifically recognized as constituting a mark. It is generally accepted that smells also fall within this definition.

3.1.2 Definition of a 'Trade Mark'

A 'trade mark' is defined as being 'a mark used or proposed to be used in relation to goods or services for the purposes of indicating a connection of the course of trade between the goods or services and some person having the right, either as proprietor or as registered user to use the mark. . .' (s 2). Unlike in previous statutes, the definition does not require that a mark indicates a connection in the course of trade between the goods or services and the person who is the source of the goods. This change is a significant departure from the earlier position and it could have a significant impact upon the essence of a trade mark. It could be argued to have the effect of making a registered trade mark comparable in many ways to copyright in a mark.

3.1.3 Special Types of Marks

Apart from conventional trade marks, certification and collective trade marks are registrable. The latter form of mark is an innovation. It is a mark capable of distinguishing in the course of trade goods or services of persons who are members of any association from goods or services from persons who are not members (s 43). The Act does not protect defensive trade marks but defensive registrations under earlier law continue to be protected as ordinary trade marks, subject to their being immune from removal from the register on the grounds of non-use for a period of 10 years from 1 May 1995 (s 70(2)).

3.1.4 Registrable Trade Marks

To be registrable, a trade mark must be capable of distinguishing the goods or services of one person from the goods or services of another person (s 9). It can be inherently capable of distinguishing or be so capable by reason of prior use. Provided a mark is actually distinctive, it is not required that it should also have some modicum of inherent distinctiveness.

There is only one part to the register; the differentiation between part A and part B of the register has been done away with. Existing marks registered in part B are deemed to be in part A.

3.1.5 Trade Marks Ineligible for Registration

Certain types of marks are not eligible for registration (s 10). They include the following:

- (a) marks which are descriptive of kind, quality, intended purpose, geographical origin, et cetera;
- (b) marks which are customary in current language or in the bona fide established practices of the trade;
- (c) marks which are inherently deceptive or which are in use likely to deceive or cause confusion, be contrary to law, be contra bonos mores, or are likely to give offence to any class of persons;
- (d) a mark which is confusingly similar to a prior registered mark or application unless the proprietor of the earlier mark consents to registration (the registrar may not override the consent of the prior registrant); and
- (e) a mark which is identical or similar to a mark which is already registered and which is well known in South Africa if it would be likely to take unfair advantage of or be detrimental to the distinctive character or repute of the registered mark, despite the absence or confusion or deception (this provision has the effect of preventing dilution of the distinctive character or reputation of an existing, well-known, registered trade mark, even though such mark may be registered for different goods or services.

The grounds of objection based on paragraphs (a) to (c) above are comprised within what is known as 'absolute' bars to registration, while those based on paragraphs (d) and (e) are comprised within the 'relative' bars to registration.

3.1.6 Scope of Application

A trade mark is registered in respect of goods or services falling within a particular class or classes. At present, a separate application must be made in each class in which registration is sought. It is envisaged, however, that it will become possible in future to combine in a single application goods or services, as the case may be, falling within different classes — so-called multiple-class applications.

3.1.7 Examination of Applications

The registrar is required to examine trade-mark applications from a point of view of inherent registrability as well as in order to ascertain whether the mark being sought to be registered conflicts with prior marks. Regard is thus had to both absolute and relative bars to registration. This is the basic approach of the British system and the countries which have trade-mark systems based on, or derived from, that system. This type of system is commonly referred to as an 'examination' system as opposed to the system followed by most of the Continental countries in terms of which applications are examined as to form and a measure of inherent registrability — this system is commonly referred to as a 'deposit' or 'registration' system. This system takes cognizance only of absolute bars to registration.

3.1.8 Infringement

A registered trade mark is infringed by the unauthorized use in the course of trade of a mark in the following circumstances:

- (a) such mark is used in relation to goods or services in respect of which the trade mark is registered and is identical to it, or so nearly resembles it as to be likely to deceive or cause confusion;
- (b) such mark is identical or similar to the registered trade mark and is used in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered that in such use there exists the likelihood of deception or confusion (in other words, the rights arising from the registration of a trade mark extend beyond the scope of the goods or services for which it is registered); or
- (c) such mark is identical or similar to the registered mark, which is well known, and its use in relation to any goods or services in respect of which registration is sought would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark, despite the absence of confusion or deception (in other words, where so-called dilution of the registered trade mark takes place) (s 34(1)).

3.1.9 Assignment and Hypothecation

Trade marks can be assigned or transmitted with or without the goodwill of the business concerned but an assignment must be in writing. A registered trade mark can be hypothecated by means of a deed of security (s 41).

