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Copyright and Trade Mark Infringements: The Digital Evolution

by

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PREFACE

The financial assistance of the National Research Foundation (NRF) towards this research is hereby acknowledged. Opinions expressed and conclusions arrived at are those of the author and are not to be attributed to the NRF.

The Ten Commandments of Computer Ethics

by the *Computer Ethics Institute*:ⁱ

- “1. Thou shalt not use a computer to harm other people.
2. Thou shalt not interfere with other people’s computer work.
3. Thou shalt not snoop around in other people’s computer files.
4. Thou shalt not use a computer to steal.
5. Thou shalt not use a computer to bear false witness.
6. Thou shalt not copy or use proprietary software for which you have not paid.
7. Thou shalt not use other people’s computer resources without authorization or proper compensation.
8. Thou shalt not appropriate other people’s intellectual output.
9. Thou shalt think about the social consequences of the program you are writing or the system you are designing.
10. Thou shalt always use a computer in ways that insure consideration and respect for your fellow humans.”

Copied and printed in terms of section 12(1) of the *Copyright Act* 98 of 1978.

ⁱ A copy can be downloaded from www.cpsr.org/program/ethics/cei.html.

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CHAPTER ONE

INTRODUCTION

1. GENERAL INTRODUCTION

During the past 15 years or so we have seen an exponential growth in computer technology as well as Internet usage. However with this acceleration of the Internet and technology, intellectual property infringements by means of the Internet also emerged, posing not only a financial risk to all businesses, whether connected to the Internet or not, but also a risk to all Internet users who are subsequently exposed to deception and fraud.

While the Internet allows, on the one hand, all entrepreneurs and businesses the ability and the opportunity to offer and sell their products and services to a mass of potential consumers and international investors, the Internet is also, on the other hand, being abused to commit intellectual property transgressions. One such transgression is electronic copyright infringement. An example is where copyright protected content is scanned and subsequently displayed on web sites, from where the entire Internet community can copy ("download") the content without the copyright proprietor's permission.¹ In fact, copyright infringements by means of the Internet "are one of the most widespread forms of computer- or computer-related crime and its escalation is causing international concern."²

Another intellectual property transgression is electronic trade mark infringement. For example, Internet users infringe the interests and rights of trade mark proprietors by employing their statutory or common law protected trade marks on the Internet, without the proprietor's permission. Even competitors are engaging in unlawful competition by abusing and infringing their business rivals' trade marks and copyrights.

It should be kept in mind that the Internet is multi-jurisdictional and consequently

¹ The Internet has thus added an additional element to copyright infringement, as explained by the MPAA (Motion Picture Association of America): "Now, in addition to fighting physical goods piracy, plaintiffs are also fighting wide-scale piracy of motion pictures and sound recordings" on the Internet. See par 53 of the complaint in *Twentieth Century Fox Film Corp et al v Scour Inc*. A copy of this complaint can be downloaded from www.mpa.org/Press/ScourComplaint.htm.

² *Explanatory Report to the Convention on Cybercrime* (2001):par 35.

computer users can access it from any place on earth,³ at any given time, and likewise intellectual property rights can be infringed from anywhere in the world, at any given time. Consequently all entrepreneurs/businesses are at risk and not only those producing digital content or providing services by means of the Internet.

With the surfacing of online copyright and trade mark infringements, it is imperative that the South African copyright and trade mark legal framework should adapt to cyberspace in order to protect intellectual property from cyber-abuses.⁴ As the US court stated in *Playboy Enterprises Inc v Chuckleberry Publishing Inc et al*:⁵ "Our long-standing system of intellectual property protections has encouraged creative minds to be productive. Diluting those protections may discourage that creativity." Furthermore, technological advancements have also created a need for legal protection. These mechanisms prevent harmful exploitation of copyright protected works. The law must criminalise circumvention of these mechanisms.

The South African legislature has always been at pains to provide protection for technological innovations.⁶ In November 2000, the South African Department of Communications released the national *Green Paper on Electronic Commerce*,⁷ in which the government acknowledges that local intellectual property law "is not fully equipped to deal with the implications of the Internet, convergence, multimedia [and] digital technology".⁸ Therefore, it is imperative that the South African intellectual property law must take account of contemporary practices, should stay abreast of rapid changes in computer technology as well as computer abuse techniques and should further afford adequate protection against cyber-exploitation.

2. SCOPE AND PURPOSE OF THIS STUDY

The title and subject of this thesis is *Copyright and Trade Mark Infringements: The*

³ (First) WIPO Internet Domain Name Process 1999:2, par 2.

⁴ See *Euromarket Designs Inc v Crate & Barrel Ltd* 96 F.Supp.2d 824 (N.D. ILL. 2000) where the court noted (at 828) that "[c]ourts and legislatures must keep pace with the ever changing world of cyberspace." A copy of this judgment was obtained from Westlaw.

⁵ 939 F.Supp. 1032 (S.D.N.Y. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Chuckleberry.html.

⁶ See *Golden China TV Games Centre & Others v Nintendo Co Ltd* 1996 4 ALL SA 667 SCA:670b.

⁷ A copy of this document can be obtained from www.polity.org.za/govdocs/green_papers/greenpaper/. Hereafter referred to as the *Green Paper*.

⁸ Green Paper 2000:52.

Digital Evolution. In this thesis many legal principles are discussed; more specifically, those relating to the law of copyright, the law of trade marks as well as certain aspects of the South African common law.

The purpose of this study is firstly to ascertain how copyrights and trade mark rights are being infringed by computer users, employing the Internet and their computers as electronic instruments. The second purpose this study serves is to ascertain how foreign legislatures are addressing these cyber-intellectual property infringements and further how foreign courts are addressing these infringements, using established legal principles and doctrines. The third purpose this study serves is to ascertain whether the current South African copyright legislation, trade mark legislation as well as common law provide adequate remedies for intellectual property owners. Stated differently, it addresses the question whether Internet-abusers, be they individuals or commercial entities, can be held liable for their cyber-infringements of intellectual property rights.

It is also ascertained whether online copyright and trade mark infringements should be criminalised. Currently, the international movement is to criminalise all intellectual property infringements, as a mechanism to minimise these infringements. As the *Explanatory Report to the Convention on Cybercrime* explains:

"Infringements of intellectual property rights, in particular of copyright, are among the most commonly committed offences on the Internet, which cause concern both to copyright holders and those who work professionally with computer networks. The reproduction and dissemination on the Internet of protected works, without the approval of the copyright holder, are extremely frequent. Such protected works include literary, photographic, musical, audio-visual and other works. The ease with which unauthorised copies may be made due to digital technology and the scale of reproduction and dissemination in the context of electronic networks made it necessary to include provisions on criminal law sanctions and enhance international co-operation in this field."⁹

However, the purpose of this thesis is not only to ascertain whether the law provides adequate protection against these Internet risks, but also to study the mechanisms copyright and trade mark proprietors employ to protect their electronic assets from these electronic risks. It is of paramount importance that lawyers take note of these prevention techniques in order to advise their clients how to protect their intellectual

⁹ Par 107.

property against cyber-exploitation. Some of these prevention techniques are also important for the law in that they can provide either the plaintiff or the prosecution with sufficient evidence to institute proceedings against the cyber-criminal or cyber-transgressor.

A balance must be struck between protecting the interests and rights of trade mark and copyright proprietors, on the one hand, and the rights of third parties who use trade mark names and copyright protected material in exercising their right to freedom of expression, which includes the right to criticise, on the other hand. Both the South African *Copyright Act* and the *Trade Marks Act* were enacted before the supreme *Constitution* came into operation. As one panellist pointed out: "The Internet is above all a framework for global communication, and the right to free speech should be one of the foundations of Internet law."¹⁰

Furthermore, it is imperative that both the *Copyright Act* and the *Trade Marks Act* should be brought in line with international initiatives and treaties dealing with online copyright and trade mark infringements.

This study will attempt to strike a fair and just balance between -

- a) providing adequate protection to the interests/rights of copyright and trade mark proprietors in exploiting their intellectual property online;
- b) the lawful interests of third parties in using such intellectual property (i.e. their fair use rights);
- c) society's interest in the free flow of information; and
- d) penalising cyber-infringements of intellectual property.

With regard to comparative study, the emphasis is mainly on the laws of the United States of America (US) and the European Union (EU). These countries have vast experience in online intellectual property infringements and consequently guidance may be drawn from their experiences, provided that this is done with circumspection in that their legal principles differ to some extent from our own legal principles. In particular, this study made extensive use of US case studies. A few UK and Dutch judgments dealing with electronic infringements are also discussed.

