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THE IMMINENT RISE OF COUNTERFEITING VIA E-COMMERCE: IS THE SOUTH AFRICAN TRADE MARKS ACT ADEQUATELY PREPARED TO DEAL WITH INFRINGEMENTS?

Submitted by: Uneesa Danielle Govender in partial fulfilment of the requirements for the degree of Masters of Laws by Coursework and Research Report at the University of the Witwatersrand

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DECLARATION

I, Uneesa Danielle Govender declare that this Research Report is my own unaided. It is submitted in partial fulfilment of the requirements for the degree of Masters of Laws by Coursework and Research Report at the University of the Witwatersrand, Johannesburg. It ahs not been submitted before for any degree or examination in this or any other university.

Word Count: 1000



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ABSTRACT

Counterfeiting has developed into a major problem, in recent times selling counterfeit goods online has become a popular pattern. Infringements of intellectual property rights through e-commerce is however fairly new thus, legal solutions to combat this latest issue are hard to come by especially in developing countries that are grappling to implement the minimum intellectual property protection. The South African Trade Marks Act is not explicitly suited to deal with trade mark infringements caused by online counterfeiting and is further not particularly in line with Article 61 of The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). However, TRIPS is also not specifically drafted in a manner that is able to deal with online trade mark counterfeiting. Bearing this in mind, lessons that can positively shed light on the dilemma of the lack regulation in instances of online infringements and how liability may be attributed can, to an extent, be drawn from South African common law, case law and certain statutes. However, this is still not enough and the positions of foreign jurisdictions such as the UK, EU and US, that have all dealt with the issue of online counterfeiting can be of use. Nevertheless, there is still a possibility of more apt solutions that trade mark owners can employ, in the interim, to protect and enforce their intellectual property rights, in South Africa, in areas which the Trade Marks Act fail to cover, and which operators of websites who act as intermediaries can also use to avoid liability. These solutions should be utilized whilst legislatures and perhaps courts find key legal solutions that will address the issue of trade mark counterfeiting via e-commerce.

THE IMMINENT RISE OF COUNTERFEITING VIA E-COMMERCE: IS THE SOUTH AFRICAN TRADE MARKS ACT ADEQUATELY PREPARED TO DEAL WITH INFRINGEMENTS?

I. INTRODUCTION

Advances in technology have brought us into a new era where operating online marketplaces has become a trend.[1] Electronic commerce more colloquially known as "e-commerce" has grown exponentially globally.[2] With this increase in online commercial activity, it seems safe to say that the bane of trade mark counterfeiting is omnipresent in this latest avenue of distribution.[3] However, this new method used to cause infringements to trade marks creates an inordinate problem, that being the issue of regulation.

The South African Trade Marks 194 of 1993 (the Trade Marks Act) was not especially tailored to handle online infringements, and thus, regulations pertaining to infringements of such a nature is seemingly non-existent. This research report primarily seeks to establish whether the Trade Marks Act can in fact be extended to protect trade marks against online trade mark infringements caused by counterfeiting. However, even though the Trade Marks Act has amended and replaced the archaic Trade Marks Act of 1963, it still does not address the key relevant issues associated with online trade mark infringement. These issues are; contributory liability for internet/ online service providers and criminal sanctions for wilful trademark counterfeiting on a commercial scale.

Nevertheless, as it will be seen, guidance on how to handle liability for contributory infringement can be sought in the Electronic Transactions and Communications Act 25 of 2002 (ECTA) as well as various cases relating to delictual liability for contributory infringement, the leading case being *Cipla Medpro (Pty) Ltd v Aventis Pharma SA; Aventis Pharma SA and Others v Cipla Life Sciences (Pty) Ltd and Others*[4] . Lessons on how to handle contributory infringement is further drawn from the various experiences of foreign jurisdictions that may to some extent offer a supplementary contribution on how best to protect the rights of trade mark holders in instances of online trade mark counterfeiting.

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[1]Emily Favre 'Online auction houses: how trademark owners protect brand integrity against counterfeiting' (2007) 15 *Journal of Law and Policy* at 167-168.

[2] WIPO Advisory Committee on Enforcement 'Study on approaches to online trademark infringements' (prepared by Dr Frederick Mostert, twelfth session Geneva, 4 to 6 September 2017.

[3]Elizabeth K. Levin 'A safe harbour for trademark: re-evaluating secondary trademark liability after Tiffany v. eBay' (2009) 24 *Berkeley Technology Law Journal* at 491-493.

[4] *Cipla Medpro (Pty) Ltd v Aventis Pharma SA; Aventis Pharma SA and Others v Cipla Life Sciences (Pty) Ltd and Others* (139/2012, 138/2012) [2012] ZASCA 108; 2013 (4) SA 579 (SCA)

Furthermore, regarding criminal sanctions, it is well understood in South African law that counterfeiting and trade mark infringements are separate liabilities and are governed under different statutes. Whilst liability for trade mark infringement is purely civil as emphasised by the SCA in the leading trade mark case of *Cadac (Pty) Ltd v Weber-Stephen Products Co and Others*[5] (*Cadac*) the sale of counterfeit goods is a criminal offence. This tactic regarding a purely civil liability approach for trade mark infringements is seemingly not in line with Article 61 of TRIPS to which South Africa, as a member of the World Trade Organization (WTO), is a signatory and which specifies that members must provide for criminal sanctions and penalties which must be applied at least, in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. The South African approach is further in contradiction with the proposal put forth by Justice Harms[6] who although handed down the judgement in *Cadac*, previously alluded to an approach to protect IPRs by means of criminal sanctions on a World Intellectual Property Organization (WIPO) Advisory Committee.[7]

The governance of trade mark infringements and counterfeiting should work together in a way that protects the integrity of a trade mark. Online trade mark counterfeiting must be met with a regime that is capable of handling the intricacies of online infringements. It should further and most importantly cater to the specific social and economic needs of a country. In the event of the Trade Marks Act not being able to adequately offer protection, there are various measures that can be employed to prevent or hinder online infringements, this will be discussed in the final observations of this research.

II. THE ONLINE MARKET PLACE

The online marketplace can be described as a website that facilitates shopping transactions from multiple third-party sources.[8] The online marketplace is a business model that is structured in a way in which the operator of the marketplace does not own or possess any of the merchandise listed but rather they present the merchandise offered by third-parties who

[5] *Cadac (Pty) Ltd v Weber-Stephen Products Co and Others* 2011 (3) SA 570 (SCA).
[6] Pamela Andanda 'Striking a balance between protecting trademarks and public health interests in combating trade in counterfeit medicines: Lessons from Kenya and South Africa' (2016) 2 Journal of African Law, 312 at 327-328.
[7] WIPO Advisory Committee on Enforcement 'The enforcement of intellectual property rights by means of criminal sanctions: An assessment' (prepared by L Harms, fourth session Geneva, 1 and 2 November 2007).
[8] John Hagel 'Net gain: expanding markets through virtual communities' (1999) 13 *Journal of Interactive Marketing*.

are the sellers, to buyers who use the website for shopping purposes.[9] The operators of websites or internet service providers (ISPs) are often known as intermediaries.[10] The online marketplace is generally feasible for businesses to advertise their merchandise whilst attracting a large number of consumers.[11] E-commerce encompasses several types of business transactions. Simply put, it is the use of electronic networks to facilitate the exchange of goods, services and information as well the payments thereof.[12] Although a more profitable idea for businesses, online marketplaces may unknowingly or even knowingly also facilitate trade mark counterfeiting globally.[13] The internet is host to the "fastest growing counterfeit trade" in the world.[14]