3.1.10 Licensing

Where a registered trade mark is used by a person other than the proprietor with the licence of the proprietor, such use is deemed to be permitted use and is further deemed to be use of the mark by the proprietor (s 38). It is not necessary that the licensee be recorded as a registered user of the trade mark before his use of the mark can be considered to be permitted use and thus deemed use by the trade-mark proprietor. There are also no formalities in connection with the coming into being of a trade-mark licence; the sole issue is that the use by the licensee should be authorized by, or with the permission of, the trade-mark proprietor. There are no requirements that the trade-mark proprietor should exercise quality control over the use of the mark by the licensee, although a registered trade mark may be cancelled on the grounds that it is likely to cause deception or confusion as a result of the manner in which it is being used.

Licensees of trade marks may still be recorded as registered users on a voluntary basis. The advantage of such a recordal is that the registered

user of a trade mark is entitled to bring infringement proceedings where the trade-mark proprietor fails to do so. The recordal of a registered user is prima facie evidence of permitted use by a licensee who has been so recorded. The licensing provisions in the Act mark a significant development in the licensing of trade marks which in the past has been complicated or constricted by the formalistic requirement of registered user recordal.

3.1.11 Famous Marks

Specific protection is given to trade marks which are entitled to protection under the Paris Convention for the Protection of Industrial Property (1883) as well-known trade marks. Section 35, read with s 10(6) of the 1993 Act, which grants such protection, is often referred to as the 'famous marks' provision.

A mark, or an essential part of a mark, which constitutes a reproduction, imitation, or translation of a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark and which is well known in South Africa, is granted protection, provided that the mark belongs to a person who is a national of a country which is a member of the Paris Convention or who is domiciled or has a real and effective industrial or commercial establishment in such a country. Such a mark may enjoy protection despite the fact that the proprietor carries on no business nor has any goodwill in South Africa.

The protection granted to well-known international marks is given expression in two ways. First, a mark which is a reproduction, imitation, or translation of a well-known mark and which is used for goods or services identical or similar to the goods or services covered by the well-known mark, is not entitled to registration. Second, the proprietor of a well-known mark is entitled to restrain the use of a mark which constitutes a reproduction, imitation, or translation of that mark in relation to goods or services which are identical or similar to the goods or services in respect of which the said mark is well known, where such use is likely to cause deception or confusion. In other words, protection approximating to that enjoyed by a registered trade mark is afforded to an unregistered trade mark, provided it is well known or famous.

These 'famous marks' provisions are subject to the proviso that the person seeking to register or use another's famous mark must have commenced use of that mark or applied for its registration after 31 August 1991, or the date on which the famous mark became entitled to protection under the Paris Convention, whichever is the later date, before registration or use can be prohibited; in other words, a contentious mark misappropriated before that date is immune from interference by the proprietor of a famous mark on the basis of s 35.

The effect and purport of the 'famous marks' provision was the main subject of the recent *McDonald's Corporation v Joburgers Drive-Inn*

Restaurant (Pty) Ltd & another; McDonald's Corporation v Dax Prop CC & another; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Dax Prop CC 1997 (1) SA 1 (A)). In that case the Appellate Division reversed the decision of the Transvaal Provincial Division and held that the trade mark McDONALD'S in respect of hamburgers qualified as a well-known mark as contemplated in the 'famous marks' provision. The appeal court held that it was sufficient for a mark to constitute a well-known mark if it was shown that it was well known in South Africa amongst a substantial number of the class of persons who would purchase the goods or services covered by the mark (in other words, potential customers of the proprietor of the alleged well-known mark). The lower court had held that the mark must be shown to be well known to all sectors of the community throughout the length and breadth of the country. In reaching its conclusion, the appeal court analysed a succession of passing-off cases which were founded on trade marks having international reputation but which had not been used in South Africa. In these cases, the courts had refused relief on the grounds that the trade mark proprietors had no goodwill capable of protection in South Africa. It found that the objective of Parliament in enacting the 'famous marks' provision was to bring about a statutory change to the common law and to allow for protection to be obtained for a mark which enjoys a reputation in South Africa, even though use and goodwill are absent in this country.

The decision of the Appellate Division on the question of by whom a famous mark should be well known has been reinforced by Parliament. Section 35 has been amended by the 1997 Amendment Act to make it clear that the famous mark need only be well known in 'the relevant sector' of the community. In *McDonald's*, the court left open the question of whether the South African law of passing-off had evolved to the point where the use of a trade mark and the existence of goodwill in South Africa is not a requirement for the subsistence of a valid claim of passing-off.

3.2 Consolidation of Trade-Marks Statutes of Former Homelands

The fragmentation of the South African trade mark system which occurred when, having been granted 'independence', Transkei, Bophuthatswana, and Venda ('the TBV countries') adopted their own trade-marks statutes and registration systems, has now been rectified and revised by the Intellectual Property Laws Rationalization Act 107 of 1996. This Act came into operation on 1 January 1998 (Proc R92 GG 18573 (*Reg Gaz* 6067) of 19 December 1997).

