Trademarks
2021

Contributing editors
Theodore H Davis Jr and Olivia Maria Baratta
Trademarks

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Theodore H Davis Jr and Olivia Maria Baratta
Kilpatrick Townsend & Stockton LLP

Lexology Getting The Deal Through is delighted to publish the seventeenth edition of Trademarks, which is available in print and online at www.lexology.com/gtdt.

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on Australia, Belgium, Eurasia, India, Luxembourg, Netherlands, Philippines and Poland.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, Theodore H Davis Jr and Olivia Maria Baratta of Kilpatrick Townsend & Stockton LLP for their continued assistance with this volume.

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South Africa

Shamin Raghunandan, Linda Thilivhali, John Foster and Jeremy Speres
Spoor & Fisher

**LEGAL FRAMEWORK**

**Domestic law**

1. What is the primary legislation governing trademarks in your jurisdiction?

- The Trade Marks Act, No. 194 of 1993 and the Trade Mark Regulations 1995;
- the Intellectual Property Laws Amendment Act, No. 38 of 1997;
- the Counterfeit Goods Act, No. 37 of 1997;
- the Merchandise Marks Act, No. 17 of 1941; and

**International law**

2. Which international trademark agreements has your jurisdiction signed?

- The Paris Convention for the Protection of Industrial Property 1883 (since 1947);
- the Convention Establishing the World Intellectual Property Organization (WIPO) 1967 (since 1975);
- the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (since 1995); and
- the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957, as revised and published by the WIPO in 2017).

South Africa is expected to accede to the Madrid Protocol within the next two years.

**Regulators**

3. Which government bodies regulate trademark law?

The Department of Trade and Industry and the Companies and Intellectual Property Commission.

**REGISTRATION AND USE**

**Ownership of marks**

4. Who may apply for registration?

Any individual, firm, partnership or body corporate may apply for registration. The registration of the trademark in the name of a trust is intended to vest ownership in the trustee of that trust as the trust does not meet the requirements of having a legal personality. Joint applicants are permitted.

An individual may apply for the registration of a trademark if he or she does not use or propose to use the trademark, provided that a body corporate is due to be established. The trademark can be registered only once assigned to the body corporate and application is made to record the assignment.

**Scope of trademark**

5. What may and may not be protected and registered as a trademark?

To qualify for registration, trademarks must be capable of distinguishing the products or services of a party under those for which they are registered or proposed to be registered from the products or services of others. This criterion is satisfied if, at the date of application, the trademark is capable of distinguishing either inherently or as a result of prior use.

Trademarks must be capable of graphic representation and include a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for products or any combination of the aforementioned.

Colours, three-dimensional shapes and configurations, sounds and motions are registrable, provided that they are distinctive and capable of graphic representation. As there are practical and inherent hurdles to registering scent and taste marks, such as graphic representation, the marks resulting from the nature of the products and that the consumer generally does not perceive them as trademarks, they are unlikely to be regarded as inherently registrable.

Collective marks may be registered if they distinguish products or services of members of an association from the products or services of non-members of the association.

Certification marks may be registered if they are capable of distinguishing, in the course of trade, products or services certified by any party from products or services not so certified. Certification marks may not be registered in the name of an applicant that carries on a trade in the products or services for which registration is applied.

Service marks may be registered.

The following may not be registered (absolute grounds) or, if so registered, are likely to be removed from the register:

- marks that cannot be represented graphically and are not capable of distinguishing;
- marks that consist exclusively of signs or indications that may serve in commerce to designate:
  - the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of the products or services; or
  - the mode or time of production of the products or rendering of the services;
- marks that consist exclusively of signs or indications that have become customary in the language or bona fide and established practices of the trade;
- marks that consist exclusively of shapes, configurations, colours or patterns of products where such shapes, configurations, colours or patterns:
• are required to obtain a specific technical result;
• result from the nature of the products; or
• are likely to limit the development of any art or industry if registered;
• marks that are inherently deceptive or the use of which would likely:
  • deceive or cause confusion;
  • be contrary to law or morality; or
  • offend any class of persons;
• marks that consist of names, flags or symbols of states, nations, regions or international organisations; or
• marks for which the applicant has:
  • no bona fide intention to use as a trademark either itself or through any authorised party; or
  • no bona fide claim to ownership.