In South Africa the definition of "counterfeiting" in section 1 of the Counterfeit Goods Act 37 of 1997 ("the CGA") is longwinded but can succinctly be summarised as manufacturing or producing without the authority of the owner of an intellectual property right ("IPR"), goods that are "substantially identical copies", or a "colourable imitation" of the original protected goods "so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured or produced under his or her license." This means that goods unlawfully displaying the trade mark of the owner of the IPR, which are now commonly found online, are indeed counterfeit items. The Supreme Court of Appeal (SCA) in *Puma v Rampar Trading*[15] has further held that for goods to constitute counterfeit items, it does not need to be a clone, it is sufficient to prove that a party used the registered trade mark without authority in relation to goods that fall within the category for which the trade mark is registered.[16]

The South African law on trade marks is derived from statue and common law.[17] The Trade Marks Act at section 2 defines a "trade mark" as "a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods and

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[9]Richard Kestenbaum 'What are online marketplaces and what is their future?' available at https://www.forbes.com last accessed on 20 July 2017.
[10] Dr Frederick Mostert op cit note 2.
[11] 'An overview of online marketplaces' available at https://www.websitemagazine.com last accessed on 20 July 2017.
[12] *A Green Paper on Electronic Commerce in South Africa* November 2000 at page 15-16.
[13] Fara S Sunderji 'Protecting online auction sites from the contributory trademark liability storm: A legislative solution to the Tiffany Inc. v. eBay Inc. problem' (2005) 74 *Fordham Law Review* 909-946.
[14] Dr Frederick Mostert op cit note 2.
[15] *Puma AG Rudolf Dassler Sport v Rampar Trading (Pty) (Ltd) and Others* 2011 SA 463 (SCA).
[16] Ibid para 19.
[17] Dean & Dyer *Introduction to Intellectual Property Law* (2014) at page 79.

services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person."

The importance of the abovementioned definitions is that they both relate to each other. This can be explained as follows; counterfeiting occurs when manufacturers of goods operate in ways in which they use the trade mark of various brands illegally on the goods that they manufacture to create confusion, so consumers purchase the counterfeit items believing them to be genuine or associated with the brand,[18] whilst essentially freeriding on the goodwill that the originators have created during the course of trade and in relation to other goods in the same market in which they operate.

However, these counterfeit goods are generally of inadequate quality, easily manufactured and sold cheaply whilst the intellectual property rights of the proprietors are subsequently infringed as no authority is ever obtained.[19] It is not unusual to see imitations sold on the roadside in South Africa - this is not unique to developing countries - and has unfortunately become a global phenomenon that is increasingly more popular on the internet.[20] The little stalls that once sold counterfeit goods on the roadsides, at souks, alleyways and flea-markets are now being traded in for something that attracts a wider consumer audience - the internet.[21]

The counterfeit goods that are generally sold at markets are easily recognizable by their inferior quality and the basic logic that the good must be "fake" if it is much more inexpensive in comparison to its genuine counterpart sold at the specific store. However, the ability to recognize counterfeit goods becomes difficult when consumers purchase goods online believing it to be genuine, because there is no infallible way of detecting whether the goods advertised online are in fact genuine, until the day of delivery and then even more difficult to return the counterfeit goods.[22]

The absence of an actual venue in which sales are conducted, the facade offered to counterfeiters online, the increase in manufacturing and distribution channels coupled with the production of goods in countries with impecunious intellectual property protection laws, together with the inexpensive communication and worldwide availability of the internet have

[18]Elif Sonmez 'Cottage Piracy, 3D Printing, and Secondary Trademark Liability: Counterfeit Luxury Trademarks and DIY' (2014) 48 *University of San Francisco Law Review* at 757-760.
[19] Ibid.
[20] Dr Frederick Mostert op cit note 2.
[21] Elizabeth K. Levin op cit note 3.
[22] Todd Evan Lerner 'Playing the blame game, online: who is liable when counterfeit goods are sold through auction houses?' (2010) 24 *Pace International Law Review* at 244.

all contributed in making counterfeiting a lucrative enterprise.[23] As a result, brand owners are thus faced with the threat of losing their reputation, brand integrity and inevitably a great deal of revenue annually.[24] What further exacerbates the issue is that with the anonymity of the internet and, the large quantity and rapidity of online sales, policing counterfeits become complicated.[25]

a) Online infringement

Selling counterfeit goods infringes the rights of the trade mark owners. Selling counterfeit goods online has become a vast growing profit maximising scheme as products are easily distributed online across the globe, with millions of purchases for a number of socio-economic reasons[26] which include but, are not unique to first, the affordability, counterfeit goods are cheaply manufactured. Due to this low cost of production it is sold at inexpensive prices. The law of demand and supply states that if the price falls the demand for goods or services related to the decline of price, increases.[27] Thus, if the cost of a Louis Vuitton handbag is advertised online for less than half the price as seen by a consumer looking to purchase that particular handbag at the department store then the consumer will probably purchase the cheaper product. Secondly, the anonymity of the internet and easy access: consumers may purchase counterfeit goods online because they truly believe that they are purchasing the original due to the façade of the suppliers. The internet offers a platform that ensures that consumers have "easy access" to luxury brands even though they are in most instances unauthentic.[28] And lastly, satisfaction: with technology developing at a rapid rate it becomes more difficult to distinguish a genuine product from a fake product. Often style and modernity are inherited from western pop culture. People in the Twenty-first Century want to follow trends even if that means purchasing goods that they know are counterfeits. This has primarily to do with satisfaction which consumers seek when purchasing goods or services.

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[23] Yafit Lev-Aretz 'Combating Trademark Infringement Online: Secondary Liability v. Partnering Facility' (2013-2014) 37 *Columbia Journal of Law & The Arts* 639 at 639-640.
[24] WIPO Advisory Committee on Enforcement 'The Italian experiences on the fight against intellectual property infringements on the internet' (prepared by Col. Tuzi and Dr Stefano Vacarri, twelfth session Geneva, 4 to 6 September 2017.
[25] Yafit Lev-Aretz op cite note 23.
[26] *http://copyright.gov.in/maincpract9.asp* last accessed on 17 January 2018.
[27] J Janse van Rensburg, CR McConnell & SL Bruce *Economics Southern African Edition* (2011) at page 52-53.
[28] Yafit Lev-Aretz op cite note 23 at 639-640.