In terms of this Act, South African registrations will extend automatically to the TBV countries unless the same mark is already registered in any TBV country. In such case, that other registration will block the extension of the South African mark for as long as it remains

extant. If it lapses or is cancelled, the South African mark will automatically extend to the country in question upon the happening of that event. A TBV registration will continue to exist but as a South African registration limited as to territory — the former territory of the 'state' in which it was registered. If a registration in a TBV country does not have a counterpart on the South African register or the registers of the other TBV countries, the proprietor of that mark can give written notice to the registrar that he intends that the registration should extend to South Africa and the rest of the TBV territories. Such notice must be given within one year of the coming into force of the Act; if not, the facility to extend the scope of a TBV registration falls away. Once such notice has been given, the TBV registration will immediately and automatically extend to South Africa and the balance of the TBV territories, or if there is a blocking mark, once such blocking mark ceases to exist.

The effect of this is that there is only one register of trade marks for South Africa. The TBV registration systems have fallen away and been consigned to history.

3.3 TRIPS

The Uruguay round of the General Agreement on Trade and Tariffs (GATT) gave rise to the World Trade Organization (WTO) and a suite of international agreements under its auspices; they include the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). TRIPS lays down minimum requirements with which the intellectual-property laws of member countries must comply. South Africa is a member of the WTO and has adhered to TRIPS. As a result, it is under an obligation to have our trade-marks law comply fully with TRIPS. In the context of the WTO, South Africa is a 'developed country', and its full compliance with the TRIPS Agreement is already overdue.

By and large, South African trade-mark law, based upon the European Directive and the 1994 British Act, is compatible with TRIPS, save in certain minor respects. Most of these shortcomings have been addressed in the 1997 Intellectual Property Laws Amendment Act and the Counterfeit Goods Act 37 of 1997. Only in one respect is South African trade-mark law perhaps not in full compliance with TRIPS — the protection of geographical designations. This issue will have to be addressed in future.

3.4 Counterfeit Goods

The problem of counterfeit goods falls to be dealt with presently under the Trade Marks Act, the Merchandise Marks Act 17 of 1941, and the Copyright Act 98 of 1978. While this suite of statutes gives a reasonable measure of protection against counterfeiting of goods, it was felt that there was room for improvement. Moreover, adjustments to the law in

this respect were required under TRIPS. Accordingly, the Counterfeit Goods Act has been adopted by Parliament. At the same time, substantial amendments have been made to the Merchandise Marks Act to extract from it those provisions which relate to counterfeiting as opposed to misleading trade descriptions and the like. The amendments to the Merchandise Marks Act were made by the 1997 Intellectual Property Laws Amendment Act.

The effect of the adoption of the Counterfeit Goods Act and the concomitant amendment of the Merchandise Marks Act is that all procedures and remedies for dealing with counterfeiting per se will be contained in the Counterfeit Goods Act. This Act provides for a streamlined mechanism for the state to take action against the scourge of counterfeit goods as well as greatly increased penalties for counterfeiting. It also provides for the customs authorities to take action to intercept counterfeit goods on importation into South Africa. Furthermore, the Counterfeit Goods Act contains a statutory form of the Anton Piller order for use in civil trade-mark and copyright infringement proceedings. Such a procedure is required by TRIPS. At the time of the drafting of the Act, the attitude of the courts throughout the country to the granting of Anton Piller orders was equivocal. As it turns out, however, the Appellate Division has finally given its imprimatur to this type of order (see *Shoba v Officer Commanding, Temporary Police Camp, Wagendrift Dam & another; Maphanga v Officer Commanding South African Police Murder and Robbery Unit, Pietermaritzburg & others* 1995 (4) SA 1 (A)). Trade-mark proprietors will now thus have both the common-law and statutory forms of the Anton Piller order at their disposal.

3.5 Processing Applications for Registration of Trade Marks

For several years, the time taken by the Trade Marks Office for processing trade-mark applications has been unduly long. The position has deteriorated progressively over the years. The ideal situation would be for trade-mark applications to be examined by the registrar just over six months after their filing date. The lapse of a period of six months would cater for any applications which might have been filed claiming priority under the Paris Convention. During the past few years, the examination period has crept up from about fifteen months (already excessive) to eighteen months, to 26 months, where it currently stands. This is unacceptable and leads to an inordinate delay in the registration of trade marks. This is not conducive to the proper functioning of the trade-mark system and leads to a loss of confidence in that system. The existence of an efficiently operating intellectual-property system is an important factor in attracting foreign investment which South Africa needs desperately. A dramatic improvement is necessary.

The deterioration in the situation has largely been due to personnel problems at the Trade Marks Office, given the nature of what is involved

in examining a trade-mark application. The determination of the Government to decrease the size of the public service and state expenditure, together with the employment policies of the public service which have led to attrition of senior and well-trained personnel, make the prospects of improving this situation bleak. The solution is to change the trade-mark registration system.