Relative grounds for refusal are:
• marks that are contrary to the rights afforded to well-known trademarks under the Paris Convention;
• marks that are identical or similar to another’s registered mark for identical or similar products or services, and are thereby likely to deceive or cause confusion;
• marks that are identical or similar to a prior application and for which registration is sought in relation to identical or similar products or services, and are thereby likely to deceive or cause confusion; and
• marks that are identical or similar to a well-known registered mark in South Africa.

A certificate of registration is evidence of the proprietor’s rights, whereas common law rights in a trademark need to be proved by adducing evidence to this effect.

Unregistered trademarks
6 | Can trademark rights be established without registration?

Yes. Marks may be used in South Africa without registration. Where such use is sufficiently extensive that a reputation is created and the public associates the mark with the party using it as a single source (ie, where the mark is distinctive of the business or product), common law rights may be acquired. This reputation must extend to a substantial portion of the public.

Famous foreign trademarks
7 | Is a famous foreign trademark afforded protection even if not used domestically? If so, must the foreign trademark be famous domestically? What proof is required? What protection is provided?

Yes. Foreign trademarks that are not registered or used in South Africa are afforded protection only insofar as they qualify as well-known (famous) marks. Sections 35 and 10(6) of the Trade Marks Act, No. 194 of 1993, affords protection to well-known marks under the Paris Convention, and its owners are entitled to prevent the use and registration in South Africa of marks that:
• constitute, in whole or in essential part, a reproduction, imitation or translation of a well-known mark; and
• are used for identical or similar products or services to those of the well-known mark, where this use is likely to cause confusion or deception.

Owners of well-known marks must be nationals of South Africa or have their domicile or real and effective industrial or commercial establishments in a convention country, whether or not they carry on business or have any goodwill in South Africa.

A trademark is well known if it is well known in South Africa to a substantial number of persons who are interested in the services or products. Due regard is given to the knowledge of the trademark in the relevant sector of the public, including knowledge that has been obtained as a result of the promotion of the trademark.

Section 35(3) of the Act allows for infringement actions against the use of well-known and unregistered trademarks. Provision is also made for opposition in similar circumstances under section 10(6) of the Act.

Section 34(1) (c) of the Act contains the anti-dilution provision and applies to well-known registered marks.

The benefits of registration
8 | What are the benefits of registration?

Registered trademarks are prima facie evidence of ownership and validity in South Africa. ‘Registered Trademark’ or other suitable symbols can be used to indicate ownership of marks. Owners can also rely on a registered trademark to oppose subsequent applications and apply for cancellation of conflicting registrations. Registered marks are afforded further protection under the Counterfeit Products Act, since owners can apply to seize and destroy counterfeit products. Registration is attractive to licensees as it provides the opportunity to generate royalties. A trademark licence can also be recorded on the trademark register, giving the licensee rights to institute legal proceedings in the event of infringement. Registered marks may be used as security for debt finance. A registered mark can be used as a basis to obtain registration in some foreign countries.

Filing procedure and documentation
9 | What documentation is needed to file a trademark application? What rules govern the representation of the mark in the application? Is electronic filing available? Are trademark searches available or required before filing? If so, what procedures and fees apply?

Filing documents required are:
• power of attorney;
• if Paris Convention priority is claimed, priority documents should be filed within three months of the filing date, with verified English translation; and
• the rules relating to certification and collective trademarks, although these may also be filed later at examination.

Applications for registration of a trademark must contain a suitable reproduction of the trademark. The representation cannot exceed 8.5cm in width and 10cm in length. Representations need not be filed in cases of marks that consist of only plain words, letters, numerals or a combination thereof. Where a representation cannot be given in the prescribed manner, a copy of the trademark may be sent in the most convenient form to the registrar.

Three-dimensional marks must be represented in such a way that all dimensions are clearly visible.

Electronic filing is available.

Private trademark searches are not mandatory, but they are recommended to establish whether a mark is available for use and registration and to avoid or minimise the potential for infringement.

A full trademark availability search is more expensive as it is a comprehensive search that uses a more detailed comparison of terms. A formal legal opinion that analyses all of the known risks is provided.

An identical trademark search is a limited search, which is less expensive, where the identical or highly similar marks are searched. These searches may disclose a clear ‘no’ but not a guarantee that the mark is available.
Registration time frame and cost
10 How long does it typically take, and how much does it typically cost, to obtain a trademark registration? When does registration formally come into effect? What circumstances would increase the estimated time and cost of filing a trademark application and receiving a registration?

For normal prosecution, the approximate time frame from filing to registration, without opposition, is 24 to 36 months. Statutory rights come into effect when the registration certificate is issued by the registrar. The date of registration is deemed to be the date of application for registration, except in the case of a convention application, when the date is that of the first application in the convention country.