This typical consumer behaviour is referred to as "rational self-interest."[29] Consumers may purchase products to achieve satisfaction even if it is counterfeit.[30]

A trade mark can be used to facilitate competition between competing products in the same market[31]. As previously highlighted it distinguishes similar goods and services from each other. It also gives the proprietor of a registered trade mark the sole control of the trade mark so that the proprietor may use it to make a profit to the exclusion of unauthorised third parties. The time and effort spent on developing a trade mark and then registering it and subsequently marketing and advertising it, appeals to customers who may associate the product with a certain aesthetic charm. For example, high end clothing brands such as Burberry and Louis Vuitton with the intricate patterns on their respective clothing items are often associated with luxury and indulgence. This economic function although immaterial may be the most prized asset for the owner of the trade mark.[32] However, big brands and luxury goods are not the only targets of counterfeiting, small to medium brands are also targeted,[33] as almost anything can be made counterfeit, including prescription drugs and food, which can be dangerous for consumers as these goods are not approved by regulatory authorities.[34]

A trade mark brings in revenue for the brand as repeat purchases are due primarily to the goodwill associated the with the brand. "Goodwill" is recognised in our common law as the rights that an owner of a trade mark acquires, a component of goodwill is reputation or the ability to attract custom.[35] Counterfeiters see this as an opportunity to manufacture their goods through the "free" yet unauthorised use of certain trade marks. This is perhaps where the problem lies, counterfeit goods are seldom ever anything other than cheaply made imitations. Counterfeiters unlawfully use the goodwill that the brand has built to "market" their own goods thus creating a barrier in trade for the proprietors of the trade marks. The owners of the trade marks must protect their goodwill as this is one way in which they achieve their profits. Thus, primarily the legal function of a trade mark would be to

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[29] J Janse van Rensburg, CR McConnell & SL Bruce op cit note 27 at 5.
[30] Christopher Stewart 'Global Consumer Awareness, Attitudes, and Opinions on Counterfeiting and Piracy' Third Global Congress Combating Counterfeiting and Piracy available at www.ccapcongress.net. Last accessed on 17 January 2018.
[31] Dean & Dyer op cite note 17 at page 243.
[32] Jonathan Aldred 'The economic rationale of trade marks: an economists critique' in Lionel Bently, Jennifer Davis and Jane C. Ginsburg (eds) *Trade Marks and Brands: an interdisciplinary critique* (2008) at page 268.
[33] Dr Frederick Mostert op cit note 2 at para 1.
[34] L Harms op cit note 7 at para 16.
[35] *Caterham Car sales & Coachworks Ltd v Birkin Cars (Pty) Ltd* 1998 3 SA 175 A.

distinguish the goods of one trader from the goods of other traders who operate in the same market selling substitutable goods.[36]

In the global economy, it is vital to ensure that the proprietor of a trade mark has exclusive use of a trade mark as it has become a tendency of trade mark infringers to use a trade mark on counterfeit goods thereby pilfering business from lawful owners. This hinders legitimate trade as consumers are scammed into believing that they are buying a genuine good for less than half the original price thus decreasing the sale of genuine goods. Online auction sites are reported to cause the greatest amount of infringements.[37] However, this trend is not specific to auction sites as sellers also use online social media platforms to advertise and sell products.[38]

b) The issue of jurisdiction

The internet itself is a global platform, the question of which court will have jurisdiction or which rules will be enforced when dealing with an infringer who operates on different websites in different countries is contentious. A recent study has shown that there is no international mechanism that effectively adjudicates online counterfeit cases.[39] Thus, it is left to the individual countries to conduct their own arbitration of such cases. In South Africa courts have dealt with cases, although not specific to infringements caused online, involving the infringement of international trade marks where the infringement took place within the Republic.[40] Prosecution of intellectual property crimes are complicated because of the anonymity of the internet and the difficulties in physically tracking down the primary infringer or when gathering evidence on an infringing party, especially when infringers use foreign ISPs or register domain names in different countries.[41] However, because the internet has a global reach, there must be a universal solution that parallels international infringements. Mostert has suggested that there should be a set of rules between Member

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[36] Amanda Michaels *A Practical Guide to Trade Marks* (1982) at page 11.
[37] Jessica L. Hilliard 'Rights versus commerce: balancing online trademark policing with the emerging online marketplace' (2011)11 *John Marshall Law School Review of Intellectual Property Law* at 218-219.
[38] Andrea Stroppa, Daniel di Stefano and Bernado Parrella 'Social Media and luxury goods counterfeit: a growing concern for government, industry and consumers worldwide' available at https://www.washingtonpost.com/blogs last accessed on 17 January 2018.
[39] Dr Frederick Mostert op cit note 2 at para 2.
[40] See, *AM Moolla Group ltd and Others v The Gap Inc and Others* 2005 (2) SA 412 (SCA); *McDonald's Corporation v Joburgers Drive-Inn (Pty) Ltd; McDonald's Corporation v Dax Prop CC; McDonald's Corporation v Joburgers Drive-Inn Restaurant* 1997 SA 1 (A).
[41] WIPO Advisory Committee on Enforcement 'Challenges in prosecuting online intellectual property infringement cases: The perspective of the office of the attorney general of Thailand' (prepared by Ms Duangporn Teachakumtorn, twelfth session Geneva, 4 to 6 September 2017.

States[42]. He further notes that the measures taken will only be operative between the States if "consistent technical and legal standards are developed and applied."[43] Right holders will therefore not have a straightforward way of enforcing their IPRs until that can be achieved.[44]

Although South Africa has yet to experience a case involving trade mark infringement through the sale of counterfeit goods online, with globalisation and the vast reach of Information and Communications Technologies (ICTs)[45] especially in developing countries, preparation for imminent infringement is necessary. The imposing question then is how prepared is the South African regime, to deal with counterfeit trade mark goods sold online? In his paper, Coenraad criticises the Green Paper issued by government on Electronic Commerce for South Africa, particularly the theme that deals with intellectual property. In particular he refers to it as "a green opportunity missed" this is because he suggests that the paper fails to identify and address key issues, thus making no "meaningful contribution" to the debate surrounding how to handle intellectual property rights in an e-commerce environment.[46]

III. THE ACT OF TRADE MARK INFRINGEMENT IN SOUTH AFRICA

A trade mark carries the economic function of "guarantee".[47] What this essentially means is that the trade mark is a pledge that the product is manufactured by the lawful proprietor and that the consumer can expect a certain quality that is associated with the good.[48] However, when a trade mark is used without appropriate authorisation in relation to various goods and services, consumer confusion arises. As a result, consumers are confused into buying these goods. This act of trade mark infringement could mean that, customers may unknowingly be purchasing counterfeit goods. The sale of counterfeit goods could result in the loss of the brand integrity[49] of the original goods and perhaps result in the loss of royalties as parties

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[42] Referring to members of WIPO see Dr Frederick Mostert op cit note 2 at para 3.
[43] Dr Frederick Mostert op cit note 2 at para 3
[44] Ibid para 20-13.
[45]Philip Esselaar and Jonathan Miller 'Towards Electronic Commerce in Africa: A Perspective from Three Country Studies' (2001) 2 *Southern African Journal of Information and Communication.*
[46] Visser Coenraad 'Intellectual property and electronic commerce: Some thoughts on a green opportunity missed' (2001) SA Merc LJ 615 at 615.
[47]Amanda Michaels op cit note 36 at 11.
[48] Ibid.
[49] Emily Favre op cit note 1.

wishing to obtain licenses for the registered trade mark may be unwilling to enter into licensing agreements with proprietors if the trade mark is being abused by third parties.[50]

There are various methods that a brand owner of a registered trade mark can employ in order to protect their rights which are discussed in greater detail at a later stage. However, the most basic is to prove that an infringer is liable under the infringement section which is Section 34 of the Trade Marks Act.