3.6 The Common Law

The action for passing-off continues to enjoy recognition and respect in court. Modern legal theory has classified passing-off as a species of the wider delict of unlawful competition. There is a large measure of recognition of an action for unlawful competition as an aspect of intellectual property law. The Appellate Division has, however, recently expressed criticism of the tendency to use unlawful competition as a 'catch-all' cause of action in intellectual-property litigation (*Payen Components SA Ltd v Bovic CC & others* 1995 (4) SA 441 (A)).

3.7 Resume

To sum up, the present state of the South African law and practice is healthy, particularly as far as the substantive law is concerned. There are, however, significant cracks in the edifice in so far as the trade-mark registration system is concerned. This shortcoming is detrimental to the efficacy of the trade-mark regime in South Africa.

4 Factors Influencing the Future Course of South African Trade Marks

There are a wide variety of factors which can influence the future course of South African trade marks. These include political, economic, and social developments in South Africa and elsewhere, notably Africa, as well as international trends in the intellectual-property field. A thorough discussion of all these issues is beyond the scope of this article but I will touch upon some of the most significant.

4.1 Internationalization of Trade Marks

For several years, the international trend in the field of intellectual property, including trade marks, has been to erode the system of purely national registrations. Multinational registration systems have sprung up around the world, especially in Europe. In broad terms, these systems involve securing one registration which covers a number of countries or filing a single application covering a number of countries which may then be prosecuted separately in individual countries. The system of national registrations has several shortcomings. In the context of trade marks, these include the following:

- (a) The grant of trade mark registrations dependent on national laws that can vary from country to country on important issues creates uncertainty. A trade-mark proprietor wishing to use and register his trade mark internationally faces the uncertainty that a trade mark can be eligible for protection in one country but may not qualify for protection elsewhere.
- (b) Registering a trade mark separately in each country is a costly process, as both official and professional fees must be paid in each country. A worldwide program of registering trade marks can be expensive, which can be a disincentive for a trade-mark proprietor.
- (c) Having to file a separate application in each country in which registration is sought can cause serious administrative and bureaucratic problems and delays in securing protection. It requires the establishment of an institution and administrative resources to coordinate and maintain a vast array of national registrations.

4.2 International Intellectual-Property Bodies and Treaties

At the forefront of the move to create multinational systems of registering intellectual property are the World Intellectual Property Organization (WIPO) and the European Union. WIPO has sponsored many conventions dealing with multinational registrations. In the trade-mark field, these include the Madrid Agreement Concerning the International Registration of Marks, with the later Madrid Protocol, which create a so-called international registration, and the African Regional Intellectual Property Office (ARIPO) which has brought the Banjul Protocol into being; this is an international agreement dealing with multinational trade-mark registrations in Africa. In addition, there is the Trade Mark Law Treaty (TMT) which is aimed at achieving standardization in formal aspects of trade-mark registration, such as the worldwide implementation of multi-class applications (the facility of covering a multiplicity of classes of goods and services in a single application).

4.3 Madrid Agreement and Protocol

The Madrid Agreement and Madrid Protocol on trade marks provide fairly elaborate systems for the international registration of trade marks at the International Bureau of WIPO in Geneva. To qualify for the advantages of obtaining an 'international registration', the applicant must be a national of one of the member countries or must be domiciled or have a place of business in such a country. A trade mark must first be registered in the country of origin. Then an international registration can be applied for through the trade marks office of the country of origin. This registration, once made and published by the International Bureau, is notified to the contracting states in which the applicant seeks protection. Each of these states may within a year declare its refusal to register the mark in its territory; it must give reasons for doing so. If this

declaration is made, the application continues as a national application before the registry concerned. If the declaration is not made within the one-year period, the international registration has the effect of a national registration in the contracting country.

The chief advantage of an international registration is that, having registered the trade mark in the country of origin, the proprietor needs to file only one application and pay fees to one office (the International Bureau). He need not file separate national applications in the trade marks office of each contracting state.

4.4 European Community Trade Mark

The European Union has brought the creation of European Community Trade Mark System (CTM). Under this system, a central Community Trade Marks Office has been set up in Alicante, Spain, to which applications can be submitted. These may be in one of five designated languages; translations into the other languages will be made at the CTM office. A CTM application is searched by the CTM office against earlier CTM marks. The applications are referred to the national registries of those countries which require that national searches be made. National search results conducted by the national trade marks offices are sent to the CTM office. The results of the CTM and national searches are sent to the applicant, and then published and notified to existing CTM owners. If an existing CTM owner wishes to oppose an application, he must enter formal opposition proceedings. An application that encounters obstacles on a CTM level can become a series of national applications. They will then continue to be prosecuted on a national basis. Once registered, a community trade mark enjoys the status of a national registration in each country.