The time frame for registration and costs would increase:

- when a trademark is refused, opposed or where filing documents are outstanding, such as a power of attorney or rules governing use of a collective or certification trademark and extensions of time become necessary; and
- when conditions for acceptance are contested.

Classification system
11 What classification system is followed, and how does this system differ from the International Classification System as to the goods and services that can be claimed? Are multi-class applications available and what are the estimated cost savings?

South Africa follows the 11th edition of the Nice Classification of goods and services. No multi-class filing system applies in South Africa. Separate trademark applications must be filed in each class of interest.

Examination procedure
12 What procedure does the trademark office follow when determining whether to grant a registration? Are applications examined for potential conflicts with other trademarks? Are letters of consent accepted to overcome an objection based on a third-party mark? May applicants respond to rejections by the trademark office?

The Registrar examines trademarks on absolute and relative grounds. Examination on absolute grounds considers compliance with formalities such as filing requirements and the inherent nature of the trademark. With regard to relative grounds, the examiner checks whether the applicant’s trademark conflicts with the rights of third parties.

The applicant has a period of three months from the date of the issuance of the official action to respond. Three months’ extensions of the prosecution period may be requested to allow the applicant to respond to the official action.

It is possible to make written representations to the Registrar arguing against the provisional refusal. If the Registrar still maintains the objection, the attorney may arrange an informal hearing to discuss the matter with the examiner.

To overcome a provisional refusal based on third-party rights, the applicant may provide a letter of consent. The Registrar is obliged to accept such a letter of consent and has no discretionary powers in this regard.

Use of a trademark and registration
13 Does use of a trademark or service mark have to be claimed before registration is granted or issued? Does proof of use have to be submitted? Are foreign registrations granted any rights of priority? If registration is granted without use, is there a time by which use must begin either to maintain the registration or to defeat a third-party challenge on grounds of non-use?

To qualify for registration, the applicant for registration must have a bona fide intention to use the trademark him or herself or through a licensee. It is not requirement that the trademark must in fact be in use, before registration is granted. A mere intention to use the trademark will suffice.

It must, however, be pointed out that the actual use of a registered trademark is necessary to safeguard it from becoming vulnerable to cancellation on the basis of non-use. A registered trademark may become vulnerable to cancellation in the event that it has not been used in relation to the goods or services in respect of which it is registered for a continuous period of five years from the date the Certificate of Registration was issued.

Markings
14 What words or symbols can be used to indicate trademark use or registration? Is marking mandatory? What are the benefits of using and the risks of not using such words or symbols?

The symbol ™ may be used for pending applications, while the symbol ® may be used in respect of registered trademarks. Although it is not mandatory to mark trademarks, the use of the symbols may act as a deterrent and give notice to third parties that the user in fact claims trademark rights in the trademark.

In terms of the Trade Marks Act, No. 194 of 1993, any person who falsely represents a trademark as registered shall be guilty of an offence and is liable on conviction to a fine or imprisonment for a period not exceeding 12 months. This section will typically apply to circumstances where an unregistered trademark is marked with the symbol ®.

Appealing a denied application
15 Is there an appeal process if the application is denied?

The rule audi alteram partum (listen to the other side) is fundamental to South African law. Therefore, no person shall be judged without a fair hearing or an opportunity to be heard. If the Registrar raises an objection in his official action, either based on distinctiveness or third-party rights, the applicant will have an opportunity to respond by making appropriate representations to the Registrar. The applicant bears the onus of proof to show why his trademark ought to be registered.

If the Registrar remains intransigent, it is possible to request an informal hearing so that the attorney could argue the matter verbally before the Registrar of Trade Marks.

If the arguments presented at the informal hearing are unsuccessful, the applicant may request written reasons from the Registrar for the purposes of lodging an appeal at the High Court. Such a request must be made within three months of the date of the Registrar’s decision or such further time that the Registrar may allow.

In terms of section 53 of the Trade Marks Act, No. 194 of 1993, an appeal must be lodged within a period of three months after the date of the Registrar’s decision (the date on which written reasons were provided).

The High Court has the same discretion as the Registrar and may make order the following:

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• confirm, vary or reverse the order or decision;
• if the record does not furnish sufficient evidence, refer the matter back to the Registrar for further evidence to be provided;
• request further evidence;
• make any order; and
• make an order pertaining to costs.