Section 34 of the Trade Marks Act lists the possible grounds for infringement. Section 34(1)*(a)* relates to identical goods and services and states that a trade mark will be infringed if it is used without authority in the course of trade in relation to the same goods and services for which the trade mark was registered and the use of the trade mark is identical or disconcertingly similar to the registered trade mark and that the use of such is likely to cause deception or confusion. Whilst section 34(1)*(a)* relates to goods and services that are identical, section 34(1)*(b)* is worded almost exactly the same as the former section the only substantial difference is that section 34(1)*(b)* makes the activities, of an alleged infringer, an infringement if the goods and services "similar" to the goods or services for which a trade mark was registered, unlawfully displays the registered mark during trade which is likely to cause deception or confusion.[51].

Dilution is a ground for trade mark infringement in South Africa under section 34(1)*(c)* of the Trade Marks Act which states that " the unauthorised use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception..." Dilution occurs by blurring/ erosion or tarnishment.[52] Dilution by blurring occurs for example when, a trade mark is used by a manufacturer on goods that do not compete in the same market as the goods for which the trade mark by the proprietor had been registered and, as a result the uniqueness of the registered mark is worn out. Tarnishment takes place when a registered mark loses its selling ability because of the offending mark which has created negative connotations associated with the registered trade mark.[53] Coenraad in his article on

[50] A royalty regarding trade marks is defined as a sum that is payable by the licensee to the licensor of the registered trade mark, definition available at *http://www.investopedia.com* last accessed on 17 January 2018.
[51] Dean & Dyer op cit note 17 at 140- 148.
[52] Ibid at 152.
[53] Ibid.

intellectual property and electronic commerce[54] notes that whilst article 6 bis of the Paris Convention limits the use of dilution protection so that it may be used in instances where goods and services are identical or similar, the dilution section in the Trade Marks Act does not as it extends the protection against dilution to any goods and services facing infringement. He further notes that this aspect is important because on the internet infringement by dilution can take place in relation to dissimilar goods and services. However, "use within the course of trade" has been narrowly defined to only include goods and services that are similar or the same, in past traditional trade mark infringement cases.[55] Furthermore he notes that the South African courts have not had any opportunity to define "use within the course of trade" in the context of dilution.[56] Coenraad suggests that in relation to dilution the phrase should be interpreted widely as, it refers to goods and services that are not only similar but different and the provisions for dilution are of such a nature that they are "open-ended".[57] The dilution section may only be of aid if an offending mark is used in the course of trade online thus, for non-commercial use online, dilution cannot be used as a remedy.[58]

The remedies that a court may grant a proprietor for a registered trade mark that has been infringed are provided for in section 34(3)*(a)-(d)* of the Act. However, as noted above, Section 34 of the Trade Marks Act only deals with registered trade marks. If a trade mark is not registered but qualifies as "well-known" then the rights of the trade mark holder can be protected using section 35 of the Trade Marks Act but must also meet the requirements that have been outlined in *McDonald's Corporation v Joburgers Drive-Inn (Pty) Ltd.*[59] There are also a number of common law remedies based on unlawful competition that are available to trade mark owners one such type is passing off. Contributory liability for online trade mark infringement is also a recourse available at common law and is discussed below.

IV. LIABILITY FOR CONTRIBUTORY INFRINGEMENT

Tracking down a primary infringer in cases involving the sale of counterfeits online is challenging especially when the infringer sells these goods anonymously as abovementioned.

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[54] Visser Coenraad "A new online service provider liability regime" (2003) 11 Juta's Bus. L. 40.
[55] *Beecham Group Plc v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd. and Another* [1992] ZASCA 207; 1993 (1) SA 546 (AD) at paras 35-40.
[56] Visser Coenraad op cit note 54 at 624.
[57] Ibid at 623-624
[58] Ibid at 624.
[59] *McDonald's Corporation v Joburgers Drive-Inn (Pty) Ltd; McDonald's Corporation v Dax Prop CC; McDonald's Corporation v Joburgers Drive-Inn Restaurant* 1997 SA 1 (A).

The internet protocol (IP) address may be used to "unmask"[60] an infringer however this information is generally obtained from the IPS. Section 50 and 52 of ECTA provides for the protection of public information unless by law it is required to dispose of such. The Trade Marks Act as previously mentioned is suited to handle trade mark infringement but whether the Act can cover trademark infringement via ecommerce still remains to be seen. This is where other areas of law can be used.

The two most important areas are patent law and the law of electronic communications and transactions in South Africa. Regarding patent law, the judgement in *Cipla* is vital whilst ECTA is essential when considering the South African position on the law of electronic communications and transactions. In instances, where a primary infringer cannot be traced, internet service providers may be held contributory liable, however this liability may be limited as envisaged in the ETCA.

a) Cipla Medpro (Pty) Limited v Aventis Pharma SA

This case was on appeal at the Supreme Court of appeal in 2012. It involved two pharmaceutical manufactures namely, Aventis and Cipla.[61] Aventis sells a pharmaceutical product known as Taxotere, which has been registered for sale under the Medicines and Related Substances Act 101 of 1965 in South Africa.[62] The active ingredient in Taxotere is a chemical compound known as docetaxel this patent was to expire in 2013. Docetaxal was subject to a patent until 2007, it is used as a cancer treatment. Taxotere is sold in two vials that are mixed together and injected into a bag of saline solution thereafter it is administered to the patient.[63] Aventis in the matter argued that Taxotere still fell within its term of patent. However, in 2011 Aventis was made aware that Cipla had applied for the registration of the generic equivalent of Taxotere called Cipla Docetaxal. The latter was presented in the same way as Taxotere was namely, in two separate vials that would have to be mixed and administered to the patient in a similar fashion.[64]

In 2011, Aventis wrote to Cipla prohibiting the latter from making use of, disposing of, offering to dispose of or importing the Cipla Docetaxel or Cipla Docetaxel solvent products until Aventis's patent expired. Cipla then proceeded to apply to the Commissioner of Patents

[60] Koji Takashsi 'Unmasking anonymous online infringers of personality rights: Questions arising in international context' (2015/2016) 17 *Yearbook of Private International Law 181-208.*
[61] *Cipla* Supra note 4 para 1.
[62] Ibid para 2.
[63] Ibid para 3.
[64] Ibid para 4.

for an order setting aside Aventis's 2007 amendment to patent specification. Subsequently, Aventis applied to the Commissioner for an interim interdict preventing Cipla from causing further infringement. For the purposes of this Research, only the infringement aspect of the case will be discussed.