4.5 African International Property Organization (OAPI)

This organization administers a centralized system for registering trade marks and other forms of intellectual property. It has a membership of fourteen West African countries which were formerly French colonies and are members of the Paris Convention. It was established by the Accord de Libreville in 1962 and varied by the Accord de Bangui in 1982. Its central office is in Yaounde, Cameroon. The OAPI system effectively creates a common intellectual-property law and common registers for all its member countries. The centralized law provides for protection for trade names, appellations of origin, and other forms of intellectual property. It enables trade-mark proprietors to cover the fourteen member countries with a single registration.

4.6 South Africa and Multinational Trade Marks

Now that South Africa has re-entered the mainstream of international commerce, pressure is building in international circles for it to become

part of one or more multinational trade-mark systems. This means, effectively, that it may be induced into joining ARIPO and/or the Madrid Agreement or Protocol. I will revert to the question of the possibility of South Africa joining ARIPO and subscribing to the Banjul Protocol.

4.6.1 African Politics

The South African government has made it plain that in the new political circumstances it will seek a greater political and economic role in Africa. South Africa identifies itself fully with Africa and has joined a number of Pan-African organizations, such as the Organization of African Unity (OAU) and the Southern Africa Development Community (SADC). It now plays an active role in both organizations. South Africa is viewed as the economic powerhouse of Africa; this position enhances its political power on the continent. This willingness to be part of Africa and to play a leading role on the continent must inevitably make, and is already making, itself felt in the intellectual-property field. Discussions which may lead to South Africa joining ARIPO and subscribing to the Banjul Protocol are under way.

The South African Customs Union comprises South Africa, Botswana, Lesotho, Swaziland, and Namibia and has been in existence for a number of years. It is of considerable significance. This organization entails a measure of economic co-operation and union amongst its members. This grouping could easily provide the foundation and the embryo for the formation of a multinational intellectual-property registration system in Southern Africa. The same is true, although possibly to a lesser extent, of SADC.

4.6.2 Economic and Social Influences

South Africa's recent emergence from the political cold has brought about a marked increase in the number of trade-mark applications. This is particularly true of applications emanating from foreign trade-mark proprietors. Many trade mark proprietors, such as McDonald's Corporation, who were adverse to participating actively in the South African economy during the apartheid years, are now setting their sights on doing business in South Africa and protecting and exploiting their trade marks.

Increased educational and business opportunities for the previously disadvantaged sections of the community have led to increased economic activity amongst those sections of the community. Black-controlled business is mushrooming around the country. The opportunities and necessities for use and protection of trade marks are being brought home to members of this community. This will inevitably lead, and is leading, to an increase in the local generation of trade marks.

As a result, it can be expected that the pressure on the South African trade-marks office is likely to increase. This development is likely to go

hand in hand with an increased difficulty of the South African trade-mark office acquiring and retaining skilled employees.

The expected rise in the level of trade-mark filings is likely to be promoted or exacerbated by the increasing worldwide appreciation of realization of the value of trade marks as business assets. Modern businesses are becoming progressively more trade-mark orientated and conscious. The demand for an efficient and prompt South African registration system will rise in step with increased pressure on the meagre resources of the South African trade-mark office. These two trends obviously run counter to each other.

5 Whither the Road Ahead?

I come now to the answer to the question posed in the title to this analysis. I will give my view of where I think South African trade-mark law is going, or ought to go, as we approach the third millennium.

5.1 Application of the Trade Marks Act

It is early days in the application and implementation of the 1993 Act. Trade-mark proprietors, infringers, and practitioners are at this stage still feeling their way. Undoubtedly free reign will in due course be given to the increased facilities and opportunities provided by the Act. I have in mind the new types or marks that can be registered, the freedom of trade-mark licensing, the expanded infringement rights, the hypothecation of marks, the protection afforded to well-known trade marks which may not be registered, and so on.

5.1.1 Deposit System for Registration of Trade Marks

The combination of the increased pressure on the South African trade-marks office and the probable decline of the current standards of efficiency and expertise of that office make it clear that South Africa can no longer afford the luxury of an examination system of trade-mark registration. It must change to a deposit system. In terms of a deposit system, the nature of the examination to which a trade-mark application is subjected and the time taken by that examination is reduced to a lower level — the absolute bars to registration. This, in turn, impacts upon the level of expertise or qualifications required by trade-mark examiners. Instead of requiring legally trained examiners who are required to do comprehensive searches in the trade-marks register to look for possibly conflicting marks and then make a judgment as to whether a pending mark is confusingly similar to any of the prior marks (in other words, to consider the relative bars to registration), the examiner need only scrutinize the application as to its formal correctness and possibly as to whether the mark is obviously lacking in distinctiveness. This will greatly speed up the process of examination and will obviate the necessity of the

trade-marks office employing expensive legally trained examiners. A rationalization of personnel resources could take place, which could lead to a larger number of lower-level examiners being deployed. This change could significantly speed up the examination procedure and thus the entire registration process, which would ultimately shorten the time taken to register a trade mark.

