

# THE OUTLOOK FOR TRADEMARKS INTO THE THIRD MILLENNIUM

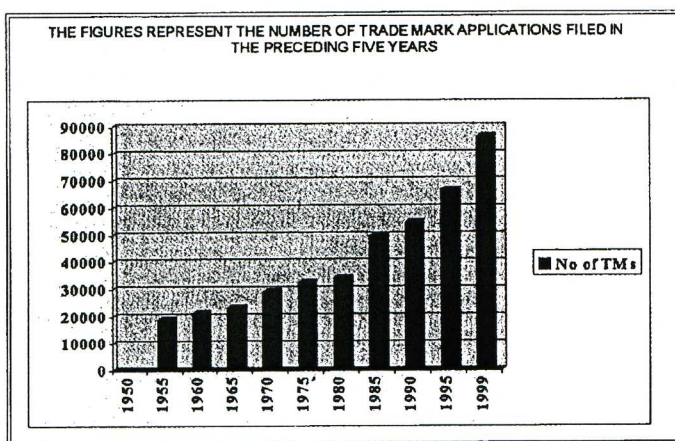
by Dr Owen Dean

Brands have become an integral part of our every day lives. One is confronted by them at every turn – in the printed media, on television, over the radio, along the highways and by-ways, at sports' stadia, on clothing – in fact everywhere. They bombard our senses. Many major industrial companies have openly acknowledged that their brands are their most important assets, far more so than their corporeal goods. Brands have become global and they transcend national boundaries, all the more so in the age of the Internet. Brands like Kodak, Sony and McDonald's have become household words. This has not, however, always been the case.

## Growing Phenomenon

Brands, or trade marks, to use the technical legal term, only really came into their own during the 20th Century. From a slow beginning their importance increased at an accelerating rate as the 20th Century drew to a close. As the 20th Century progressed not only did the importance of trade marks increase but also their commercial value and their numbers. The exponential growth in the number of trade marks registered in South Africa

Figure 1



during the past fifty years can be gauged from the graph in figure 1 (the figures along the horizontal axis represent the number of trade mark applications filed in the preceding five years):

The commercial value of trade marks can be gauged by the amounts at which the trade marks in fig. 2 have recently been valued:

(The values given are those attributed to the brands by Interbrand Sampson).

The value of a trade mark, for instance Coca-Cola, should be compared to the South African gross domestic product which in 1998 was R738 billion, i.e. \$105 billion.

Figure 2

## Evolution of Trade Marks

When trade marks were first recognised as a type of property, that is a form of intellectual property, or a species of incorporeal goods, they were initially protected under the common law as being a component of the goodwill of the businesses of which

they formed a part. In the early part of the 20th Century it became apparent that the protection offered to trade marks under the common law was in itself insufficient to meet the commercial needs and requirements for the use and protection of trade marks. Accordingly, a system of registration of trade marks was devised and the incorporeal property came into existence upon mere registration. This meant that it became possible to

COMPANY	BRAND VALUE 2000 (\$billion)
Coca-Cola	72.5
Microsoft Windows	70.1
IBM	53.1
Intel	39.0
Nokia	38.5
General Electric	38.1
Ford	36.3
Disney	33.5
McDonald's	27.8
AT&T	25.5
Marlboro	22.1
Sony	16.4
Kodak	11.8



secure protection for a trade mark even before it was ever used. Protecting a trade mark by way of statutory rights provided the flexibility which was required in order to make trade mark law capable of meeting the demands of commerce and business. It also became possible to separate a trade mark from the goodwill of the business of which it formed a part. This in turn allowed for trade marks to become freely transferable and capable of being licensed for use by others.

Trade mark rights have traditionally been territorial in nature. South Africa, like virtually all countries, has a trade mark registration system which grants rights in a trade mark in South Africa only and not elsewhere in the world. This means that the same trade mark for the same goods or services could be owned by different persons in different countries. In principle this applied to the common law as well. It was required that for rights to subsist under the common law, in a trade mark, that business should be conducted under that trade mark in the country where rights were sought to be enforced.

The strictly territorial nature of trade marks has changed. Both the Trade Marks Act and the common law now recognise that a foreign mark which has a reputation in South Africa can enjoy protection in this country even though it has neither been used nor registered in South Africa. This development has occurred in most other countries as well.

Trade Marks have ceased to be strictly territorial in another sense as well. International treaties have created systems for filing trade mark applications which cover a multiplicity of countries instead of having a separate application leading to a separate registration in each country in which protection is desired. These multiple registration systems take three forms. First, there are systems in which countries have banded together to have a single registry for all the countries. Examples of this are the Benelux countries and the French speaking West African countries. Second, there are regional systems in terms of which a single application is

filed and then extended to all other countries in the region where they are treated and processed as national applications. Examples of this type of regional system are the European Community Trade Mark and trade marks registered by the African Regional Intellectual Property Organisation (ARIPO). Third, there is an "international registration" system operated under the Madrid Agreement and its supplementary treaty, the Madrid Protocol, by the World Intellectual Property Organisation (WIPO). In terms of this system a single application is filed with WIPO, whereafter it is extended to all countries which are members of the governing treaties where they are treated and processed as national applications. More and more countries are joining the Madrid Agreement or the Madrid Protocol, including most of the European countries with the United States of America and Japan about to join as well.