Nugent JA found that although the Patents Act[65] prohibits infringing a patent by "making, using, exercising, disposing or offering to dispose of or importing the invention," the product that Cipla was importing and sought to make available for sale was only the components and not the composition of Taxotere, whilst it was the employees (health workers) who mixed the components, in so doing infringing the patent.[66]

However, Nugent JA went on to state that it was Cipla who intended to create the infringement by directing health workers to use the components in that way. He went on to discuss the common law rules that can be used as a remedy to combat "intentionally aiding and abetting infringement" as the Patents Act is deficient in this regard.[67]

The first case, regarding contributory liability, which was considered by Nugent JA was that of *McKenzie v Van der Merwe*[68] (*McKenzie*) in which the Appellate Division (AD) (now the Supreme Court of Appeal) confirmed that a person will be delictually liable if he "aids and abets" another in committing a delict. The majority of the court expressed the law on contributory liability for a delict by stating that a person will be contributorily liable under *Lex Aquilia* if that person assisted, commanded, instigated or advised the committing of the delict even though another actually committed the delict. Dissenting from the judgement in *McKenzie*, Maasdorp JA stated that "he who knowingly furnished instruments for stealing is liable, although he did not counsel the theft." This judgement is particularly significant as it could infer that internet service providers who have knowledge that counterfeiters use their websites to engage in unlawful activities are contributorily liable for infringement.[69]

The next relevant case that the SCA relied on was *Esquire Electronics Ltd v Executive Video*[70]. The court in that case held that "The modern law of trade mark infringement is statutory, but its origins are to be found in the common law rule that it is an actionable wrong, ie, a delict, to filch the trade of another by imitating the name, mark or device by which that

[65] Patents Act 57 of 1978.
[66] *Cipla* Supra note 4 paras 29-30.
[67] Ibid para 33.
[68] *McKenzie v Van der Merwe* 1917 AD 41.
[69] *Cipla* supra note 4 para 34.
[70] *Esquire Electronics Ltd v Executive Video* 1986 (2) SA 576 (A).

person has acquired a reputation for his goods" and further held that a delict shall be committed if a person "aids, instigates or advises its perpetration." The court in this case confirmed the principle in *McKenzie v Van der Merwe.*[71]

Nugent JA held that it was clear from the abovementioned cases that the respective courts relied upon the ordinary delictual principles, holding that is was unlawful to aid and abet the commission of a civil wrong regardless of whether it was a wrong at common law or one created by statute.[72] He further used the case *of Olympic Passenger Service (Pty) Ltd v Ramlagan*[73] in deciding to grant the interdict against Cipla. In this case it was held that "in such cases upon proof of a well-grounded apprehension of irreparable harm, and there being no adequate ordinary remedy the Court may grant an interdict" however, the prospects of success and the balance of convenience must be considered by the court before an order is made.[74]

b) The Importance of the Cipla Judgement

The judgement confirms the South African position on contributory liability. Thus, if a service provider is seen as aiding and abetting, instigating, advising or inducing the perpetration of an infringement, at common law the service provider will be liable in delict for contributory infringement of a trade mark through the sale of counterfeit goods committed by the users of their websites. However, obtaining an interdict against a service provider is not easily sought as it is up to the court to contemplate the prospects of success if the interdict were to be granted as well as the balance of convenience as abovementioned. Furthermore, in delict, damages for contributory infringement may be claimed by the injured party.[75]

c) Limited liability for information systems service providers

ECTA has specifically limited the liability of information systems service providers if, the service providers do not initiate the transmission; do not select the addressee; performs the functions in an automatic, technical manner without selection of the data; and does not modify the data contained in the transmission. However, to qualify for this limitation of liability the service provider must be a member of an industry representative body that is recognised by the Minister as envisaged in section 71 of the Act and further must have

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[71] *Cipla* supra note 4 para 36.
[72] Ibid para 39.
[73] *Olympic Passenger Service (Pty) Ltd v Ramlagan* 1957 (2) SA 382 (D) at 383E-F.
[74] Para 40.
[75] Visser Coenraad op cite note 54.

adopted and implemented the official code of conduct of the representative body.[76] Thus, for the limitation to apply, the service provider must be acting as a mere conduit for communications between other parties.

The ECTA also provides for "Take down notices" at section 77. A complainant may in writing notify the service provider of an unlawful activity. The written notification must include the particulars of the complainant as well as identification of the particular material or activity that is claimed to be the subject of unlawful activity. Further, the complainant is required to notify the service provider of remedial action that is to be taken in respect of the complaint. The take down notice must be accompanied by a statement of good faith as well as a statement affirming that the information in the take-down notice is to his or her knowledge true and correct. The latter is a vital component to the section as section 77(3) states that the service provider is not liable for wrongful take down in response to the notification made by the complainant.

As a further safe harbour to service providers, they are under no obligation to monitor data that it transmits or actively seek unlawful activities as stated in section 78. However, the Minister may, subject to section 14 of the Constitution prescribe certain procedures for service providers to inform authorities of alleged unlawful activity or communicate with authorities at their request on the information to identify users.

Under the definition section[77] "information system" means a system for generating, sending, receiving, storing, displaying or otherwise processing data messages and includes the Internet. "Information system services" includes the provision of connections, the operation of facilities for information systems, the provision of access to information systems, the transmission or routing of data messages between or among points specified by a user and the processing and storage of data, at the individual request of the recipient of the service. By virtue of including the term internet under the definition of "information system" it may be assumed that this includes internet service providers and thus the providers of e-commerce platforms. The ECTA limits the liability of service providers in that they will not be liable if they act as mere conduits, who do not partake in or have knowledge of the infringing activity whilst *Cipla* does actually confirm this by stating that a person is contributory liable for inducing, aiding and abetting the unlawful activity.

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[76] ECTA section 72.
[77] ECTA section 1.

However, what is most concerning about ECTA is that it does not permit service providers to actively seek out infringing activities. This could be done by service providers through the implementation of security systems that can identify suspicious online activity. The fact that they are not required to seek out infringing activities is problematic as by not seeking out or making itself aware of trade mark infringements that occur on e-commerce platforms, it can be argued that the service provider is acting as an instrument to cause infringement. The "But for test" which is used in common law to determine factual causation[78], can be used here as an example, "but for the service provider providing a platform for e-commerce, would the infringing activity still have taken place?" It is then up to the service provider to prove that it tried to prevent infringements, eBay's use of VeRO is an example thereof. However, there are numerous internet service providers and a party selling counterfeit goods can use different service providers interchangeably if one becomes unavailable. Thus, if one internet service provider always monitored its websites for alleged infringements then a perpetrator could easily use an alternative one that does not monitor.

V. A FOREIGN PERSPECTIVE ON ONLINE TRADE MARK COUNTERFEITING

Dean & Dyer have noted that we can draw on lessons from the United Kingdom (UK) and the European Union (EU) specifically relating to trade mark law because of the juxtaposition between our current legislation and the UK Trade Marks Act of 1994 (UK Trade Marks Act).[79] In this segment the position of various foreign jurisdictions is discussed with focus on how fault can be attributed to an intermediary for secondary or contributory trade mark infringement by specifically looking at the positions in the UK, EU and United States (US).

a) The UK and the EU

In the UK it is an offence punishable by imprisonment or a fine or both, for the unauthorised use of a trade mark in relation to goods.[80] However, there must be an intention, on the part of the party acting without consent, to cause loss to another or cause gain for himself or another. Furthermore, an offence will only be committed if it is in relation to goods for which the trade mark being infringed is registered or is well known in the UK and such unauthorised use will take unfair advantage of or be detrimental to the distinctive character of the trade mark. In the case of *R v M, R v C and R v T*[81] Lord Hughes in the Supreme Court handed

[78] Neethling, Potgieter & Visser Law of Delict 2 ed (2010) 178.
[79] The Trade Marks Act of 1993 was drawn up using the drafts of the UK T Marks Act of 1994, Dean & Dyer ibid note 13 at 392.
[80] Section 92(6) of the UK Trade Marks Act.
[81] *R v M, R v C and R v T* [2017] UKSC 5

down a judgement that confirmed that section 92(1) of the UK Trade Marks Act was wide enough to cover both grey market and counterfeit goods.[82] The UK Trade Marks Act also includes remedies for civil infringements. In South Africa, the approach is different because the Trade Marks Act only provides for remedies for civil infringements. As it shall be later discussed, in the American case of *Tiffany v eBay*[83], holding an intermediary liable for trade mark infringement is quite challenging. However, recent developments in the UK have shown courts issuing an injunction against ISPs who although are innocent of trade mark infringements, are ordered to aid the trade mark owner in preventing further infringement. There are also specialised crime units in the UK that deal with intellectual property crimes.