To summarise, this thesis addresses the following questions:

¹⁰ *Ahmanson Land Co v Save open Space et al* WIPO case no D2000-0858. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0858.html>.

- a) How do foreign countries, such as the US, and foreign entities, such as the EU Parliament, address intellectual property infringements?
- b) How do foreign courts apply their established legal principles to online infringements?
- c) What electronic mechanisms can intellectual property owners employ to protect their electronic assets from the above-mentioned cyber-risks?
- d) Does the South African copyright, trade mark and common law, on the one hand, adequately protect intellectual property proprietors from cyber-infringements, and, on the other hand, give proper recognition to Internet users' right to fair use and right to fair speech? If not, how should the current law be amended to accommodate the Internet, as a new phenomenon? As one US commentator observes: "[A]ny legal rule that emerges must accommodate the nature of the Internet ... lawyers must develop a jurisprudence that recognizes the empowerment of the individual by Internet technology ... Online lawyers need to recognize that the Internet is a new medium for sharing information that requires creative thinking to establish sound rules of use."¹¹

The South African intellectual property law should be setting the example that other countries will wish to follow. Both trade mark and copyright legislation should reflect the reality of modern technology. Such legislation should not only set a clear framework for owners of intellectual property, but should also balance the interest of these proprietors with the legal interests of Internet users. However, one should not attempt to force the Internet into the existing legislation but should rather attempt to adopt a new approach to these issues, which means that legislation will have to be drafted around (*inter alia*) the Internet and computer abuses; not *vice versa*.¹² Therefore, this study attempts to stipulate basic principles to allow both the South African legislature as well as the South African courts to modernise local copyright and trade mark law.

¹¹ Hillis 1998(b).

¹² The South African legislature must attempt to make the laws of trade mark and copyright Internet-compatible. As the *EU Copyright Directive* notes: "While no new concepts for the protection of intellectual property are needed, the current law on copyright and related rights should be adapted and supplemented to respond adequately to economic realities such as new forms of exploitation." (At par 5).

3. DEMARCATIION OF STUDY

This study does not deal with the following aspects:

- a) Jurisdiction and applicable law. It is presumed, for the purposes of this study, that a South African court enjoys jurisdiction over the proceedings and that the South African law applies.
- b) The law of evidence. This study is not concerned with the issue whether particular evidence is admissible or not.
- c) The selling of illegal (counterfeit) software by means of the Internet.¹³
- d) The application of the *Trade Practices Act 76* of 1976 as well as the *Merchandise Marks Act 17* of 1941 to Internet related instances. Analysing these additional provisions would only complicate the study unnecessarily.
- e) Performers' rights. An analysis of the application of these rights to the Internet would unnecessarily complicate this study.
- f) The law of contract. The interaction between the *Copyright Act* and licenses granted by the copyright proprietors is not scrutinised. The study proceeds from the premise that the plaintiff did not grant permission, i.e. a license, to the defendant to perform the act complained of.

This thesis covers the law up to 29 November 2002.

4. EXPOSITION

This thesis is divided into six chapters. Chapter two briefly focuses on the various possibilities and risks, relevant to this study, that the Internet offers and poses. This chapter serves as a general introduction to the study undertaken. Chapter three focuses on copyright infringements by means of the Internet. Specifically, it observes by means of US examples how computer users are abusing the Internet to infringe copyrights. The chapter further ascertains whether the current South African copyright law can successfully be applied to the Internet context. The chapter contains a summary (see paragraph 3.7) of how US courts apply their legal principles to Internet scenarios. Likewise, the chapter contains a summary of how South African courts will probably apply established legal principles to the Internet (see paragraph 5.7). The

¹³ Such activities can be prosecuted in terms of the *Copyright Act* as well as the *Counterfeit Goods Act*.

study also makes recommendations for amending the applicable legislation (see paragraphs 6.1 – 6.6).

Chapter four turns to trade mark infringements by means of the Internet. Similar to chapter three, the study ascertains how trade mark protection is infringed by observing numerous US judgments dealing with these types of infringements. The chapter further investigates whether the South African trade mark legislation can successfully be applied to the online environment. The chapter also observes how international disputes concerning trade mark infringements are solved on an international basis. The chapter contains a summary (see paragraphs 2.3.1 – 2.3.7) of how US courts apply their legal principles to Internet scenarios. Likewise, the chapter contains a summary of how South African courts will probably apply established legal principles to the Internet (see paragraph 4.9). The study also makes recommendations for amending the applicable legislation (see paragraphs 5.1 – 5.4).

Chapter five deals with the South African common law. It ascertains whether this part of the law, with specific reference to passing-off and unlawful competition, can successfully be applied to copyright and trade mark infringements in cyberspace. US judgements are also used to investigate this problematic issue. Similar to the previous chapters, this chapter also contains a summary (see paragraph 2.3) of how US courts apply their legal principles to Internet scenarios. The chapter further contains a summary of how South African courts will probably apply established legal principles to the Internet (see paragraph 5).

Chapter five is followed by a summary in both English and Afrikaans of the study undertaken in this thesis.

The thesis does not contain a separate chapter setting out the conclusions and recommendations pertaining to the study undertaken. The reasoning for this being that chapters three to five already contain separate paragraphs setting out the conclusions and recommendations, as indicated above. Repeating these conclusions and recommendations would unnecessarily lengthen the already lengthy study.

5. REFERENCE SYSTEM USED

In the writing this doctoral thesis, the reference system of the *Journal for Juridical Science* (“*Tydskrif vir Regswetenskap*”) was used. Note that when this study deals specifically with US judgments, no reference to page numbers are made. The reason

being that these judgments were obtained from the Internet, which do not indicate page numbers. Furthermore, when dealing with the South African law the term "Supreme Court of Appeal" is continuously used to refer to the highest court of South Africa, irrespective whether the judgment was delivered before 1997 or not.¹⁴

6. LEGAL COMPARISON ALLOWED

As noted earlier, this study uses US case studies in order to (1) indicate how computer users are employing the Internet to infringe intellectual property rights; and (2) to indicate how the South African copyright and trade mark legislation as well as the South African common law should be applied to specific Internet related issues.

Such comparative research, with the necessary circumspection, has been sanctioned by the Supreme Court of Appeal, which recently stated in *Standard Bank Investment Corporation Ltd v Competition Commission and Others; Liberty Life Association of Africa Ltd v Competition Commission and Others*¹⁵ that "[o]ur Courts have, of course, considered foreign law, where appropriate, over the years. Indeed the Roman-Dutch system of law is itself a product of just such a process, as is the ongoing South African system which succeeded it. Reference to foreign law is sometimes helpful, particularly when one's own system is silent or uncertain on a point, or may be thought to be deficient, or simply for purposes of comparison and enlargement of view. But the ransacking of the legal libraries of the world may, where it is not appropriate, lead to no more than more paper, more costs, more delay and even more confusion, without any commensurate benefit. There is also sometimes a positive danger in resorting to foreign law - that it should be only half understood, because the person going to it does not sufficiently understand the foreign system."¹⁶ Other South African courts have expressed similar views¹⁷ and warnings.¹⁸

¹⁴ Due to the promulgation of the *Constitution of the Republic of South Africa* (Act 106 of 1996) in 1997, the Appellate Division of the Supreme Court became known as the Supreme Court of Appeal: ss 166 & 168.

¹⁵ 2000 2 SA 797 SCA.

¹⁶ 2000 2 SA 797 SCA:814F-I.