#### *Adaption to Needs of Commerce*

The trend up to the end of the second millennium has been for trade mark law to evolve and adapt in accordance with the dictates of commerce. This is hardly surprising since the function of trade mark law is to regulate the use and protection of trade marks in the dynamic commercial world. On the threshold of the third millennium there is a strong need for trade mark law to continue evolving and developing as commerce evolves and develops. In particular, electronic commerce has placed great demands on the trade mark legal system to change and adapt quickly. There is a lot of pressure on law makers to keep trade mark law constantly under review in order to ensure that it does not lag behind the dictates and requirements of commerce.

In the electronic age products come and go far more quickly than before. Protection for trade marks for new products, and new forms of trade marks, must be capable of being delivered quickly otherwise it can happen that a product will have been and gone on the market before the trade mark applied to it has been registered and the protection which it requires has been obtained.



### *Current and Future Challenges*

Trade marks have become more and more internationalised and the era of the truly global trade mark, i.e. the Sony's, McDonald's and Kodak's, has arrived. International brand owners wish to use and obtain protection for their brands throughout the world. This creates a greater demand for multiple country registrations and preferably global registrations. Trade mark proprietors are reluctant to enter into countries where their trade marks cannot be adequately protected. Any country wishing seriously to attract foreign trade and foreign investment must now be able to deliver an efficient and satisfactory trade mark registration and protection system. Countries which fail in this respect run the risk of becoming back waters in international trade.

One of the scourges of brands at the start of the third millennium is counterfeiting. The success of famous brands and the markets which they have generated has spawned parasites who wish to live off that success. There is now widespread cloning of famous products and imitations of brands, labels and get-ups with a view to selling cheaply produced goods as being the products of famous brand holders. Part of the protection which is required for famous global trade marks is that trading in counterfeits should be capable of being restrained or at least curtailed.

Looking ahead into the third millennium it is expected that the globalisation of trade marks will gain further momentum and that demands will increase for trade mark registration systems to be streamlined, speeded up and internationalised. The international registration system created by the Madrid Agreement and Protocol is likely to be expanded and become the primary method of registration. The expeditiousness with which registration of trade marks is obtained is likely to become prioritised to enable trade marks to be registered within a matter of months. Increasingly efficient enforcement systems which can cope adequately with counterfeiting will be a high priority. Countries which cannot offer adequate

trade mark protection are likely to fall by the wayside in international trade. More and more emphasis will be placed on intellectual property law of which trade marks form a part. Countries will be expected to conform with enhanced norms for protecting trade marks and other species of intellectual property law. Trade mark law must continue to evolve and adapt in order to keep pace with commercial developments, trends and requirements. Governments will need to have recourse to specialist knowledge and advice on intellectual property matters. Brands will be of paramount importance in the marketing and commercialisation of products both nationally and internationally. Their commercial value and importance will grow and grow.

### *Quo Vadis South Africa?*

Where does South Africa find itself in the strongly flowing stream of trade marks in the international milieu? To what extent will we stay up with those countries that are in the mainstream? As a country desirous of attracting foreign investment and being a global player in international trade, we certainly need to remain in the swiftly flowing current. Unfortunately, the recent past and the present do not portend well for the future.

In the early 1990's South African trade mark law, the system of registration of trade marks and the enforcement of trade marks were at the forefront of international trends. We were one of the leaders of the pack. The South African system, judgments on trade mark law and the South African specialist trade mark law profession were highly regarded throughout the world. Since then, under the present Government, we have steadily moved out of the mainstream and are heading for the eddies and swirls on the side of the stream. This has come about on account of several developments and factors of which we will name a few.

- The output of the office of the Registrar of Trade Marks has seriously declined both in the quality of the services provided as well as the speed, accuracy and efficiency with which the services



are rendered. It currently takes approximately three years for a trade mark application to be examined once it has been filed. The procedure for registration of a trade mark entails that, once the application has been accepted, it must be advertised for possible opposition and thereafter there is a three month period during which interested parties can object to it. Assuming there are no objections, the mark proceeds to registration at the end of the three month period. Currently the period between examination of an application and the issuance of the registration certificate is taking at least six to nine months. The effect of this is that the shortest time that it can take to register a trade mark is approximately four years. This situation is hopelessly out of kilter with commercial requirements, in particular the requirements of foreign trade mark proprietors, and it is steadily deteriorating further.