The decision of the High Court is subject to an appeal to the Supreme Court of Appeal.

Third-party opposition

16 Are applications published for opposition? May a third party oppose an application prior to registration, or seek cancellation of a trademark or service mark after registration? What are the primary bases of such challenges, and what are the procedures? May a brand owner oppose a bad-faith application for its mark in a jurisdiction in which it does not have protection? What is the typical range of costs associated with a third-party opposition or cancellation proceeding?

Yes – before registration, but after acceptance.

Once a trademark has been advertised in the Patent Journal, interested parties may oppose the registration within three months of the advertisement. This term may be extended for a further three months on the opponent’s request. Thereafter, the term may be extended either on agreement between the parties, to enable them to attempt to resolve the potential opposition, or by the registrar on application.

Although not exhaustive, primary grounds for opposition generally include:
• the mark is not distinctive;
• the applicant has no bona fide claim to ownership;
• the application was made in bad faith;
• the mark is inherently deceptive or contrary to the law, or is likely to give offence to any class of person; or
• the mark is identical or similar to a previously registered mark or a mark which has an earlier application date or conflicts with rights under article 6bis of the Paris Convention (ie, well-known marks).

It is possible for a brand owner to oppose a bad-faith application for its trademark or apply for cancellation of a bad-faith registration in South Africa even if it does not have a prior trademark application or registration in South Africa. Cancellation of a registered trademark can be sought on a similar basis to opposition. In addition, cancellation can also be brought on the followin grounds:
• non-use of the registered mark within five years of registration;
• no bona fide intention to use the registered trademark, in circumstances where there has not been any use of the registered trademark; or
• where the trademark is registered in the name of a body corporate or natural person, where such body corporate was dissolved or such natural person died more than two years before the cancellation application is brought and no application for assignment of the trademark registration has been made.

Trademark opposition or cancellation proceedings are similar in nature to High Court proceedings. Both can be brought before the registrar and must be filed in the form of a notice of opposition, supported by an affidavit setting out the facts upon which the opponent or applicant for cancellation seeks relief. The trademark applicant or proprietor (as the case may be) then has one month from the formal lodging of the opposition or cancellation application to notify the opponent or applicant for cancellation if it intends to defend the opposition. The trademark applicant or proprietor must deliver its answering evidence within two months, after which the opponent or applicant for cancellation must deliver its replying evidence within one month. At this point, the pleadings are closed and the matter set down for oral argument before the registrar of trademarks, who enjoys powers equivalent to those of a High Court judge. At present, the registrar of trademarks is not hearing opposed oppositions and is referring these to the High Court of South Africa, Gauteng Division, Pretoria. An application for cancellation can also be brought directly to the High Court of South Africa, Gauteng Division, Pretoria.

Total costs associated with an opposition or cancellation that is defended and proceeds to oral argument will be approximately US$20,000 to US$30,000.

Duration and maintenance of registration

17 How long does a registration remain in effect and what is required to maintain a registration? Is use of the trademark required for its maintenance? If so, what proof of use is required?

Trademark registrations are valid for a period of 10 years, calculated from the date of application and, are renewable every 10 years. In the case of conventional applications, the 10-year period is calculated from the date of the application for registration in South Africa and not the date of filing of the basic application. No proof of use is required.

Surrender

18 What is the procedure for surrendering a trademark registration?

South African trademark law makes no provision for the surrender of a trademark registration, but in terms of section 23 of the Trade Marks Act, No. 194 of 1993, the proprietor of a registered trademark may apply for the voluntary cancellation of a trademark registration.

Related IP rights

19 Can trademarks be protected under other IP rights (eg, copyright or designs)?

There may be an overlap between trademark law and other types of IP law. Trademarks, which qualify as ‘work’ and meets the requirement for the subsistence of copyright, may enjoy copyright protection (eg, a logo or device mark).

Similarly, an article may qualify as a registered design, if it meets the requirements under the Designs Act No. 195 of 1993 and then also qualify for registration as trademark (eg, the shape of a bottle).

Trademarks online and domain names

20 What regime governs the protection of trademarks online and domain names?

Trademarks online are protected by the Trade Marks Act, No. 194 of 1993 and the .za Domain Name Authority (ZADNA) administers the .za namespace. It administrates, regulates and issues licences in terms of the Electronic Communications and Transactions Act, No. 25 of 2002.
**LICENSING AND ASSIGNMENT**

**Licences**

21 | May a licence be recorded against a mark in the jurisdiction? How? Are there any benefits to doing so or detriments to not doing so? What provisions are typically included in a licensing agreement (e.g., quality control clauses)?