¹⁷ See *Blower v Van Noorden* 1909 TS 890 where the court stated (at 905): "There come times in the growth of every living system of law when old practices and ancient formulae must be modified in order to keep in touch with expansion of legal ideas, and to keep pace with the requirements of changing conditions. And it is for the courts to decide when the modifications, which time has proved to be desirable, are of a nature to be effected by judicial decision, and when they are so important or so radical that they should be left to the legislature." See also *Video Parktown North (Pty) Ltd v Paramount*

Therefore, it is submitted that where the principles enunciated in foreign countries are logical, consistent with sound business practice and not in conflict with local principles, South African courts would be wise to draw guidance from these principles. Furthermore, these principles, as expounded by foreign courts, have stood the test of time in sophisticated commercial communities.¹⁹

7. DEFINITION OF RELEVANT TERMS

Technical terms used in this thesis can be defined and/or explained as follows:

⇒ "Bookmarks": "Bookmarks store site addresses so that Internet users can return to their favorite sites with ease, simply by clicking on the name in their bookmark files."²⁰

⇒ "Browser": This refers to a computer program that enables one to view web pages.²¹

Pictures Corporation; Video Parktown North (Pty) Ltd v Shelburne Associates and Others; Video Parktown North (Pty) Ltd v Century Associates and Others 1986 2 SA 623 T where the court remarked (at 640D-E) that "[t]he search for precedent by comparative study is of course a wholly acceptable procedure, and much is to be learned from other systems in the development of our own." Finally see *Montres Rolex SA v Kleynhans* 1985 1 SA 55 C where the court maintained (at 62H-63C) that "[o]ur Courts have of course derived assistance from and have frequently followed Anglo-American decisions on the law of trade marks and passing-off (as in other spheres), where these decisions are in consonance with the fundamental principles of the Roman-Dutch common law and the relevant South African statutory provisions ... The close historical affinity of our trade mark law with that of England and America and the growing importance of the international aspects of trade mark regulation in my view justify the continued judicious use of Anglo-American precedents." See further *Economic Data Processing (Pty) Ltd and Others v Pentreath* 1984 2 SA 605 W:606D; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1148F; *Union Government (Minister of Railways and Harbours) v Warneke* 1911 AD 657:665.

¹⁸ See *Premier Hangers CC v Polyak (Pty) Ltd* 1997 1 SA 416 A where the Supreme Court of Appeal noted (at 423E-F): "Frequently the remedies applied in other countries are founded upon or influenced by procedural and legislative practices not known in our law. Often they depend upon the adherence or non-adherence to international conventions by the country whose system is being considered."

¹⁹ See *Agriplas (Pty) Ltd and Others v Andrag & Sons (Pty) Ltd* 1981 4 SA 873 C:882A-B.

²⁰ *Alta Vista Corp Ltd v Digital Equipment Corp* 44 F.Supp.2d 72 (D. Mass. 1998):fn 11 of the judgment.

²¹ In *Lockheed Martin Corporation v Network Solutions Inc* 985 F.Supp. 949 (C.D. Cal. 1997) the court noted that "[u]sers access information on the Web using 'browser' programs. Browser programs process information from Web sites and display the information using graphics, text, sound and animation." A copy of this judgment can be downloaded from www.loundy.com/CASES/Lockheed_v_NSI.html. The *Electronic Communications and Transactions Act* 25 of 2002 provides in s 1 that a "browser" means "a computer program which allows a person to read hyperlinked data messages"

⇒ "Bulletin Board Service" (BBS): A BBS functioned basically like a normal web site: "Files of information are stored in the central system, and subscribers may either 'download' information into their home units, or 'upload' information from their home units into the central files. The owner of the service controls the terms by which remote computer owners will be able to access the system, and typically will control the conditions under which information may be downloaded or uploaded."²² Some BBS also provided e-mail services, chat lines, advertisements for goods, computer technical assistance, and dating services. Due to the advent of the Internet BBS have lost their popularity.

⇒ CD-ROM": "[It] is a five-inch wide optical disk capable of storing approximately 650 MB of data. To read the data on a CD-ROM, a computer must have a CD-ROM drive."²³ The term "CD" is used in this thesis as an abbreviation of "CD-ROM".

⇒ "Computer": "[A] digital information processing device ... consist[ing] of central processing components ... and mass data storage ... certain peripheral input/output devices ... and an operating system."²⁴

⇒ "Cyberspace": " 'Cyber' is the prefix used to denote Internet-related things. The realm of the Internet is often referred to as 'cyberspace.' "²⁵

⇒ "Digital banner": "A banner advertisement consists of a short phrase appearing on an Internet user's computer screen that encourages the reader to 'click' on the banner, which either results in the reader being provided with more information about the

²² *Playboy Enterprises Inc v Hardenburgh Inc* 982 F.Supp. 503 (N.D. Ohio 1997). A copy of this judgment can be downloaded from www.louandy.com/CASES/Playboy_v_Hardenburgh.html. See also *Central Point Software Inc v Nugent* 903 F.Supp. 1057 (E.D. Tex. 1995):at fn 1. A copy of this judgment was obtained from Westlaw.

²³ *Universal City Studios et al v Reimerdes et al* 111 F.Supp.2d 194 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/NY/trial/op.html>.

²⁴ *Universal City Studios et al v Reimerdes et al (supra)*. The court described a "PC" as follows: "Personal computers ('PCs') are computers designed for use by one person at a time." The court further described a "computer server" as follows: "[M]ore powerful, more expensive computer systems known as 'servers' ... are designed to provide data, services, and functionality through a digital network to multiple users."

²⁵ *Sporty's Farm v Sportman's Market* 202 F.3d 489 (2nd Cir. 2000):fn 5. A copy can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html.

product or takes the reader to another Internet site sponsored by the advertiser."²⁶ These banners work as follows: "[M]any commercial websites are entirely advertiser-supported and can be visited for free by the public. If the content of a free website is attractive to potential users, advertisers will pay for the privilege of inserting their advertisements into that content, just as they have done for years with respect to television programming, print magazines, and newspapers."²⁷ Digital banners are also known as "banner-ads".²⁸

⇒ A "dot-com company" is an "Internet-based business operating in the electronic commerce industry".²⁹

⇒ "Download": To download means to copy and to save the file to one's own hard disk.

⇒ "DVD": "DVDs are five-inch wide disks capable of storing more than 4.7 GB of data",³⁰ which is enough to store a full-length motion picture.³¹ DVD is an acronym for "digital versatile disk".³²

⇒ "Hacker": "[A] digital-era term often applied to those interested in techniques for

²⁶ *America Online Inc v National Health Care Discount Inc* 121 F.Supp.2d 1255 (N.D. Iowa 2000). A copy of this judgment can be downloaded from www.law.asu.edu/HomePages/Karjala/cyberlaw/AOLv.NatHealthCare_9-29-00.html. Gaffney 2000 explains further that "[a] banner advertisement generally appears at or near the top of a Web page, and is usually intended to tease the Web user into clicking on the banner to travel to the sponsor's Web site. Even if the viewer does not click on the banner, the image on the banner is registered in the viewer's mind, just like a TV or magazine advertisement.' The intent of this advertisement is to spark the interest of the user and cause the user to visit the advertiser's Web site."

²⁷ This was stated by the plaintiff in *The Washington Post Company et al v Total News Inc et al* in its complaint, par 6. A copy can be downloaded from www.jmls.edu/cyber/cases/total1.html.

²⁸ See *Quokka Sports Inc v Cup Intern Ltd* 99 F.Supp.2d 1105 (N.D. Cal. 1999):1112. A copy of this judgment was obtained from Westlaw.

²⁹ See *Virtual Countries Inc v Republic of South Africa et al* 148 F.Supp.2d 256 (S.D.N.Y. 2001): fn 12. A copy of this judgment can be downloaded from www.sork.com/domain/southafrica1.html.

³⁰ *Universal City Studios et al v Reimerdes et al (supra)*.

³¹ *DVD Copy Control Association Inc v Bunner* 93 Cal. App. 4th 648 (Cal. App. Ct. 6th 2001). A copy of this judgment can be downloaded from www.eff.org/Intellectual_property/DVDCCA_case/20011101_bunner_appellate_decision.html.

³² DVDs, containing movies, were first released in 1997. *Universal Studios et al v Corley et al* 273 F.3d 429 (2nd Cir. 2001). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/November01/00-9185.html.

circumventing protections of computers and computer data from unauthorized access. The so-called hacker community includes serious computer-science scholars conducting research on protection techniques, computer buffs intrigued by the challenge of trying to circumvent access-limiting devices or perhaps hoping to promote security by exposing flaws in protection techniques, mischief-makers interested in disrupting computer operations, and thieves, including copyright infringers who want to acquire copyrighted material (for personal use or resale) without paying for it."³³

⇒ "Hits": this term refers to the number of visits that a web site receives.

⇒ "Home page" of a web site: "[It] is 'one page on each Web site ... that typically serves as the first access point to the site. The home page is usually a hypertext document that presents an overview of the site and hyperlinks to the other pages comprising the site.'"³⁴

⇒ "Internet":³⁵ "The Internet is 'a global electronic network, consisting of smaller, interconnected networks, which allows millions of computers to exchange information over telephone wires, dedicated data cables, and wireless links. The Internet links PCs by means of servers, which run specialised operating systems and applications designed for servicing a network environment.'"³⁶ The Internet, which was opened for

³³ *Universal Studios et al v Corley et al (supra)*. See also Ebersöhn 2001:25.

³⁴ *Universal City Studios et al v Reimerdes et al (supra)*. See also the *Electronic Communications and Transactions Act 25 of 2002* which defines in s 1 a home page as "the primary entry point web page of a web site".