Changing from an examination system to a deposit system would entail a change of emphasis in the approach to the registration of trade marks. It is likely that a greater number of trade-mark oppositions would come about, as the conflict between prior marks and pending marks would not arise at the examination stage but rather at the opposition stage of the registration procedure. Depending on the level of the scrutiny of pending trade marks as to inherent registrability under the changed registration system, there may also be an increase in the number of trade-mark oppositions on the grounds of inherent registrability. However, even under the present system, trade-mark applications run the gauntlet of possible objections on account of conflicts or inherent unregistrability. Applications having to overcome these obstacles would be nothing new and this situation is not a material drawback of the proposed system. Those trade marks which are free of problems will proceed to registration far more expeditiously than at present; even those trade marks which may encounter obstacles, will reach the opposition stage far more quickly than they do under the present system.

Up to now, I have postulated a deposit system of registration which includes an opposition phase. However, it is possible to have a deposit system which does not allow for applications to be opposed but rather for marks to be liable to cancellation once they have proceeded to registration. This is a more streamlined form of deposit system.

Changing to a deposit system will by no means be revolutionary, because this system exists in virtually all the European countries, where it operates efficiently and effectively. Indeed, the opinion has been strongly voiced in Britain that it should change to a registration system particularly in the light of the harmonization of trade-mark laws which is taking place in the European Union. The examination system is very much a feature of British orientated trade-mark law; it would be ironic if Britain were to change to a deposit system and South Africa and other countries which have derived their trade-mark law from Britain should continue with an examination system.

The major disadvantage of a deposit system is that less store can be placed on the validity of a registered trade mark than under an examination system. The validity of many registered trade marks would truly be tested only when such trade marks are sought to be enforced. This, in turn, will create more uncertainty in the evaluation of searches conducted prior to the adoption of new trade marks. However, this situation applies to some extent at present even under an examination system. Adopting a deposit system of trade-mark registration, would bring

trade marks into line with patent and design registrations where a deposit system has always operated in South Africa without any real disadvantage.

A deposit system for trade marks is really a feature of a first-world country (even though many first-world countries have deposit systems). It is doubtful whether, looking into the future, South Africa will be able to lay claim to being a true first-world country. It is time to face up to the realities of our position and adapt our trade-mark registration system accordingly. We can no longer afford the luxury of an examination system.

Our present system can be transformed into a deposit system without major disruption to the Trade Marks Act. A relatively minor amount of surgery will be required to be performed to this Act. I favour a deposit system with an opposition phase in preference to the more truncated form of the system without opposition. The latter form makes for more uncertainty on the register, which is undesirable.

5.1.2 Multiple-Class Applications

The days of requiring a separate trade-mark application to be filed in each class in which protection for a trade mark is required are numbered. The worldwide trend is towards multiple-class applications and South Africa must inevitably follow suit. Indeed, the TLT, to which South Africa will in due course adhere, requires that members provide a multiple-class application facility. Consequently, our legislation will in time have to be amended to bring about this change. This can be achieved easily; all that is required is that an appropriate amendment be made to the trade marks regulations and to the prescribed form used for lodging an application. Bringing about this change will create certain complications, as it is quite conceivable that a multiple-class application could proceed to registration without problems in some of the classes but will encounter obstacles in others. This means that a pending application may have to be split into subapplications which will then proceed separately according to different timetables. When this occurs, the difference between a multiple-class application and separate applications becomes one of form rather than substance.

5.1.3 Multinational Trade Marks

Undoubtedly, South Africa will become a party to one or more multinational trade-mark registration systems. The modern current is flowing too strongly in this direction for it not to be swept along. The possible systems in which we might participate will be discussed below.

ARIPO: the Banjul Protocol

ARIPO came into being in 1976. It was originally intended to be an industrial property organization for English speaking Africa. It was then

known as ESARIPO (English Speaking African Regional Industrial Property Organization). Membership of ESARIPO was originally open to certain member states of the United Nations Economic Commission for Africa. In 1982, the Harare Protocol was adopted. In terms of it, ESARIPO was empowered to grant patents and register industrial designs and administer these patents and industrial designs for the contracting states. In 1985, the name of the organization was changed to African Industrial Property Organization (ARIPO) in order to open up membership to all members of the United Nations Economic Commission for Africa. The ARIPO office is located in Harare, Zimbabwe. Until now, the office has been concerned only with patents and designs. It has not been terribly successful; a minimal number of patents and designs have been registered by it. Moreover, the organization is at present in considerable financial difficulty.