In the EU the E-Commerce Directive[84] provides for the limited liability of ISPs. Article 14(1) states that Member states must ensure that service providers are not liable if *(a)* the provider does not have actual knowledge of illegal activity or information, and as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or *(b)* the provider, upon obtaining such knowledge or awareness acts expeditiously to remove or to disable access to the information. Interestingly, Article 15 does not impose any obligations on the ISPs to monitor their sites for illegal activities. However, Article 11 of the Enforcement Directive[85] provides that Member States must ensure that right holders have the option of applying for an injunction against intermediaries whose services are used by third parties to infringe IPRs. Furthermore, because of the trend in online IP infringements, in 2016 Europol established a unit, the Intellectual Property Crime Coordinated Coalition which primarily investigates intellectual property offences.[86]

The case of *Cartier*[87] offers insight into how the UK has treated online intellectual property infringements in light of Article 11. The *Cartier* case involved claimants who were all luxury brand owners and part of a company group known as the Richmond Group, the defendants in the case were five ISPs[88]. The Claimants sought an injunction or blocking order against the IPSs to ensure that access to several websites that both advertised for and sold counterfeit

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[82] Supra at para 17-20
[83] *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010).
[84] E-Commerce Directive 2000/31 EC.
[85] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.
[86] WIPO Advisory Committee on Enforcement 'Institutional arrangements to address online intellectual property infringement- Europol's experience' (prepared by Chris Vansteenkiste, twelfth session Geneva, 4 to 6 September 2017).
[87] *Cartier International AG & Ors v British Sky Broadcasting Ltd & Ors* [2014] EWHC 3354 (CH); [2016] EWCA Civ 658.
[88] Supra note 87 paras 1-4.

goods using the Claimants trade marks was blocked.[89] This Article was not implemented into UK law, the judge in the high court, Arnold J had to decide whether the court had the power to grant such an order.[90] He held that the court did have jurisdiction upon a domestic interpretation of section 37(1) of the Supreme Courts Act and in lieu of Article 11. He held that certain conditions must be met before the injunction is granted, which are as follows, the ISPs must be intermediaries, there must be infringement by the users or operators of the website, the ISPs' services must have been used to do this and the ISPs must have actual knowledge of this. The court also considered effectiveness and proportionality in its decision.[91] The high court subsequently granted the injunction and on appeal the appeal court upheld the high court's decision. This case is important for trade mark owners who are looking to protect and enforce their IPRs.

b) The position in the United States

Regarding infringements caused by the sale of counterfeit trade mark goods, the Trade Marks Act in South Africa does not specifically mention what recourse a party has in protecting his or her trade mark. Only that remedies are available in instances of infringement. More explicitly, the Act does not tell you what to do in cases where the infringer cannot be located, or how to handle infringers who constantly use different listings to avoid being caught. Thus, right holders cannot effectively enforce their rights. However, an inclination to hold intermediaries liable for infringement has emerged. Although there are South African cases that deal with contributory liability, there is no case that specifically deals contributory liability for online intermediaries, we must thus look at the examples from foreign courts such as the *Cartier* case as abovementioned and particularly the *Tiffany v eBay*[92] case which although being a foreign case may offer insight on the subject.[93]

The *Tiffany & Co. v eBay Inc*[94] case is an American one. This is a particularly interesting case as it features a situation in which the renowned jewellery brand Tiffany & Co had accused the prevalent online auction house eBay Inc of selling counterfeit goods.

The facts are as follows; eBay Inc (eBay) are the respondents and the website is known globally as a popular online marketplace whereby new and used goods are sold by users. The

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[89] Ibid.
[90] Supra note 87 paras 1-8.
[91] Supra note 87 paras 80- 87.
[92] *Tiffany* supra note 83.
[93] Liability for an intermediary is based on section 43(a) of the Lanham Act.
[94] *Tiffany* supra note 83.

court in this case however, stated that the eBay marketplace may often be used by various fraudsters to perpetuate fraud through the sale of counterfeit goods.[95] Tiffany & Co (Tiffany) was the plaintiff in the case. Tiffany is famed for making high end jewellery which upon purchase come with in a "little blue box" and white ribbon which has become sought-after globally.[96] The dispute arose after Tiffany had uncovered that a substantial amount of counterfeit Tiffany jewellery was being sold on eBay. However, eBay polices the auctions held by third-parties on its website by using a program called Verified Rights Owner (VeRO) which was made available for Tiffany to use as it detects auctions that may be suspicious for fraudulent activity and which Tiffany could use to request the removal of such auctions. Despite employing the use of VeRO Tiffany still found that the program was not sufficient to combat the trade mark infringements that the brand faced. In 2004 Tiffany filed a law suit against eBay for direct trade mark infringement arguing that eBay infringed their intellectual property rights when they used the mark on the eBay website and as well as in sponsored links that were purchased from various search engines.[97] Furthermore Tiffany argued that eBay was liable for contributory trade mark infringement for listing counterfeit Tiffany merchandise on its website as well as dilution of the trade mark and false advertising, finding that eBay did not take satisfactory action to guard against the sale of fake Tiffany goods. Tiffany based its accusations on the claim that it had uncovered that counterfeit Tiffany merchandise were being sold on eBay through third party users and that eBay had advertised that Tiffany merchandise was available on its website.[98] The District Court found that eBay had worked expansively in efforts to eliminate listings on the website that were suspicious of infringement upon notification of such, and that eBay worked together with trade mark owners including Tiffany. The Second Circuit accepted this finding. Regarding the direct trade mark infringement, the court held that the use of the Tiffany mark had been lawful as eBay had used the mark to refer to authentic Tiffany goods and such use was considered as normative fair use. The court also found in favour of eBay in this regard as although eBay may have had knowledge of counterfeit goods being sold on its website, it removed the listings of such upon notification from Tiffany.

On the claim of contributory trade mark infringement, Tiffany argued that eBay was secondarily liable for trade mark infringement because of the prevalent listings of counterfeit

[95] *Tiffany* supra note 83 at 1-2.
[96] Emily Favre op cit note 1 at page 165.
[97] Jessica Hilliard op cit note 37 at pages 235-236.
[98] *Tiffany (NJ) Inc. v. eBay Inc* supra note 83 at page 3-4.

merchandise on the website which eBay had knowledge of, in response, the court applied the test of contributory infringement as articulated in the *Inwood*[99] case and again *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc*[100] where contributory trade mark infringement were included to not only extend to manufacturers and distributors but service providers as well. The principles of contributory infringement extracted from the case states that a defendant could possibly be liable for contributory infringement if a "service provider intentionally induces" another party to infringe a trade mark or if the service provider persists in supplying services to one whom it knows or has reason to know is engaging in trade mark infringement. The Second Circuit however found in favour of eBay finding that eBay did not have knowledge of who the specific infringers were but, that eBay only had a general knowledge of infringers that used its website. However, Tiffany further claimed that eBay was contributory liable due to wilful blindness[101] because eBay tenaciously avoided knowing the reality of the sale of counterfeits on the website. The Court emphasised that eBay upon notification from Tiffany immediately removed the listings of the counterfeit goods and took measures to cancel transactions involving such goods within hours and further that eBay had spent millions of dollars on policing its website. The Second Circuit referred the claim of false advertising back to the district court, but found in favour of eBay against all the claims made by Tiffany.

i. The significance of the case

The case is very specific to the issue of the sale of counterfeit trade mark goods online and can be particularly useful to South African courts as a defined example of how fault is attributed in such instances of online infringements. Contributory trade mark infringement transpires in circumstances where one party deliberately persuades another party to cause a direct trade mark infringement or when a party proceeds to carry on with supplying a good to another party whom he knows or has reason to believe is committing an infringement.[102] Notably the Second Circuit Court ruled that specific knowledge is essential to prove contributory trade mark infringement. The court also confirmed that online third-party advertisers should act with caution when using trade mark names of brands even if in fair use.