Yes. A licence may be recorded, but it is not mandatory, and the licence will still be effective against third parties (e.g., as proof of use of the mark) and between the parties even if not recorded. There are benefits to recordal, which are largely in favour of the licensee, such as the right to call on the proprietor to institute infringement proceedings and to participate in and possibly institute such proceedings itself.

The recordal process is relatively straightforward and requires an application to be made to the registry, along with payment of an application fee. The deed can be registered with the registry, and the deed becomes effective against third parties once registered. The application must be served on the registered proprietor and any other person recorded in the register as having an interest in the trademark.

If the deed is not registered, it will only have effect between the parties.

**Assignment**

22 | What can be assigned?

The assignment rules are fairly liberal. Marks can be assigned with or without goodwill, for some or all of the goods or services, and the assignment can be to joint assignees too. The mark can be assigned alongside other assets or on its own.

**Assignment documentation**

23 | What documents are required for assignment and what form must they take? What procedures apply?

A copy of the assignment deed, without any legalisation or notarisation, will suffice to record the change in ownership at the registry. The original is not required. If the parties do not wish to disclose the deed, then a statement containing the salient terms of the licence can be submitted instead.

For an assignment to be legally valid, it must be in writing.

Recording the assignment involves an application to the registry along with a fee.

**Validity of assignment**

24 | Must the assignment be recorded for purposes of its validity?

The assignment need not be recorded for legal validity but administrative penalties become payable if the recordal application is not submitted in good time.

**Security interests**

25 | Are security interests recognised and what form must they take? Must the security interest be recorded for purposes of its validity or enforceability?

Security interests (hypotheceation) are recognised. They must take the form of a written deed of security. No notarisation or legalisation is required and a copy will suffice. The deed can be registered with the registry, in which case it will have effect against third parties. This involves submitting the deed along with an application and a fee to the registry, and the deed becomes effective against third parties once registered. The application must be served on the registered proprietor and any other person recorded in the register as having an interest in the trademark.

If the deed is not registered, it will only have effect between the parties.

**ENFORCEMENT**

**Trademark enforcement proceedings**

26 | What types of legal or administrative proceedings are available to enforce the rights of a trademark owner against an alleged infringer or dilutive use of a mark, apart from previously discussed opposition and cancellation actions? Are there specialised courts or other tribunals? Is there any provision in the criminal law regarding trademark infringement or an equivalent offence?

Trademark infringement proceedings must be instituted before the High Court or, alternatively, before an arbitrator if the parties can agree to arbitration. There are no specialised courts. There are no criminal trademark infringement provisions, apart from counterfeiting.

**Procedural format and timing**

27 | What is the format of the infringement proceeding?

High Court trademark infringement proceedings typically proceed on application. Papers are exchanged covering evidence and legal argumentation, and there is an aural hearing before a judge. Alternatively, if there are factual disputes, an action is pursued, in terms of which evidence is led aurally via live witness testimony before a judge. Typically, application proceedings take roughly one year to judgment, and actions up to two years to judgment in the first instance, excluding appeals.

**Burden of proof**

28 | What is the burden of proof to establish infringement or dilution?

The burden of proof falls on the plaintiff or claimant, and is a civil burden on balance of probabilities.

**Standing**

29 | Who may seek a remedy for an alleged trademark violation and under what conditions? Who has standing to bring a criminal complaint?

The trademark owner and licensees (subject to agreement) have standing to sue for infringement.

**Border enforcement and foreign activities**

30 | What border enforcement measures are available to halt the import and export of infringing goods? Can activities that take place outside the country of registration support a charge of infringement or dilution?

Customs recordals for brand holders are permitted, which often result in infringing products being detained. Customs officials can be required to interdict shipments of counterfeit or infringing goods. Extraterritorial actions cannot be pursued in South Africa unless the offending goods are imported into the country.
Discovery

31 | What discovery or disclosure devices are permitted for obtaining evidence from an adverse party, from third parties, or from parties outside the country?

In general, discovery is only permitted once formal proceedings have been instituted, in the form of an action or application. Pre-action discovery is allowed in limited circumstances where the requester has shown the ‘element of need’ or ‘substantial advantage’ of access to the requested information in the pre-action stage (i.e., where the information requested would be decisive of the dispute between the parties).

Importantly, once formal proceedings have commenced, discovery cannot be required from a party that is not joined in the proceedings.