³⁵ For a description of how the Internet works, see *Intermatic Inc v Toeppen* 947 F.Supp. 1227 (N.D. ILL. 1996). A copy of this judgment can be downloaded from www.louandy.com/CASES/Intermatic_v_Toeppen.html.

³⁶ *Universal City Studios et al v Reimerdes et al (supra)*. In *Playboy Enterprises Inc v Webbworld Inc et al* 968 F.Supp. 1171 (N.D. Tex. 1997) the court explained the functioning of the Internet as follows: "The Internet ... consists of information transmitted from computer to computer via telephone lines. Internet Access Providers ('IAPs'), such as America Online and Netcom, enable computer users to access the Information Superhighway by providing the necessary electronic 'on-ramps.' Once a computer user has gained access to the Internet through an IAP, that user may 'visit' one of the many specific 'locations' on the Internet called 'websites.' Many thousands of commercial and non-commercial computer users operate websites to exchange information or to advertise goods and services to potential customers. To connect with a website, an Internet user, who has already gained access to the Internet through an IAP, simply types the website's Internet address on the user's keyboard." A copy of this judgment can be downloaded from www.louandy.com/CASES/PEI_v_Webbworld.html.

public use in 1988,³⁷ can also be described as “an interactive medium for communication which contains information that is simultaneously and immediately accessible irrespective of territorial location to members of the public from a place and at a time individually chosen by them”.³⁸ Recently, the Fourth Circuit of Appeal simply stated that the Internet is “a network of computers all around the world through which people communicate information to each other.”³⁹

⇒ “Internet Service Provider” (also known as an *Internet Access Provider* and an *Online Service Provider*) renders access to the Internet to computer users, namely its subscribers.⁴⁰ Examples of South African Internet Service Providers (ISPs) are Mweb, lafrica, World-online, YeboNet, and Intekom.

⇒ “Mouse”: “A mouse is a device that allows a computer user to issue commands by moving a marker across the screen and then clicking on the symbol, word, or icon that represents the particular information that the user wants to access.”⁴¹

⇒ “MP3 technology”: “MP3 compresses CD music into files one-twelfth the original size with little quality loss, which makes online music transfer relatively quick.”⁴² These MP3-based music files can be played by one’s PC or downloaded onto a Walkman MP3 player. MP3, which is an open (public domain) format,⁴³ stands for “Motion Picture Expert Group 1, Audio Layer 3”.^{44 45}

³⁷ Jones 1999.

³⁸ www.wipo.org/about-ip/en/index.html?wipo_content_frame=/about-ip/en/trademarks.html.

³⁹ *Porsche Cars North America Inc et al v Porsch.net et al* CV 01-2028 (4th Cir. 2002). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/012028.html>.

⁴⁰ *Pitman Training Ltd and another v Nominet UK and another* 1997 FSR 797 ChD. A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/pitman1.html. See also Buys 2000:20.

⁴¹ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al* 86 F.Supp.2d 176 (W.D.N.Y. 2000):fn 1. A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>.

⁴² See Lawton 2000:15; *UMG Recordings Inc v MP3.Com Inc* 92 F.Supp.2d 249 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/UGM.html.

⁴³ Jolish 1999.

⁴⁴ See par 51 of RIAA’s complaint in *RIAA et al v Deep et al*. A copy of the RIAA’s complaint can be downloaded from www.riaa.com/pdf/aimster_complaint.pdf. See also Greyling 2000:9.

⁴⁵ The term MP3 is commonly recognised by US courts. See e.g. *RIAA et al v Diamond Multimedia Systems Inc* 180 F.3d 1072 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9856727.html>.

⇒ “Operating system” of a computer: “[A] software program that controls the allocation and use of computer resources (such as central processing unit time, main memory space, disk space, and input/output channels). The operating system also supports the functions of software programs, called ‘applications,’ that perform specific user-oriented tasks ... Because it supports applications while interacting more closely with the PC system’s hardware, the operating system is said to serve as a ‘platform.’ Microsoft Windows (‘Windows’) is an operating system released by Microsoft Corp. It is the most widely used operating system for PCs in the United States, and its versions include Windows 95, Windows 98, Windows NT and Windows 2000 [and Windows XP].”⁴⁶ Linux is also an operating system.

⇒ “RAM”: This is an acronym for “random access memory”, which simply refers to the computer’s installed memory.⁴⁷

⇒ “Ripping”: This refers to the process of copying a song or songs from a commercially released CD onto a hard drive. The technology that allows this is freely available on the Internet.⁴⁸

⇒ “Search engine”: Search engines work as follows: Say, for instance, A wants to know whether there are any articles available on the Internet dealing with the topic of computer viruses, he keys in “computer virus” at a designated place on the web page, called a dialog box, and then presses the electronic “search” button. After a few

⁴⁶ *Universal City Studios et al v Reimerdes et al (supra)*. See also *Microsoft Corporation v Lindows Inc* Case No C01-2115C (W.D. Wash. 2002).

⁴⁷ “RAM” is defined as follows by IT experts: It is “the place in a computer where the operating system, application programs, and data in current use are kept so that they can be quickly reached by the computer’s processor. RAM is much faster to read from and write to than the other kinds of storage in a computer, the hard disk, floppy disk, and CD-ROM. However, the data in RAM stays there only as long as your computer is running. When you turn the computer off, RAM loses its data. When you turn your computer on again, your operating system and other files are once again loaded into RAM, usually from your hard disk. RAM can be compared to a person’s short-term memory and the hard disk to the long-term memory. The short-term memory focuses on work at hand, but can only keep so many facts in view at one time. If short-term memory fills up, your brain sometimes is able to refresh it from facts stored in long-term memory. A computer also works this way. If RAM fills up, the processor needs to continually go to the hard disk to overlay old data in RAM with new, slowing down the computer’s operation. Unlike the hard disk which can become completely full of data so that it won’t accept any more, RAM never runs out of memory. It keeps operating, but much more slowly than you may want it to.” See www.whatis.com.

⁴⁸ See par 50 of RIAA’s complaint in *RIAA et al v Deep et al*.

seconds the search engine displays "the results of the search as a list of 'hyperlinks' to webpages that have information"⁴⁹ corresponding to, or matching, the search term or terms.⁵⁰ Normally, a brief description of each web page is provided by the search engine. This compiled list of corresponding web sites is known as the "search results".⁵¹ The search engine ranks the relevant web sites according to the relative frequency with which the search word or phrase appears in the metatags and in the text of these sites.⁵² Other search engines look across the various registered domain names seeking out those which match or are similar to the search command which has been entered.⁵³ The Internet user then chooses which web site to visit: "Most often, that choice is based on the domain name listed for each search result and a brief description of each webpage provided by the search engine."⁵⁴

As a US judge observed:

"Because the Internet contains an almost infinite number of Web pages, Internet search engines provide a critical tool for Internet users. Without search engines, Internet users would be unable to locate all but the most obvious Web sites."⁵⁵

Search engines, each using their own method,⁵⁶ work by sending out "spiders" to crawl

⁴⁹ *Intermatic Inc v Toeppen (supra)*.

⁵⁰ In *Northern Light Tech Inc v Northern Lights Club* 236 F.3d 57 (1st Cir. 2001) the court described a search engine as follows: "Search engines are popular Web-retrieval tools that match a search query submitted by an Internet user with the websites whose content best corresponds to the submitted search terms." A copy of this judgment can be downloaded from www.findlaw.com.

⁵¹ *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc* 55 F.Supp.2d 1070 (C.D. Cal. 1999). A copy of this judgment can be downloaded from www.mama-tech.com/peinet.html.

⁵² *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/bihari.pdf>.

⁵³ *Radio Taxicabs (London) Ltd (t/a Radio Taxis) v Owner Divers Radio Taxi Services Ltd (t/a Dial-a-Cab)* 2001 WL 1135216 ChD:par 23 [a copy of this judgment was obtained from Westlaw]; *Mattel Inc v Adventure Apparel* 2001 WL 1035140 (S.D.N.Y. 2001) [a copy of this judgment was obtained from Westlaw]; *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>].

⁵⁴ *Bihari v Gross et al (supra)*.