- When trade mark applications are opposed court proceedings follow before the Registrar of Trade Marks and these culminate in hearings before the Registrar, who has the status of a judge of the High Court. Proceedings to cancel registered trade marks and other forms of proceedings relating to registered trade marks can also be conducted before the Registrar. Currently, there are in excess of 30 matters which have long since been heard by the Registrar but no judgments have been handed down. There are several instances where up to three years have elapsed since the formal hearing before the Registrar without any judgment being handed down. This means that, given the fact that it currently takes approximately three and a half years for an application to be advertised for opposition purposes, and that on average it takes some two to three years for the opposition procedure to be completed and for the hearing of an opposition to take place, it can take up to 10 years or perhaps even longer to register a trade mark if there is opposition from another party.

- The Trade Marks Office is computerising its records and its procedures. The accuracy of the data input into the computerised system is abysmal. Checks conducted in recent times have shown that significant errors have occurred in up to 90% of new applications taken up into the records in a single month. Indeed, the specialist legal profession employs a clerk on a full time basis to check for and point out errors which take place in the data inputting process.
- An important part of the selection of trade marks and their registration is the conducting of clearance searches in the register for prior conflicting marks. In every country in the world which has a serious trade mark registration system full access to the records is granted to the public in order to enable them to conduct proper trade mark clearance searches. This process is currently being seriously impeded because the new computerised system does not make provision for the public to use its search procedures. Instead it is envisaged that the public should conduct limited searches via the Internet at an exorbitant cost. This facility, which is not yet on stream, even when it is functional will be wholly inadequate for the purposes of conducting clearance searches. Moreover, the delays in the Trade Marks Office are such that there is a time lapse of approximately two months between an application being filed and its particulars being entered in the records. In other words, any search which is conducted will not cover any application which has been filed in the previous two months. Currently, roughly two thousand applications per month are being filed and this means that a search will not cover in the region of four thousand marks when it is conducted. This could have disastrous consequences for traders wishing to develop and launch new brands.
- South Africa has not taken any steps to join any of the multinational trade mark registration arrangements. Indeed, it cannot really join any



of these arrangements while it takes three years to examine a trade mark application because a system such as the international registration system under the Madrid Protocol requires international applications to be examined by national registries well inside a year after the filing date.

- Good and effective anti-counterfeiting legislation passed by Parliament three years ago has not been capable of being put into operation because of the failure of the Department of Trade and Industry to appoint inspectors and depots for storage of seized counterfeit goods without which the legislation cannot be practically implemented. As a result, counterfeiting is rife and very little can be done by the authorities to curtail it.

Ernest pleas have been made to the Minister of Trade and Industry and his Department to rectify the above problems and many others which beset the trade mark system in South Africa. These pleas have been made by commerce, the legal profession, foreign Governments and generally everybody and anybody who has an interest in a proper and efficient trade mark system in South Africa, but they have largely fallen on deaf ears. Many months, if not years, have elapsed since such pleas were made without any noticeable improvements having come about. Requests to have meetings with the Minister of Trade and Industry in order to discuss these issues go unanswered.

The Government has also declined to answer the call of organised business and the legal profession to follow the example of the majority of countries in the world and to have the right to hold intellectual property protected as a fundamental right under the Constitution. One is led towards the conclusion that, while it may be prepared to pay lip service to the protection of trade marks and other forms of intellectual property, the Government in fact has little interest in doing so and may even hold views adverse to proper recognition and protection of intellectual property. The foregoing seems also to be borne out by the fact that the Minister of Trade

and Industry has dispensed with the services of an Advisory Committee on matters pertaining to intellectual property law which he is mandated by the Copyright Act to have in place. The Minister has been in breach of this statutory obligation for the past 18 months. In keeping with this, the Registrar declines to take counsel from the specialist legal profession which has a vested interest in a properly functioning and sound trade mark protection system and is prepared to put its weight behind achieving this.

### *Conclusion*

Unless there is a dramatic shift on the part of the Government regarding its attitude to trade marks and other forms of intellectual property, the indications are that the future for brands into the third millennium in South Africa is not rosy. Trade mark registration could become such a drawn-out and cumbersome process that local traders are not going to be able to get proper protection for their marks and may in time even lose interest in attempting to secure registration of them. Foreign trade mark proprietors are likely to find South Africa an uninviting terrain into which to venture and this is not conducive to attracting foreign investment. Our system is likely to fall increasingly short of international norms with the result that it may be difficult to join any of the international trade mark registration systems, assuming that we have any interest in doing so, which is far from certain. It is a great pity that we will have let slip an enviable trade mark system which existed in the early 1990's. The impact of all of this on the South African economy will not be favourable.

It is hoped that this gloomy prognostication for trade marks in South Africa into the third millennium will prove to have been unduly pessimistic. Maybe South Africa will after all do what is necessary to return us to the middle of the strongly flowing current and we will keep pace with the leaders of the pack. We would be happy to be shown to have been wrong.

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