In action (trial) proceedings, any party may require any other party to the action to make discovery of all documents and tape recordings relating to any matter in question in the action that are or have at any time been in the possession or control of the other party, and of any document intended to be used at trial (this can include documents in the possession of third parties). The definition of ‘tape recording’ is wide enough to encompass different kinds of material on which visual images, sound and other information can be stored. A litigant may refuse to disclose a document if it is privileged (i.e., if discovery would lead to self-incrimination (if it merely establishes a debt or exposes the litigant to civil action, discovery cannot be resisted), be contrary to marital privilege, pertain to statements without prejudice or be the subject of legal professional privilege) or if the disclosure would be injurious to the public interest. Further, a litigant can refuse to disclose a document that is irrelevant to the issues on the pleadings.

In action and application (on affidavit) proceedings, a party may require the disclosure of any document that is referred to in general terms in a party’s pleadings or affidavits. The entitlement to discovery of such documents arises automatically once reference is made thereto in pleadings or affidavits. No detailed or descriptive reference to the document is required, however, reference by deduction or inference does not constitute a ‘reference’.

Discovery proceedings can become difficult or costly in the event that the party from whom discovery is requested refuses to disclose a document (or documents). In that case, an application must be brought to compel discovery, alternatively, to strike out the claim or defence relying on such document. This can result in a delay in the proceedings, insofar as the interlocutory application to compel discovery or strike out may take a number of months to be finalised (unless urgency can be shown).

Timing

32 | What is the typical time frame for an infringement or dilution, or related action, at the preliminary injunction and trial levels, and on appeal?

If unopposed and in the normal course (i.e., not on an urgent basis), the time frame for application proceedings is approximately two to three months. If opposed and in the normal course, the time frame is usually six to 12 months. For action proceedings, these time frames are considerably longer (approximately 18 to 36 months) as oral evidence must be led in court. For an appeal, the time frame is approximately 12 to 18 months after the judgment appealed against is handed down.

Limitation period

33 | What is the limitation period for filing an infringement action?

There is no statute of limitations for filing trademark infringement actions. It has been confirmed by the South African courts on a number of occasions that acquiescence is not a defence to trademark infringement and that a delay in the launching of infringement proceedings does not result in the trademark proprietor forfeiting its right to enforce the trademark. However, damages or reasonable royalties flowing from the infringement can be claimed for up to only three years before the institution of the proceedings.

Litigation costs

34 | What is the typical range of costs associated with an infringement or dilution action, including trial preparation, trial and appeal?

For a typical infringement claim, which would ordinarily be brought by way of application (affidavit) proceedings, and which is opposed, the costs would be in the region of US$25,000 to US$40,000. For dilution proceedings, the costs would generally be higher insofar as the trademark proprietor is required to prove that the trademark in question is well-known and this often requires a market survey. The costs in those circumstances would typically be between US$40,000 and US$60,000. In both instances, if an enquiry into damages is ordered, further costs would be associated with pursuing the damages claim which must be done by way of action (trial) proceedings. For action (trial) proceedings generally, the costs can be considerably higher depending on the length of the trial required.

In terms of recovering costs, the general rule is that the unsuccessful litigant must pay the costs. The court does, however, have a discretion to deprive a successful party of a portion or all of the costs and in certain circumstances to order him or her to pay a portion or all of the costs of the unsuccessful party.

The general award is for party and party costs. These are such costs as the taxing officer can allow according to a legislated tariff. Party and party costs will almost never cover all of the costs incurred by the successful party, and generally only covers between 40 to 60 per cent of costs. In cases where such special grounds exist to justify a higher cost award – such as where there has been dishonesty, fraud, vexatiousness, recklessness, malice, frivolousness or unreasonableness – a court may award costs on an attorney and client basis, which entitles the successful party to claim all costs that the attorney representing the successful party is entitled to recover. A court can also order costs de bonis propriis, in which case the unsuccessful party’s legal representative must pay the costs. This is, however, very unusual and not easily awarded. It is only awarded in exceptional circumstances where there is evidence of ‘negligence to a serious degree’ on the part of the representative.

Appeals

35 | What avenues of appeal are available?

Leave to appeal against a single judge of the High Court’s decision may be obtained by filing a statement on the grounds of which leave to appeal is requested. Appeal can be sought to a full bench, being three judges in the same High Court where the appealed order was handed down. If leave to appeal is granted, the notice of appeal must be delivered to all parties within 20 days of the date on which leave to appeal was granted. A notice of cross-appeal may be filed by any party within 10 days of delivery of the notice of appeal. If leave to appeal to a full bench is refused, the appellant has the opportunity to petition the Supreme Court of Appeal for leave to appeal.