The Harare Protocol is defective in many respects. Especially, the system which it has created is at variance with TRIPS. In view of the deferment granted to developing countries to comply with their TRIPS obligations, this is not a problem for the present subscribers to the Protocol in view of their status as developing countries. The position is, however, different for South Africa which is considered by the WTO to be a developed country. It would be problematic for South Africa at this stage to join an organization and implement a system which is not compatible with TRIPS.

In April 1994, the Banjul Protocol on marks within the framework of ARIPO was adopted and signed by six countries, including Kenya, Malawi, Swaziland, and Zimbabwe. The protocol provides that it will come into force three months after three states have deposited their instruments or ratification or accession. This has been achieved and the declaration is now in force.

The provisions of the Protocol are simple if not simplistic. The ARIPO office in Zimbabwe is entrusted with the registration of trade marks and administration of such marks on behalf of the contracting states. An application for registration of an ARIPO mark can be filed either directly with the ARIPO office or at the trade-marks office of a contracting state. Where an application is filed at a national office, it is required to transmit the application without delay to the ARIPO office.

The ARIPO office, or the national office where filing takes place, must examine the application to see whether it complies with certain specified formal requirements. It must allocate a filing date. If the examining officer considers that the application does not meet with the prescribed formal requirements, the applicant must be invited to comply with such requirements within a prescribed period. If he fails to do so, the office in question refuses the application. Where the application complies with all the formal requirements, the ARIPO office must within a prescribed period notify the trade-marks office of each country covered by the application.

An applicant is required to designate in which of the contracting countries he requires his mark to be registered. Such countries are called 'designated states'. The registrar of each designated state is required to examine the application in accordance with the national laws of that country; however, the examination is concerned only with compliance with formalities under the national law and inherent registrability. The results of this examination must be communicated to the ARIPO office within twelve months of the date of receipt of the ARIPO application by the national office. If a national office does not object on one of the above bases to an application within this period, the ARIPO office registers the mark. It has effect in the designated states as a national registration.

In my opinion, this system as it presently stands is seriously flawed. South Africa would err if it were to join ARIPO and subscribe to the Banjul Protocol. The Banjul system is compatible only with a deposit system of national registration, which ironically none of the member countries has. It makes provision for no opposition by third parties at all, and will provide a means of securing unhindered registration with equal effect to a national registration in a country which provides for opposition. No provision is made for the cancellation of ARIPO marks. The system in its present form is untenable.

The three models for multinational trade-mark registration systems which are in existence are the International Trade Mark system under the Madrid Agreement and Protocol, the Community Trade Mark, and the OAPI trade mark. The International Trade Mark system is a very loose arrangement and is designed for a grouping of countries which have divergent economic interests; the CTM is designed for countries which have a large measure of economic union, while the OAPI system is designed for countries which adopt a single law.

Given the divergent nature and geographical dispersion of the ARIPO members, the purport of the Banjul Protocol is comparable to the Madrid Agreement and Protocol. If it is to be viable, it should therefore function on a similar basis to the Madrid Agreement and Protocol. However, given the international nature of the Madrid Agreement and Protocol, one questions whether there is any further need for a localized African version and whether the same result can be achieved by the members, or would-be members, of ARIPO simply joining the Madrid Agreement or Protocol. So I see no purpose for the Banjul Protocol unless it is considered inadvisable to subscribe to the Madrid Agreement or Protocol. However, I foresee considerable pressure being brought to bear on the South African government to join ARIPO and subscribe to the Banjul Protocol, unless it were to be disbanded. If we are to subscribe to the Banjul Protocol, then it must first be radically revised.

Madrid Agreement and Protocol

The Madrid Agreement and Protocol have a widespread following, mainly among European countries. However, the ambit of the member-

ship is expanding and it is considered likely that the United States will subscribe to the protocol in due course. It is commonly felt that once this happens, there will be a strong inducement and incentive for most, if not all, other countries to do so. There is thus a likelihood that the Madrid Agreement and Protocol could in due course provide for a truly 'international trade mark'. If this were to happen, I believe that South Africa ought to subscribe to the Madrid Protocol (rather than the agreement which is less well adapted than the protocol to countries outside Europe). The whole trend in modern trade-mark law is towards internationalization, as evidenced by the requirements in TRIPS, especially for the protection of internationally well-known trade marks. The Madrid Agreement and Protocol are in step with this trend and I believe that the creation of the true 'international trade mark' registration is on the horizon. South African domestic trade-mark law will have to be adjusted to facilitate and enforce international trade-mark registrations on the same basis as domestic registrations.