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[99] *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).
[100] Jessica Hilliard op cit note 37 at pages 235-236.
[101] The court also confirmed that "wilful blindness" is equivalent to actual knowledge for purposes of the Lanham Act, (James Ciula 'What do they know? Actual knowledge, sufficient knowledge, specific knowledge, general knowledge: An analysis of contributory trademark infringement considering Tiffany v. eBay' (2009) IDEA—The Intellectual Property Law Review at page 134.
[102] Ibid.

The fact that the court confirmed eBay's policing methods validates these methods for future use.

Furthermore, the results of the case are important for other businesses that operate through an online market place such as the eBay business model,[103] in which eBay acts as a facilitator or rather a service provider that allows buyers and sellers to interact with each other, and in which eBay has no actual possession of the merchandise sold on its website. Should eBay have been forced to offer a warranty of authenticity it would mean that the business would have to change its modus operandi. This infers that a marketplace that is in actual control of the merchandise that it supplies may have to issue a warranty of authenticity for goods bearing trade marks. Finally, the ruling in this case meant that trade mark owners would have to police online market places for potential trade mark and counterfeit infringements which could cost a large amount of money and that direct infringement is unlikely to be attributed to auction websites.[104]

VI. THE OBLIGATIONS IMPOSED BY TREATIES

South Africa is a party to the General Agreement on Trade and Tariffs (GATT) which gave rise to a number of agreements that must be complied with by its members. One such agreement is the TRIPS Agreement. The agreement requires that certain minimum requirements relating to intellectual property must be complied with. It is argued[105] that, as a signatory, the South African law relating to counterfeiting had to comply with TRIPS and thus the CGA was enacted for this purpose.[106] Although preceding the CGA, the Merchandise Act 17 of 194, The Trade Marks Act and the Copyright Act 98 of 1978 was used to combat counterfeiting.[107] The CGA was enacted as an anti-counterfeiting mechanism. The CGA enforces protection of trade marks against counterfeiting whilst simultaneously guarding against piracy and the counterfeiting of copyright protected works. Section 2 of the CGA prohibits dealing in counterfeits and makes it an offence because "counterfeiting amounts to fraud: a misrepresentation coupled with a criminal intent"[108]. The penalties for a person convicted of the offence of counterfeiting[109] are provided for under section 19 of the CGA.

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[103] Jessica Hilliard op cit note 37 at page 222-224.
[104] Todd Evan Lerner op cit note 22 at 245-246.
[105] Dean & Dyer op cit note 17 at page 212.
[106] Dean & Dyer op cit note 17 make this argument on page 212.
[107] Ibid.
[108] David Vaver *The Intellectual Property Rights: Critical Concepts* (2006) at page 44.
[109] This provided for under section 2(2) of the Counterfeit Goods Act.

The penalties under section 19 provide for fines for each counterfeit good that an accused was caught dealing in or alternatively imprisonment or both a fine and imprisonment.

Section 2(1) lists what "dealing in counterfeit goods" could mean which includes but is not restricted to, possessing the counterfeit good or being in control of those goods in the course of business for the purpose of trading with those goods; manufacturing or producing the good for purposes other than private and domestic use by the person who manufactured or produced the good; selling, hiring, bartering or exchanging the counterfeit good; displaying the counterfeit good in public for the purposes of trade or any other reason that could prejudice the rights of the owner of the intellectual property. This definition is wide enough and could include the advertising or displaying of counterfeit goods online for the purposes of trade.

"Counterfeit trade mark goods" are defined in a footnote in TRIPS as "any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;"[110] The term "counterfeit trademark goods" is not mentioned in the Trade Marks Act or the CGA, however the CGA does cover counterfeiting involving the unauthorised use of a trade mark. Furthermore, Article 61 of TRIPS requires that member states impose criminal sanctions in instances of "wilful trade mark counterfeiting and copyright piracy on a commercial scale", as previously mentioned. The Copyright Act[111] provides for criminal sanctions for certain offences caused through infringement of rights whilst the Trade Marks Act does not.

a) Article 61 of TRIPS: The South African approach

Cadac (Pty) Ltd v Weber-Stephen Products Co and Others (*Cadac*) is an interesting case which was on appeal at the SCA, the respondents, Weber-Stephens, had accused the appellants, Cadac, of trade mark infringement and then accused the appellants of being guilty of counterfeiting. Succinctly, the following ensued which led to the appeal, a warrant for the seizure of Cadac's goods was issued when Weber-Stephens laid a complaint of counterfeiting against Cadac, as a result Cadac suffered loss. Cadac then approached the high court for relief, seeking that the warrant be set aside, a declaration that the goods were not counterfeit

[110] Footnote 14 in TRIPS.
[111] The Copyright Right Act 98 of 1978.

and an inquiry into damages. The high court held that the warrant had been obtained in an irregular manner and that the seized goods must be returned to Cadac. The inquiry into damages were postponed sine die.[112]

Although the appeal dealt with the appellant's inquiry into damages, part of the judgement that was handed down by Justice Harms with the concurrence of the court was particularly intriguing. He noted that a case involving a dispute as to the boundaries of rights should be litigated under the Trade Marks Act or the Copyright Act and that the CGA only prioritizes trade mark and copyright infringements of a criminal nature.[113] Andanda argues that this approach is not in harmony with Article 61 of TRIPS which requires that members provide criminal procedures and penalties in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale,[114] she further observes that "in future, South African courts will have to consider entertaining disputes about the boundaries of IPRs under the CGA, particularly if they are related to wilful counterfeiting on a commercial scale."[115] Harms however previously observed in another place[116] that "Criminal enforcement goes hand in hand with civil enforcement", noting that although importance should be placed first and foremost on civil enforcement, criminal enforcement is there to support civil enforcement as a contingency. Nevertheless, it was further stated that in cases of counterfeiting, criminal enforcement should be prioritized.[117] Andanda criticizes the court in *Cadac* for possibly not giving due regard to the article when the judgement was delivered. The disputes concerning the "boundaries of the trademark owner's rights" in cases of wilful trade mark counterfeiting on a commercial scale should be litigated under the CGA which provides for criminal sanctions for trademark counterfeiting as required by TRIPS. IPRs are derived from statutory law, legislatures determine the "scope and exceptions" of the rights, whilst the judiciary must enforce those rights.[118] Essentially, criminal sanctions for the wilful trade mark counterfeiting on a commercial scale should be clearly provided for in both the Trade Marks Act and CGA. However, a trade mark owner must be able to choose whether to pursue civil or criminal

