

## LIMITS OF IP PROTECTION

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:56 - Last Updated Wednesday, 21 December 2011 21:21

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### BMW v/s Verimark

One of the debates raging in the world of intellectual property today concerns the rational limits of IP “protection” – where the line must be drawn between granting monopolies and allowing free competition. In some circles IP protection has become something of a label for blatant anti-competitive behaviour and the recent ruling of the US Supreme Court on patent protection in *KSR v. Teleflex* is seen as a welcome limitation of runaway patent monopolies. In the trade mark field the reining in of dilution theory by the *Victoria’s Secret* decision of the Supreme Court had its echo in South Africa with the *Laugh it Off*

case, both basically supporting the widely held view that dilution (at least by alleged blurring) is a fiction. With the rapid broadening of the trade mark estate in recent years with the proliferation of dilution statutes, recognition of rights where there is no local registration and criminalization of “counterfeiting” – often so loosely defined that innocent infringement can be characterized as counterfeiting – the risks inherent in ordinary, honest competition have risen to the extent that development of SMMs is seriously hampered.

To those in the South African spare parts for vehicles industry, the fact that BMW sued telemarketer Verimark for trade mark infringement through featuring a BMW motor vehicle, complete with BMW badge, in its infomercial for a car polish would come as no surprise. That the Transvaal Provincial Division of South Africa’s High Court (“TPD”) thought that this claim was a bit far fetched and refused an injunction may surprise a few. BMW clearly considered that judgment to be incorrect and appealed to the Supreme Court of Appeal (“SCA”). The SCA judgment in *Verimark (Pty) Ltd v BMW AG [2007] SCA 53(RSA)* was handed down on 17th May 2007 and confirmed, in no uncertain terms, the correctness of the TPD finding.

I have written many times, since 1998 in fact, that the popular interpretation of the infringement provisions of the Trade Marks Act of 1993 – that **any** use of a registered mark, whether as a trade mark or not, infringes – is wrong. In my opinion, the only legitimate concern of trade mark law is where a mark is used to confuse or deceive consumers as to the source of the goods offered. So sale of aftermarket spare parts which are branded with the manufacturer’s trade mark, but also carry the name of the vehicle they are intended to fit, is clearly allowed and does not amount to counterfeiting (as has often been alleged) or even infringement. So, too, an honest comparison where the competitor’s goods are identified by the competitor’s mark is not infringement.

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It seemed, for a while, that South Africa might be taking its own unique course on trade mark law and that the designation of origin function of a trade mark had fallen away. This was the conclusion of the Cape Provincial Division in *Abbott Laboratories v. UAP Crop Care (Pty) Ltd* in 1999 which used that reasoning to conclude that brand comparative advertising - where the competing party's brand is used to identify its product - amounted to trade mark infringement. I criticized this judgment at the time as meaning – if correct – that South Africa was out of step with the EU law. This was the opposite of what the Trade Marks Act, 1993 had been designed to achieve according to the explanatory memorandum which accompanied its publication as a Bill.

Soon, however, there were indications by the SCA that it did not agree and it stated that the primary function of a trade mark was still a designator of origin without, however, actually overruling *Abbott*. The result was that certain elements still believed that *Abbott* was good law. The breakthrough now is that this case specifically distances the law from *Abbott*.

The SCA has taken the opportunity to make it plain that a “trade mark serves as a badge of origin”, a fact the court describes as “trite”. The court has brought us even closer to the EU law by specifically adopting the European Court of Justice's test for infringement, namely that the use must create “the impression that there is a material link in trade between the third party's goods and the undertaking from which those goods originate.”

We must be careful not to overstate the effect of this judgment, because each judgment is true to its own facts and here it was very clear that it would be absurd to grant BMW relief. When dealing with spare parts and alleged counterfeits the issues are not quite as black and white. It seems clear, though, that the time is over when it can be alleged that a headlight in, say, a HELLA box, and bearing the HELLA trade mark, but also with a white block on the side printed with, say, 3 SERIES 1986-1993, is rendered an infringement and thus a counterfeit. A similar light in a box emblazoned BMW is, if not put in that box by or with the authority of BMW AG, very much an infringement and plainly counterfeit, and that is how things should be.