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Defences
36 What defences are available to a charge of infringement or dilution, or any related action?

Statutory defences to trademark infringement include:
- good-faith use of own name;
- good-faith descriptive use;
- good-faith use to indicate intended purposes;
- use on genuine products;
- good-faith use of utilitarian features;
- use to which the registration does not extend; and
- concurrent registration.

Estoppel can also form the basis of a defence to infringement claims.

Remedies
37 What remedies are available to a successful party in an action for infringement or dilution, etc? What criminal remedies exist?

The available remedies in civil proceedings include:
- obtaining an injunction to restrain use of the infringing mark, which can be preliminary (pending a return date on which argument for a permanent injunction will be heard) or permanent;
- ordering for removal of the infringing mark from all material and, where the infringing mark is inseparable or incapable of being removed from the material, ordering that all such material is delivered up to the owner;
- claiming damages; or
- in lieu of damages, claiming a reasonable royalty that would have been payable by a licensee for use of the trademark concerned.

For the purposes of determining the amount of damages or a reasonable royalty to be awarded, the court may direct an enquiry to be held and may prescribe the procedures for conducting such an enquiry as it deems fit. Generally, damages would be based on the plaintiffs proven loss of profits, but this is almost always impossible to quantify. For calculating a reasonable royalty, the plaintiff will have to prove what a reasonable royalty is (as a percentage of price), the price in question and the total number of sales. Any outstanding information required for this calculation can generally be obtained through discovery proceedings. Ultimately, what constitutes a reasonably royalty will depend on the facts of the case, and could include factors such as the royalties that the plaintiff might obtain from its own licensees or the accepted royalties in the particular trade in question. In a claim for a reasonable royalty, proof of actual loss is not required.

There is no provision for criminal proceedings to be instituted in respect of trademark infringement; however, there is provision for criminal proceedings where the infringer is dealing in counterfeit products.

ADR
38 Are ADR techniques available, commonly used and enforceable? What are the benefits and risks?

Parties engaged in a dispute can elect to refer the dispute to arbitration or mediation.

For mediation, the parties elect to refer the dispute to mediation. In this instance, the mediator does not have the authority to impose an order or settlement on the parties, but rather encourages the parties to reach a settlement agreement. The settlement agreement only becomes legally binding once it has been reduced to writing and signed by or on behalf of the parties. The benefit of mediation is that matters can often be settled amicably and swiftly, with costs – usually at a set fee for the mediator – significantly less than court or arbitration proceedings. The settlement agreement reached will also be kept confidential, unless otherwise agreed by the parties.

For arbitration, the parties enter into an arbitration agreement, which then becomes binding on the parties and may only be terminated by agreement or set aside by a court on good cause shown. There are many benefits to arbitration, including the option of the parties to choose an arbitrator with the requisite skills and knowledge, expeditions dispensation of justice (as opposed to an often lengthy court process), confidentiality of the proceedings and awards, less formal and rigid procedures, cost effective proceedings, and relative ease of enforceability of awards (arbitration awards are enforceable by a court). The only downside to arbitration is generally the cost involved, insofar as the parties bear not only the cost of legal representatives, but also the cost of the arbitrator. There are, however, moves by many arbitral centres to provide specific fee structures for commercial arbitrations so as to curb costs.

UPDATE AND TRENDS

Key developments of the past year
39 Are there any emerging trends, notable court rulings, or hot topics in the law of trademark infringement or dilution in your jurisdiction?

In Stable Brands (Pty) Ltd v LA Group (Pty) Ltd and Another (33268/18) [2019] ZAGPPHC 567 (29 November 2019), the first respondent, LA Group (Pty) Ltd, is the proprietor in South Africa of the trademark Polo and logos, described as Polo Pony & Player & Devices, which consists of a single polo player and pony. These trademarks are registered in relation to clothing, apparel and a number of other goods and services. The first respondent launched an application for alleged infringement of its registered trademarks against the United States Polo Association (USPA), the proprietor of the US Polo Assn brand, and its local distributor, Stable Brands (Pty) Ltd (Stable Brands). USPA had applied to register a number of its trademarks, including US Polo Assn and its logo, described as Outline Double Horsemen & Device, depicting two polo players and ponies, in South Africa and had commenced use of these marks.