⁵⁵ *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc (supra)*. However, in *Washington Speakers Bureau Inc v Leading Authorities Inc* 33 F.Supp.2d 488 (E.D. Va. 1999) the court noted that "[s]earches may yield hundreds or even thousands of websites, if the user's keywords commonly appear in websites. Thus, a search engine can be an unwieldy and cumbersome tool." A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property/domain/wash299.html>.

the Internet and to index the web pages.⁵⁷ This way the search engine compiles a database of crawled web pages: "The database consists of a list of words that appear on the various pages and a set of locations for the words."⁵⁸ However, a web site owner can take pro-active steps to ensure that his web pages are indexed in the search engine's database: "The website owner may contact the search engine administrator herself or himself, via electronic mail or other means of communication, and provide a list of keywords associated with the website."⁵⁹

One of the most well-known search engines on the Internet is Google.⁶⁰ In conclusion a search engine can be described as "a special kind of website containing a database of other known websites, associating certain keywords with each website."⁶¹

⁵⁶ In *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al (supra)* the court noted that "[e]ach search engine uses its own algorithm to arrange indexed materials in sequence, so the list of web sites that any particular set of keywords will bring up may differ depending on the search engine used." Loundy 1997 states: "Thus, more important than whether or not a search returns a large number of hits is the ability to determine the relevance of the hits to the specified search terms. Each search engine uses different proprietary schemes to rate how closely a particular hit relates to the search terms. The hits are usually rated for relevance, with the highest-scoring results displayed at the top of the list of hits found by the search engine. Generally only a few hits will be shown per page of results, often requiring searchers to go through page after page to find what they are looking for - if they aren't sidetracked or frustrated first."

⁵⁷ In *Nettis Environmental Ltd v IWI Inc* 46 F.Supp.2d 722 (N.D. Ohio 1999) the court noted that "[a] search engine's crawling program automatically searches websites to update the search engine's database of keywords associated with each website. As a result, keywords may be added to or subtracted from the search engine's database as appropriate." (At 724). A copy of this judgment was obtained from Westlaw.

⁵⁸ Loundy 1997. In *Florists' Transworld Delivery Inc v Originals Florist & Gifts Inc et al* 57 USPQ.2d 1079 (N.D. ILL. 2000) the court explained this as follows: "Contrary to some popular belief, search engines do not actually search the Internet every time a search request is entered ... Such a process would be unbearably slow ... Instead, search engines maintain their own indexes ... The indexes are created when the search engines routinely 'crawl' through the Internet and examine the metatags in various web sites ... Thus the search engines do not examine the actual web page for terms; instead, they look to the metatags in the underlying HTML code ... The engine then indexes the various terms and creates a 'pointer' to the particular web site where it found the information ... Search engine operators, not web site owners, determine the frequency of these web 'crawls.' ... Hence, search engine indexes can become out-of-date, just as a telephone directory may have old telephone numbers." A copy of this judgment can be downloaded from www.ilnd.uscourts.gov/RACER2/index.html and www.comm.uiuc.edu/helle/FTD.htm.

⁵⁹ *Nettis Environmental Ltd v IWI Inc (supra)*:724.

⁶⁰ www.google.com. In December 2000 it already had a user base of approximately 40 million. See *Google Inc v Xtraplus Corp* WIPO case no D2001-0125.html. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0125.html>.

⇒ “Spam”, also known as “junk e-mail”, “unsolicited bulk e-mail” and “UBE”,⁶² is the sending of unwanted commercial e-mail messages to hundreds or thousands of Internet users.

⇒ “Surfing” means to move from one web site to another in search for specific content of information.⁶³

⇒ “URL” is an acronym for “Uniform Resource Locator”, which merely refers to the address of a specific file or web site or web page on the Internet.⁶⁴

⇒ “Web page”: “A Web Page is a collection of electronic documents which may include text, graphics, sound, or video. A Web Page may enable the user to place information on the Web Page or to receive information from the Web Page.”⁶⁵ It can also include hyperlinks to other web sites.⁶⁶

⇒ “Web site”: “A web site is ‘a collection of Web pages published on the Web by an individual or organization ... Most Web pages are in the form of ‘hypertext’; that is, they

⁶¹ *Nettis Environmental Ltd v IWI Inc (supra)*:724.

⁶² *America Online Inc v National Health Care Discount Inc (supra)*.

⁶³ See www.whatis.com; *Buy* 2000:54. In *Radio Taxicabs (London) Ltd (t/a Radio Taxis) v Owner Divers Radio Taxi Services Ltd (t/a Dial-a-Cab) (supra)* the Chancery Division noted that “[t]he well known phrase Surfing the web covers any use of the World Wide Web to look for material or information in either an enquiring or a random way, and therefore covers, but is not limited to, the use of search engines.” A copy of this judgment was obtained from Westlaw.

⁶⁴ www.whatis.com. See also *Kudo* 2000:4.

⁶⁵ *Maronie-FL Inc v NAFED* 983 F.Supp. 1167 (N.D. ILL. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Marobie_v_NAFED.html. In *Intermatic Inc v Toeppen (supra)* the court described a “web page” as follows: “[A] web page, which is, ultimately, a computer data file on a host operating a web server within a given domain name. When the web server receives an inquiry from the Internet, it returns the web page data in the file to the computer making the inquiry. The web page may comprise a single line or multiple pages of information and may include any message, name, word, sound or picture, or combination of such elements. Most web browsers will show somewhere on the screen the domain name of the web page being shown and will automatically include the domain name in any printout of the web page.” See also the *Electronic Communications and Transactions Act* 25 of 2002 which defines in s 1 a “web page” as “a data message on the World Wide Web”.

⁶⁶ *Pro C Limited v Computer City Inc* 7 C.P.R. (4th) 193 (Ct App Ontario 2000);par 8. A copy of this judgment can be downloaded from www.pro-c.com/news/judgment.htm.

contain annotated references, or 'hyperlinks,' to other Web pages."⁶⁷ A web site can be programmed for multiple purposes:

"Some merchants maintain a form of 'electronic catalog' on the Internet, permitting Internet users to review products and services for sale. A web site can also be programmed for e-mail, where the provider licenses e-mail addresses in the format <alias@SLD.TLD>, with <alias> selected by the e-mail user. A person or company maintaining a web site makes money in a few different ways. A site that aids in marketing goods and services is an asset to a merchant. E-mail providers make money from licensing fees paid by e-mail users. Money is also made from advertising and links to other web sites."⁶⁸

A "window": "A 'window' is an enclosed area on a computer's display screen, usually rectangular in shape. Most computers allow a user to divide a screen into several windows. Within each window, a user can run a different program or different copies of the same program. A user can minimize a window by replacing the entire window with an icon, a small picture that represents the program running in the window. Separate functions within a given program can also use windows, e.g. multiple documents within WordPerfect."⁶⁹

⇒ "World Wide Web", also known as the "web": It "is 'a massive collection of digital information resources stored on servers throughout the Internet. These resources are typically provided in the form of hypertext documents, commonly referred to as 'Web pages,' ... A user of a computer connected to the Internet can publish a page on the Web simply by copying it into a specially designated, publicly accessible directory on a

⁶⁷ *Universal City Studios et al v Reimerdes et al (supra)*. A web site has also been described as "a set of electronic documents, usually a home page and subordinate pages, readily viewable on computer by anyone with access to the Web, standard software, and knowledge of the web site's location or address." See also the complaint of the Federal Trade Commission in *Federal Trade Commission v Audiotex Connection Inc* (1997). A copy of this complaint can be downloaded from www.loundy.com/CASES/Audiotex_Complaint.html. See too the definition of a "web site" in the *Electronic Communications and Transactions Act* 25 of 2002, s 1: "any location of the Internet containing a home page or web page". Recently, the Fourth Circuit of Appeal simply defined a web site as "a set of computer files through which another person provides information over the Internet." See *Porsche Cars North America Inc et al v Porsch.net et al (supra)*.

⁶⁸ *Avery Dennison v Sumpton* 189 F.3d 868 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9855810.html>.

⁶⁹ *FTC v John Zuccarini et al* Case no 01-CV-4854 (E.D. Pa. 2001). A copy of this judgment can be downloaded from www.ftc.gov/os/2002/05/johnzuccarinijudandpi.pdf.

Web server.’ ”⁷⁰ Stated differently, the “web” “is a collection of information resources contained in documents located on individual computers around the world and is the most widely used and fastest-growing part of the Internet except perhaps for electronic mail or ‘e-mail’ ”.⁷¹

Other terms are explained as this study continues.

⁷⁰ *Universal City Studios et al v Reimerdes et al (supra)*.

⁷¹ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al (supra)*. In *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000) the court described the “world wide web” as follows (at 98): “The World Wide Web is one part of the Internet which allows for the display of graphic materials, photos, text and audio.” A copy of this judgment was obtained from Westlaw. See also the definition of the “world wide web” in s 1 of the *Electronic Communications and Transactions Act* 25 of 2002: “[A]n information browsing framework that allows a user to locate and access information stored on a remote computer and to follow references from one computer to related information on another computer”.