Regional Registrations

The SADC grouping and the South African Customs Union creates economic groupings which could serve as the foundation for regional trade-mark registrations, along the lines of the Community Trade Mark or even the OAPI system. SADC and the customs union groupings have a certain amount of cohesion and could support such trade-mark systems. The SADC countries are from a trade-mark point of view perhaps comparable to the countries of the European Community; a SADC registration system could be set up along the lines of the Community Trade Mark system. In the same way that the Community Trade Mark system can coexist with and supplement the International Trade Mark registration system under the Madrid Agreement and Protocol, so too could a SADC regional registration system co-exist with the International Trade Mark registration system broadened to include South Africa and other African countries.

The OAPI model could be followed by the countries of the Southern African Customs Union. These countries effectively form one market and their trade-mark laws have much in common. They also all have Roman-Dutch law as their common law and a British heritage to their statutory trade-mark law. Until fairly recently, trade-mark registrations in Botswana, Lesotho, and Swaziland were extensions of South African or British registrations. The Namibian Trade Marks Act, by contrast, is essentially the 1963 South African Trade Marks Act. There is a lot to be said for common trade-mark law and registrations applying throughout these countries.

The considerations and circumstances which have promoted the establishment of regional intellectual-property systems elsewhere in the world apply equally to South Africa. They are particularly pertinent in southern Africa now, because of the current political and economic

circumstances prevailing in this part of the world. A reformed South Africa is hoping for an economic renaissance, and other countries in South Africa are expecting that renaissance to provide the impetus or stimulus for economic growth and development throughout the region. The existence and availability of an efficient and cost-effective intellectual-property system providing creators of this property, particularly foreigners, with good and practical protection can only benefit the region and serve as a beacon for attracting, or assisting in the attraction of, foreign investment. This is sorely needed if the sought-after economic renaissance is to materialize.

There is much benefit to be gained from setting up a regional system to enable owners of trade marks to obtain a single trade-mark registration in a southern African region without the need to file separate applications in each of the constituent countries. On the premiss that effective protection of industrial property in a country provides an incentive for foreign investment in, and technology transfer to, that country, it is clear that, especially the smaller countries of the southern African region, will benefit from a regional registration system. For example, a trade-mark proprietor may be unwilling to register his trade mark in, say, Botswana, and also may be reluctant to do business there. But if a southern African registration covering not only South Africa but also a country such as Botswana can be obtained by means of a single application, then registration and the resultant economic activity in Botswana may become a different proposition.

I believe that South Africa should actively pursue a regional trade-mark registration option encompassing the SADC countries and based on the Community Trade Mark system. If this is not attainable, then a more limited regional registration covering the countries of the Southern African Customs Union should be pursued. It goes without saying that the creation of any regional registration system would necessitate appropriate amendments to South African trade-mark law to provide for the enforcement of such registrations on the same basis as national registrations.

5.2 Modernization of Substantive Law

During the past century South Africa has consistently kept pace with modern developments in trade mark law as evidenced by the adoption of the 1993 Act. I expect that this process will continue and South African trade-mark law will remain 'state of the art'. As in the past, I anticipate that Parliament will follow the British example and keep pace with developments in British trade-mark law. In view of the harmonization of British trade-mark law with European law, this will indirectly mean that South African trade-mark law will also remain in step with European trade-mark law as a whole. In the event that South Africa sponsors a regional trade-mark system I expect that this will apply equally to that regional system.

6 Conclusion

The South African Institute of Intellectual Property Law (the organized South African trade-mark law profession) has in the past played a very active role in the development of South African trade-mark law and practice. It has effectively acted as the custodian of South African intellectual-property law. The three most recent pieces of intellectual-property legislation — the Intellectual Property Laws Rationalization Act, the Intellectual Property Laws Amendment Act, and the Counterfeit Goods Act — were all drafted in the first instance by members of the Institute. To a large measure this legislation was also instigated by members of the Institute. The 1993 Trade Marks Act is also the product of members of the Institute.

There is no reason to suppose that the Institute will not continue to fulfill its function as the custodian of South African intellectual-property law. On the strength of this, I have no fear about the future course of South African trade marks. The Institute keeps abreast of all developments and trends in international intellectual-property law and will undoubtedly do everything in its power to ensure that South African trade-mark law remains 'state of the art'. As successive South African governments have regarded the views of the Institute as authoritative and have been guided by them, I believe that South African trade marks will be kept going in the right direction for the benefit of the country.

Something to Be Done About Insurer Bad Faith

JP VAN NIEKERK
University of South Africa

Introduction

The emphasis as regards good faith in the context of insurance contracts in South African law is firmly and for all intents and purposes exclusively on the conduct of the insured. There is hardly any indication of whether, and in what way, the law will protect an insured against the consequences of bad-faith conduct on the part of his insurer.

Yet such conduct is not uncommon. The most prominent examples occur when an insurer deals with an insured's claims. (Whereas bad faith on the part of the insured often occurs during negotiations before the conclusion of the contract, bad faith on the part of an insurer appears most frequently to involve conduct after the contract has been concluded.) More specific examples of bad faith on the part of the