In response to the first respondent’s application for infringement, which was ultimately withdrawn, Stable Brands counter-applied for the expungement of the first respondent’s registered trademarks on, among other things, an argument that the word mark Polo and the Polo Pony & Player Devices are not capable of distinguishing between the goods of the first respondent and those of other entities in the market, and that the trademarks would, as a result of the manner in which they had been used, be likely to cause deception or confusion.

On the issue of distinctiveness of the word ‘Polo’, the court considered the ordinary meaning of the word ‘polo’, and also the dictionary meaning, which describes the sport of polo as well as some specific pieces of clothing, such as a polo shirt and a polo coat. The court also accepted evidence of how the word ‘polo’ was used by various other companies in the fashion industry to describe their goods, such as polo shirts, polo jerseys, polo dresses and pique polos. In addition, there was evidence of various other brands and registered trademarks that incorporated the word ‘polo’ and were used by third parties in competition with the first respondent’s trademarks. The court accordingly concluded that ‘the word ‘polo’ is a generic term used widely in the fashion industry and consequently cannot designate exclusivity of one trader’s goods over that of another’, and that ‘it has not been shown that the generic word ‘polo’ has evolved into a characteristic of distinctiveness whereby the first respondent’s goods have developed as a badge of origin in the eye of the public, with specific reference to the first respondent’. It was therefore held to be incapable of distinguishing, and the court ordered
the cancellation of a number of the first respondent’s Polo trademarks in classes 9, 18, 25 and 28 on this basis.

With regard to whether the manner in which the trademarks had been used would be likely to cause deception or confusion, there have not yet been any judgments in South Africa to uphold an application for cancellation of a registered trademark on this basis. The parties’ arguments were therefore largely based on the interpretation of the enacting legislation, namely section 10(13) of the Trade Marks Act 194 of 1993, and foreign case law, as well as academic works and opinion.

The attack based on section 10(13) was premised on the fact that the first respondent had entered into an agreement with another competing trader, Ralph Lauren, in the 1980s, in terms of which the two traders agreed to co-exist and each could use their respective Polo, Polo Pony & Player Device, Polo Jeans Co and Polo Sport trademarks in South Africa. The first respondent had stated to the public that this agreement ‘allowed for the continuous use of the name ‘Polo’ [by the first respondent] but differentiated by Polo South Africa presenting the pony facing to the right, whereas Ralph Lauren Polo’s pony facing to the left’. The court was of the view that this approach clearly acknowledged that there could be no exclusivity in the word ‘polo’ used with or without a polo pony device. The court also found that a differentiation in the direction of look of the polo pony advances a finding that there is no exclusivity in the use of a polo pony by only one trader. A determining factor was that the first respondent had also mimicked the sales approach of Ralph Lauren in the appearance of its retail outlets; its launch of a ‘pink pony’ campaign in support of breast cancer awareness; clothing ranges of specific brands such as Polo Jeans Co and Polo Sport; and the expansion into other branded goods other than clothing, footwear and headgear, and in respect of homeware goods.

With this in mind, the court concluded that by reason of the manner in which the marks had been used, their use would have led or would lead to the expectations of the public being unfulfilled. The trademarks were accordingly cancelled.

The first respondent applied for leave to appeal this judgment, which was dismissed by the court of first instance. It was, however, subsequently granted leave to appeal to the Supreme Court of Appeal, and the appeal will be heard in due course. The judgment that will be issued by the Supreme Court of Appeal in due course will be the precedent-setting judgment on the interpretation and application of section 10(13).

Whatever the outcome of the appeal proceedings may be, this judgment serves as a warning to brand owners that consumer confusion created as a result of the coexistence with another trademark could result in such trademarks becoming vulnerable to cancellation.

Coronavirus

40 What emergency legislation, relief programmes and other initiatives specific to your practice area has your state implemented to address the pandemic? Have any existing government programmes, laws or regulations been amended to address these concerns? What best practices are advisable for clients?

The Chief Justice and the various high courts have passed various practice directives that deal, with, among other things, restricting access to court precincts, making provision for electronic service and filing of documents and for the remote hearing of testimony and argument via online platforms, such as Microsoft Teams. Parties in application proceedings, where evidence has been led on affidavit, are required, before a hearing, to indicate whether a hearing is in fact necessary and, if not, the judge is authorised to make a judgment on the pleadings before the court. While these measures are, at this stage, only anticipated to remain in place for the duration of the pandemic, it is possible that they will become more commonplace.