CHAPTER TWO

POSSIBILITIES WHICH THE INTERNET OFFERS AND RISKS THE INTERNET POSES

1. INTRODUCTION

The Internet has emerged as a primary channel for worldwide commercial, recreational and educational communication.⁷² Thousands of local businesses and entrepreneurs now have web sites, from where their products can be purchased or which are simply used to promote their products and/or services.⁷³ However, numerous Internet users are abusing the Internet to infringe copyright and trade mark rights at an unprecedented rate. The purpose of this chapter is to briefly furnish an exposition of the various advantages and risks the Internet offers and poses to both businesses and entrepreneurs. This serves as an introduction for the chapters that follow.

2. POSSIBILITIES

The Internet, as a mass communication and borderless medium, is frequently used for electronic commerce⁷⁴ which refers to the selling, offering and advertising of (digital as well as tangible) goods and services.⁷⁵ As US courts correctly point out: It makes it possible to conduct business throughout the world entirely from a desktop.⁷⁶ This

⁷² *Parisi v Netlearning Inc* 139 F.Supp.2d 745 (E.D. Va. 2001). A copy of this judgment can be downloaded from www.sork.com/domain/netlearning1.html.

⁷³ See Shapiro 1999.

⁷⁴ See the *Report of the Second WIPO Internet domain name process*:par 59.

⁷⁵ In the 2001 Global e.fr@ud.survey, issued by KPMG, "e-commerce" is described as "a system that conducts business communications and transactions electronically – the buying and selling of goods and services, and the transfer of funds, through digital communications." A copy of this document can be obtained from www.kpmg.ca/english/services/docs/fas/efraud2001.pdf.

⁷⁶ *Thompson v Handa-lopez Inc* 998 F.Supp. 738 (W.D. Tex. 1998) [a copy can be downloaded from www.loundy.com/CASES/Thompson_v_Handa-Lopez.html]; *Zippo Manufacturing Co v Zippo Dot Com Inc* 952 F.Supp. 1119 (W.D. Pa. 1997) [a copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/domain/dncases/zippo.htm>]. See also *Mieczkowski v Masco Corp* 997 F.Supp. 782 (E.D. Tex. 1998) where the court pointed out (at 786) that "[b]usinesses utilize the Internet to provide information and products to consumers and other entities ... Essentially, the Internet allows businesses to conduct their trade with the stroke of a few keys from their desktop computers without ever leaving the office or picking up the telephone." A copy of this judgment was obtained from Westlaw.

allows businesses and entrepreneurs to reach millions of online potential clients, both national as well as international.⁷⁷ The Internet is, therefore, a significant advertising medium and for this reason businesses frequently employ the Internet to sell their digital products by allowing purchasers to download their electronic products.⁷⁸ As noted above, some businesses and entrepreneurs employ the Internet, not to sell products, but merely to provide information on their products and/or services.⁷⁹

Virtually all businesses, with an Internet connection, use their business or trade mark names as their web site addresses, to allow Internet surfers to locate their presence easily on the Internet. Furthermore, businesses, as a rule of thumb, display their trade marks (or allow them to be displayed) on these and affiliated web sites.

The Internet further allows computer users to send (i.e. e-mail) documents, pictures and other electronic content to third party computer users.⁸⁰ Clients and/or Internet users can also correspond with any business by means of its e-mail address.

The Internet further offers various opportunities for the legal distribution of online content, such as music,⁸¹ commentaries, reviews, court judgments, etc. The Internet has also created the possibility of broadcasting radio shows and movies to computers.⁸² Some Internet users employ the Internet as an auction forum where anything imaginable can be sold and/or purchased. Furthermore, many web site

⁷⁷ See *Pro C Limited v Computer City Inc* 7 C.P.R. (4th) 193 (Ct App Ontario 2000); par 14. For example, Playboy Enterprises' international web site (www.playboy.com) received in 1998 approximately 6 million hits a day. See *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html.

⁷⁸ Consider for instance MP3 music files. Many copyright owners make content available on their web sites as a means to attract end-users to their web sites; that is, to drive "traffic" to their web sites.

⁷⁹ *Morrison & Foerster v Wick* 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>.

⁸⁰ *Pro C Limited v Computer City Inc* (*supra*); par 7.

⁸¹ As explained by the *Record Industry Association of America*: "The Internet offers tremendous opportunities for the music business as well as for everyone who loves music. Indeed, the Internet provides distinct advantages for music because, unlike tangible products, it is possible not only to market and sell music online, but also to deliver it to the consumer digitally and instantly over the Internet." See par 48 of RIAA's complaint in *RIAA et al v Deep et al*, which can be downloaded from www.riaa.com/pdf/aimster_complaint.pdf. In addition, musicians who cannot afford to make CDs can now distribute and sell their music over the Internet. See *RIAA et al v Diamond Multimedia Systems Inc* 180 F.3d 1072 (9th Cir. 1999) [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9856727.html>] & Levi 1999.

⁸² This is known as webcasting. See Levi 1999; Wittenstein & Ford 1999.

operators derive an income from their web sites, not from selling products, but from displaying third party advertisements on their web sites. The more "hits" their web sites receive, the more they can charge for advertisements placed on their web sites.⁸³

Therefore, it can be concluded that the greatest use of the Internet is as a business, entertainment and advertising medium, with a user base in excess of 200 million users worldwide.

3. RISKS

Although the Internet constitutes a revolutionary medium that can be used for various legitimate purposes, it also poses numerous risks to businesses and entrepreneurs.⁸⁴ The risks to copyright and trade mark protection are discussed separately.

3.1. Risks the Internet poses to copyright proprietors

3.1.1. Examples of these risks

The Internet is employed daily in a multiplicity of ways that infringe copyright protection. In particular, the Internet has proliferated piracy since pirated copies of software can be distributed and downloaded quickly and globally, with as much as the click of a mouse.⁸⁵ Digital content can be copied extremely fast, without any loss in

⁸³ *Realnetworks Inc v Streambox Inc* 2000 WL 127011 (W.D. Wash. 2000). A copy of this judgment can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/Real.html.

⁸⁴ This was explained as follows by the plaintiffs in *A&M Records Inc et al v Internet Site Known as Fresh Kutz et al* Civ. No 97-CV-1099H (S.D. Cal. 1997): "While [the] Internet is a revolutionary tool for the legitimate gathering and dissemination of information, it also can be misused for unlawful purposes ... The extensive misuse of the Internet for unlawful purposes is in part due to the nature of the medium. The aspects of the Internet that make it a revolutionary tool for legitimate communication – the ease, for example, with which information can be copied to and from Internet sites, the simplicity of downloading even large files, and the relatively minor cost to a user of establishing a site that can communicate with an audience of millions – also create unparalleled opportunities for theft. The relative anonymity with which Internet communications may be conducted further facilitates illegal conduct". A copy of the plaintiffs' complaint can be downloaded from <http://home.dti.net/bdpc/amrecords.htm>.

⁸⁵ www.nopiracy.com. See also Lawton 2000:14. The *Primer on Electronic Commerce and Intellectual Property Issues* 2000 elaborates upon this by maintaining that "[g]iven the reach of the Internet, content in digital form can be disseminated instantaneously worldwide, thereby vastly increasing the ease with which intellectual property can be infringed, either inadvertently or through piracy and counterfeiting. One publication of protected content on the Internet can lead to its proliferation through rapid copying by third parties, making enforcement an uncertain task of international dimension ... Moreover, digital data

quality, and can be distributed and manipulated by unauthorised third parties, worldwide. This leads to a loss of control over the exploitation of copyrights.⁸⁶ For this reason, commentators maintained that every computer user with an Internet connection is a potential pirate and a potential unauthorised provider of such digital content.⁸⁷ Consequently, the Internet has been referred to as the "world's biggest copy machine".⁸⁸

The following are mere examples of how Internet users employ the Internet to facilitate copyright infringements:

A) Music purchasers convert CD music to MP3 music files, which they e-mail to friends or render available for downloading by means of a web site.⁸⁹ Other Internet users then merely receive or download these MP3 files.⁹⁰ Some individuals, when they obtain MP3 files (either from their friends or by downloading it from the Internet), write (ie. copy) it onto a re-writeable CD-ROM disk.⁹¹

B) Some Internet users copy online news articles and either use it on their own web sites or e-mail it to friends and associates.