[112] *Cadac* supra note 23 at para 1-8
[113] Supra note 23 at para 6.
[114] Pamela Andanda 'Striking a balance between protecting trademarks and public health interests in combating trade in counterfeit medicines: Lessons from Kenya and South Africa' (2016) 2 *Journal of African Law*, 312 at 327-328.
[115] Ibid at 328.
[116] L Harms op cit note 7.
[117] Ibid para 186.
[118] David Vaver op cit note 108 at page 4.

proceedings, because whilst not all trademark infringement involves counterfeiting, all trademark counterfeiting cases involves a trademark infringement. [119]

VII. MEASURES THAT CAN BE TAKEN TO PREVENT ONLINE INFRINGEMENTS

As discussed earlier, legislation needs to be developed to keep up with the rapidity of technological advancement. However, trademark owners and operators of e-commerce platforms should in the interim do their best to prevent infringements of IPRs. There are several options available as discussed below.

a) Registration

One of the simplest ways to enforce your intellectual property rights is through registration.[120] Although this method does not specifically relate to online infringement, it will give the owner of the trademark many benefits such as the use of civil remedies available in section 34(3) the Trade Marks Act. In South Africa, section 33 of the Trade Marks Act states that a person cannot bring any proceedings under the infringement section, section 34, unless the trademark is registered in terms of the Act. Regarding criminal enforcement, the CGA includes in the definition of intellectual property rights, rights of a trade mark conferred by the Trade Marks Act, this clearly includes registered trade marks but makes no specific mention of rights conferred to common law rights.[121] However, an owner of an unregistered trade mark can still enforce their common law rights and use the remedy of passing off, as previously discussed, although it is often difficult to do so as all the elements of a passing off must be proved.[122]

b) Reinforce brand authenticity and safety through advertising

Brand owners can minimise the demand for counterfeit goods through advertising the superiority of their genuine goods. Since counterfeit goods are of general inferior quality and manufactured through the exploitation of labours, and further, can prove to be harmful to use such as in the case counterfeit pharmaceuticals, whilst the profits from the purchasers are

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[119] Ibid page 44, also see LTC Harms *The Enforcement Of Intellectual Property Rights: A Case Book* 3 ed (2012) 499.
[120] Darin Klemchuk "Counteracting Copyright and Trademark infringement on the internet" available at *http://www.klemchuk.com* last accessed on 19 January 2018.
[121] Dean & Dyer op cit note 17 at 214.
[122]The elements of passing off were listed in *Capital Estate & General Agencies (Pty) Ltd and Others v Holiday Inns Inc and Others* 1977 2 SA 916.

used to fund other criminal activates, brand owners may use this to their advantage when advertising by appealing to the morale of consumers.[123]

c) Implementation of policing programmes

ISPs could avoid liability by implementing policing programmes that detect unscrupulous sales and listings. Once detected ISPs can remove the listings or prevent the sales from taking place. One such reporting system that was discussed earlier was the VeRO program that eBay employs to combat fraud, counterfeiting, and other intellectual property infringements. However, VeRO only detects suspicious activity after the seller posts the listing, during this time the sale of the counterfeit item can already take place as the trade mark owner is notified too late, for this reason VeRO has been criticized.[124]

d) "Do Nothing"

Clifford J. Shultz II, in his article has recommended the "Do Nothing" approach.[125] According to him, "negligible levels of damage to authentic goods or the company's brand and image and/or reputation sometimes make neglect the best policy." Consequently, this approach is only effective in markets that are under developed, and where counterfeiting is not sophisticated, not intended for export, easily recognized by their inferior quality and generally disagreeable to consumers.[126] This method is not specifically suited in instances where an online market has a global footprint.

e) Educate the public

This method can be utilized by both owners of IPRs and Governments. Counterfeiting is not only an infringement of an IPR but is also a crime. Any person caught dealing in counterfeits will be guilty of an offence as per section 2 of the CGA. If more people became aware of this fact, then perhaps it could deter both sellers and purchasers.

f) Click to report

Listed on websites that serve as a platform for the sale of goods in South Africa such as the popular website Gumtree, it is not unique to find counterfeit merchandise claiming to be

[123]Clifford J Schultz II and Bill Saporito 'Protecting Intellectual Property: Strategies and Recommendations to Deter Counterfeiting and Brand Piracy in Global Markets' (1996) *The Columbia Journal of World Business* 19-28.
[124]Jessica Hilliard op cit note 37 at pages 235-236.
[125] Clifford J Schultz II op cite note 123.
[126] Ibid at 22.

original for sale. There is no way that a consumer can report suspicious activity in a quick and easy manner. However, on social media platforms such as Facebook and Instagram, users can easily click to report a picture posted. Auction sites and other e-commerce websites should employ these "click to report" methods.

VIII. CONCLUSION

With the fast pace at which the economy is advancing by the use of the latest innovations in technology. The global economy is swiftly moving away from an industrial one to an information and knowledge centric global economy thus, it is also essential that laws progress at an equally rapid rate. This entails developing the law so that it can effectively combat the problems of modern day dilemmas. Trade mark counterfeiting, that is done by means of using websites, is a growing concern for trade mark owners. The law should be able to effectively cover such problems should the need arise. Since improvements to the South African legislation on intellectual property protection is fairly new, there is definitely room for improvement of the Act by the addition of provisions offering protection against online trade mark counterfeiting and the imposition of criminal sanctions as imposed by TRIPS. However, even TRIPS does not specifically relate to online infringements of IPRs of a general nature.

E-commerce is a definitive conduit for the sale of counterfeit goods and the enforcement of IPRs is essential.[127] There are several methods of protection that was previously discussed which could aid South Africa because at the moment the current Trade Marks Act does not specifically deal with online trade mark counterfeiting save for the infringement section, specifically dilution which could be useful if the trade mark is registered in terms of the Act or is considered well known. Furthermore, an ISP can be held contributory liable whether or not a primary infringer is located on the basis of the *Cipla* judgement. Foreign jurisdictions have also used contributory liability by specifically holding intermediaries liable, this is particularly useful to right holders who want to enforce their IPRs but in the absence of finding the actual infringer. The granting of injunctions or blocking orders to prevent further infringement can also prove to be beneficial to right holders. Article 44 of TRIPS provides for the granting of injunctions however this is only in relation to imported goods that constitute an IPR infringement. Allowing trade mark owners to issue take down notices like that provided for in ECTA is another technique that can not only aid right holders but also prevent intermediaries incurring liability. Finally, introducing a specialized task force that

[127] Col. Tuzi and Dr Stefano Vacarri op cit note 24.

can monitor and investigate online infringements of IPRs should be explored by legislatures. However as above mentioned there are several approaches that are available to aid holders of IPRs while legislatures find a solution that encompasses the specific needs of the country, balancing rights and obligations, whilst enforcing protection of IPRs in a way that encourages technological innovation and the transfer and dissemination of technology.[128] Member states of the WTO are given a certain amount of independence in the implementation of intellectual property protection which is ideal for South Africa in that legislatures can introduce ingenious rules that specifically meet the needs of the country whilst keeping up with treaty obligations.

[128] Article 7 of TRIPS.

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