C) Other Internet users use the lay-out of third parties' web pages to design or construct their own web pages, instead of creating their own sites from scratch.⁹² This is called "web page harvesting".⁹³

D) Many Internet users copy digital photographs, texts and other digital content (such as computer games) from web sites and/or CD-ROMs and then make them available

is transient. Infringing material may be on the Internet for only a very short period of time, as 'hosts' and web page creators can delete files within a matter of hours or days after their posting." (At 83-84). See also www.uspto.gov/web/offices/dcom/olia/hr354.html.

⁸⁶ Dreier 2000.

⁸⁷ Dreier 2000.

⁸⁸ *The Primer on Electronic Commerce Issues* 2000:par 110.

⁸⁹ As the court noted in *RIAA et al v Diamond Multimedia Systems Inc* 180 F.3d 1072 (9th Cir. 1999): "Various pirate websites offer free downloads of copyrighted material, and a single pirate site on the Internet may contain thousands of pirated audio computer files." A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9856727.html>.

⁹⁰ See Greyling 2000:3.

⁹¹ See Greyling 2000:3. "Thus, once a sound recording has been converted into an unsecured compressed format, it can be copied further and distributed an unlimited number of times, without significant degradation in sound quality." See par 51 of RIAA's complaint in *RIAA et al v Deep et al*.

⁹² See Bayne 2001:24-25.

⁹³ Bayne 2001:25.

for downloading by means of the Internet.⁹⁴ Even employees use their employers' e-mail systems to distribute illegal copies of copyrighted digital content.⁹⁵

E) Some consumers purchase physical copyright protected content (such as magazines, text books and encyclopaediae), digitise the photos or text by means of a scanner and subsequently post the electronically digitised content on a web site, or e-mail it to other Internet users, without the copyright proprietors' permission.⁹⁶ Other Internet users delete the proprietors' copyright notices and assert that they own copyright in the works.⁹⁷

F) Hackers "crack" (i.e. circumvent or disable) the copy-protection system surrounding copyright protected works and subsequently distribute copies thereof.⁹⁸

G) Although not specifically relevant to this study, it needs mentioning that some computer users frequently use the Internet (especially auction web sites) as a medium to advertise their counterfeit (i.e. infringing) products or to inform the Internet community that they are selling pirated software.⁹⁹

3.1.2. Consequences of copyright infringements

The general consequences of copyright infringements are (to name a few):

- a) Fewer jobs, less innovation for copyright creators and higher costs for consumers.¹⁰⁰
- b) Less money is available for research and development¹⁰¹ and consequently fewer features are included in digital releases.¹⁰²

⁹⁴ Research shows that the texts of almost 7 500 copyright protected books were available, in August 2001, for free download over the Internet. See Majendie 2001.

⁹⁵ International Data Corporation 2001:17-18.

⁹⁶ See Isenberg 1998(d).

⁹⁷ See *Suze Randall Photography et al v Reactor Inc et al* 2000 WL 679922 (N.D. ILL. 2000). A copy of this judgment can be downloaded from www.loundy.com/CASES/SuzeRandall_v_Reactor.html.

⁹⁸ Majendie 2001.

⁹⁹ For example, in 2000 a vendor in Cape Town was caught selling illegal software by means of Bidorbuy.co.za, a South African Internet auction web site. See Chama 2000:6.

¹⁰⁰ www.nopiracy.com; www.adobe.com/aboutadobe/antipiracy/main.html; www.spa.org/sharedcontent/press/2000/5-24-00.html. It is estimated that software piracy annually deprives the South African industry of an additional 3300 jobs and the government of R150 million in taxes. See McLeod 1999:80.

¹⁰¹ A study by the BSA (Business Software Alliance) indicates that in 2001 more than \$10.97 billion losses occurred worldwide due to piracy. It is estimated that the piracy rate in Africa was 38%, causing

- c) A high degree of piracy discourages and inhibits the growth of the local record industry as well as the local software publishing community.¹⁰³ Many software publishers simply refuse to enter markets where the piracy rates are too high in that they fear that they will not be able to recover their development costs.¹⁰⁴
- d) A high rate of copyright infringements may tarnish the international image of a country.¹⁰⁵

Internet music piracy, i.e. copying MP3-music files illegally over the Internet, is especially posing a threat to the music industry. Record producers suffer loss of sales of albums and singles when consumers are able to download music for free over the Internet.¹⁰⁶ Stated differently, pirated copies of sound recordings suppress the demand for legitimate commercially released copies.¹⁰⁷ Likewise, copyright holders in text, books and movies suffer great losses in royalties when their works can be downloaded

an estimated \$40 600 loss. South Africa's piracy rate was 45% for the year 2000. See the *Seventh Annual BSA Global Software Piracy Study* (2002). A copy of this document can be downloaded from www.bsa.org/resources/2002-06-10.130.pdf.

¹⁰² www.esafe.co.za/press_forum/bsa1999.html; www.notepage.com/nopiracy.htm.

¹⁰³ See *CCP Record Co (Pty) Ltd v Avalon Record Centre* 1989 1 SA 445 C:448C.

¹⁰⁴ www.esafe.co.za/press_forum/bsa1999.html; www.notepage.com/nopiracy.htm.

¹⁰⁵ www.information.gov.hk/ipd/faq/ip_misc_faq.html. There is a worldwide concern regarding the level of software piracy in South Africa. There is especially a growing US concern with regard to software piracy in South Africa. See Anonymous 1999(a):74. The *International Intellectual Property Alliance* (IIPA) recommended early in 2001 that South Africa be placed on the US Trade Representative (USTR) special 301 watchlist because a) the South African government failed to timeously pass amendments to the *Copyright Act* in order to bring it in line with *TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights)*, the *WIPO Copyright Treaty* and the *WIPO Performances and Phonograms Treaty*; b) the South African government continuously fail to take action in terms of the *Counterfeit Goods Act*; and (c) statistics show that for "every software application sold in SA, one copy is stolen." See Anonymous 1999(b):74; McLeod 1999:80; Anonymous 1995:12; Bodasing 2001(a).

¹⁰⁶ See par 67 of RIAA's complaint in *RIAA et al v Deep et al*. A copy of the RIAA's complaint can be downloaded from www.riaa.com/pdf/aimster_complaint.pdf. It is estimated that worldwide a billion MP3 songs were downloaded in 1999. See McLeod 2000:83. See also *CCP Record Co (Pty) Ltd v Avalon Record Centre (supra)*:448C

¹⁰⁷ See *A&M Records Inc's* complaint in *A&M Records Inc et al v Internet Site Known as Fresh Kutz et al* Civ. No 97-CV-1099H (S.D. Cal. 1997) where the plaintiffs explained this as follows: "A fledging industry in pirated copies of sound recordings thus is emerging on the Internet. In this way, commercially released recordings which otherwise are available for purchase through legitimate channels (e.g., records stores) are being pirated online. Because the Internet offers near instantaneous access worldwide, this conduct is causing and threatens to continue to cause severe and irreparable harm to ... the recording industry generally." A copy of this complaint can be downloaded from <http://home.dti.net/bdpc/amrecords.htm>.

for free from the Internet.¹⁰⁸

3.2. Risks the Internet poses to trade mark proprietors

The Internet is also abused in numerous ways to infringe the rights and interests of trade mark proprietors. The following scenarios do not constitute a *numerus clausus* of trade mark abuses to which the Internet is susceptible but merely serves as an orientation for the chapters to follow:

1) Some Internet users use third parties' digital trade marks on their web pages, without the latter's permission.¹⁰⁹ This poses the risk that the trade mark proprietor can be associated with a web site that is considered controversial.¹¹⁰ It also increases the possibility of consumer confusion: Internet users may assume that the business employing the trade mark is either sponsored by, or affiliated with, the trade mark proprietor.

2) Numerous Internet users have registered the names of well-known trade marks and/or businesses as their own web site addresses, thus depriving trade mark proprietors of the opportunity to establish an online presence using their own names or trade mark names as their web site addresses. Furthermore, such abuse causes confusion and/or deception amongst Internet users.

3) Other Internet users have deliberately employed third party trade mark names to ensure web traffic to their own web sites. Some competitors have abused the Internet as a possible medium for committing both unlawful competition as well as trade mark infringements.

Unauthorised use of a proprietor's trade mark or trade mark name can entail various other dire consequences for the proprietor, such as –

- loss of licensing revenues (i.e. royalties).¹¹¹ Third parties simply refrain from entering into licensing agreements with trade mark proprietor whose trade marks are being abused by third parties;

¹⁰⁸ See Majendie 2001; *Twentieth Century Fox Film Corporation and Another v Anthony Black Films (Pty) Ltd* 1982 3 SA 582 W:585E-F.

¹⁰⁹ Bayne 2001:25.

¹¹⁰ Bayne 2001:25.

¹¹¹ *Federation Internationale De Football and Others v Bartlett and Others* 1994 4 SA 722 T:740B.

- the relevant trade mark's reputation is damaged,¹¹² in the form of either dilution or tarnishment, which, in turn, brings about substantial wasted advertising costs;¹¹³ and
- an inability to establish brand loyalty to his products as a result of the confusion created by the unauthorised use of his trade mark.¹¹⁴

4. CONCLUSION

In conclusion, it can be stated that the Internet can either "encourage entrepreneurship, promote growth, enhance international competitiveness and create the conditions for investment and commitment of resources or it can frustrate entrepreneurs, inhibit growth, restrict competitiveness and undermine the conditions for investment. While the Internet has ensured that a plethora of information and content is available for consumers, researchers and the public at large, a large amount of this information and content is illegal."¹¹⁵

¹¹² See *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son (SA) (Pty) Ltd* 1995 1 SA 725 T:733I.

¹¹³ See *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son (SA) (Pty) Ltd* (*supra*):733I.

¹¹⁴ See *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son (SA) (Pty) Ltd* (*supra*):733I-J.

¹¹⁵ See Library of Congress 2000:64557.

CHAPTER THREE

COPYRIGHT INFRINGEMENTS

1. INTRODUCTION

Copyright law and copyright protection play a vital role in cyberspace seeing that multiple infringements can occur with as much as the click of a mouse button. It is, therefore, crucial that copyright legislation should protect all original digital works.

In this chapter copyright infringements by means of the Internet are discussed. Firstly, prevention techniques employed to protect the interests of copyright proprietors are discussed. Thereafter copyright law is discussed. This is done by firstly observing how copyrights have been infringed in the US by means of computers and the Internet. This is followed by an examination of certain international conventions such as the *Berne Convention*, the *TRIPS agreement* and the *WIPO Copyright Treaty*. The study then turns to the South African copyright law. First, the general principles of the *Copyright Act* are set forth, followed by an application of these principles to scenarios constituting online copyright abuses and/or transgressions. Thereafter certain recommendations are made.

2. PREVENTION AND DETECTION OF COPYRIGHT INFRINGEMENTS

It is necessary to observe the mechanisms employed to protect the interests of copyright proprietors against online infringements. Techniques and mechanisms such as digital rights management and watermarking enable copyright proprietors to control access to and manipulation of their works, and to track their works on the Internet.¹¹⁶

It should further be kept in mind that, even though digital content is protected by copyright legislation, policing the Internet, tracking copyright abusers and holding them liable are extremely difficult seeing that (a) these cyber-abusers employ technological means to remain anonymous on the Internet;¹¹⁷ (b) "pirate" web sites appear and

¹¹⁶ See *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 94.

¹¹⁷ As the *Primer on Electronic Commerce and Intellectual Property Issues* 2000 notes (at par 85): "[T]he Internet, by its very nature, makes anonymity possible, and tools are available, such as anonymous retailer programs and strong encryption technology, that can make it virtually impossible to detect who is at the source of a particular communication, particularly if a deliberate and concerted effort is made by the user to remain unknown".

disappear on the Internet within very short periods of time;¹¹⁸ (c) losses due to such cyber-infringements are, generally speaking, not recoverable seeing that the infringers normally do not have the means to reimburse the copyright proprietors for their losses suffered,¹¹⁹ and (d) copyright infringers are normally scattered throughout the world.

2.1. Digital watermarks (fingerprinting) and watermark agents

"Digital watermarks"¹²⁰ (also known as *fingerprinting*¹²¹) are the newest innovation to safeguard copyright protected material from unlawful copying. Digital watermarks can serve one or more of three purposes, namely a) to identify the copyright owner of the digital data; and/or b) to identify the purchaser (recipient) of the digital information; and/or c) to indicate the usage rights.¹²² Digital watermarks can be used for several different types of media such as text, graphic images and digital audio.¹²³

There are currently two types of digital watermarks:¹²⁴

- a) Visible watermarks (also known as *public watermarks*¹²⁵) which can be perceived by a computer user and clearly identify the owner of the digital data. The purpose of these watermarks is to deter pirates from copying the data and to prove ownership. Visible digital watermarks indicate that the picture is copyright protected and provide contact information for obtaining proper permission for reproduction.
- b) Invisible (transparent) watermarks (also known as *secret watermarks*¹²⁶) which cannot be perceived by the naked eye. Only special software can detect the

¹¹⁸ As explained by Jolish 1999: "[I]t is difficult to find pirate web sites, which crop up and disappear within very short periods of time. Aficionados of pirated music, for example, often use Internet Relay Chat forums to advise each other of short-term postings of illegal music archives ... Thus, search engines which scour the Web for pirated music may often miss these sites."

¹¹⁹ As explained by Jolish 1999: "[E]ven if copyright owners manage to successfully prosecute a case, monetary awards are usually marginal or nil; losses from the period in which the pirate site operated are almost never recoverable".

¹²⁰ Digital watermarking is a form of stenography, i.e. "the art of hiding messages inside other messages." See Sellars 1999.

¹²¹ Isenberg 1998(a).

¹²² Jones 2000; Isenberg 1998(b); Garfinkel & Spafford 1997:13; www.byte.com/art9701/sec18/aert1.html.

¹²³ Jones 2000; Sellars 1999; Greenfield 1999; Isenberg 1998(b):2; Hawkins 1998:91; www.digimarc.com.

¹²⁴ Jones 2000; Greenfield 1999.

¹²⁵ Arnold 2001:21.

¹²⁶ Arnold 2001:21.

watermark. These watermarks are intended to be used in instances of prosecution. The following statement indicates how invisible watermarks function:

"A [digital] watermark can be embedded into an electronic image, for example, by slightly changing the brightness of some of its pixels in a regular or even random pattern. Because the watermarking changes are so slight, the human eye cannot readily detect them. The watermark can be dispersed throughout the image so that it is very difficult to remove even if detected. In the case of text, the same effect can be achieved by slightly varying the spacing between the lines and characters that make up the document. With sounds, watermarking software can disperse messages throughout the sound file that can be read by a computer, but are imperceptible to human ears."¹²⁷

Proponents of digital watermarks allege that these watermarks survive copying, printing, electronic manipulations and transformations into other file types and consequently offer tamper-proof security for intellectual property distributed over the Internet.¹²⁸ Other commentators differ.¹²⁹

A few companies providing watermarking technology also offer tracking services (called *watermark agents*) that allow copyright proprietors to find, in theory, all illegal copies of their works on the Internet and to take appropriate legal steps.¹³⁰ For instance, Digimarc's *MarcSpider* "combs the Web in search of images imbedded with digital watermarks, providing copyright owners with information on where their images appear (with or without permission on the Internet)."¹³¹ However, at present, digital watermark tracking services are of limited use to copyright owners searching for illegal copies of their works on the Internet, when such copies are within sites protected by passwords.¹³²

Therefore the advantages of digital watermarks are:¹³³ a) Protecting the interests of copyright protectors; b) Assuring authenticity and identifying quality; c) Tracing and detecting unauthorised reproduction of images; d) Deterring illegal online copyright infringements; e) Identifying any changes made to the watermarked data; and f) Most

¹²⁷ Hawkins 1998:91-92. See also Garfinkel & Spafford 1997:13; Isenberg 1998(a).

¹²⁸ Hawkins 1998:92.

¹²⁹ Isenberg 1998(b).

¹³⁰ Isenberg 1998(a); Veomett 1997; Greenfield 1999.

¹³¹ Isenberg 1998(b).

¹³² Jones 2000; Isenberg 1998(b).

¹³³ Arnold 2001:21; Jones 2000; Hawkins 1998:93; Isenberg 1998(b); www.digimarc.com.

importantly, from a legal perspective, providing proof that digital content was illegally copied and who the culprit was that initially purchased the data and subsequently distributed it: "[B]ecause each purchaser of the data has a unique watermark embedded in his/her copy, any unauthorised copies that s/he has distributed can be traced back to him/her."¹³⁴ Furthermore, visible digital watermarks can serve as evidence that the alleged copyright infringer knew that the digital data, which he copied, was copyright protected.¹³⁵ However, digital watermarks cannot prevent unauthorised copying and distribution.¹³⁶

2.2. Digital rights management and streaming

Digital rights management (DRM) is electronic technology used to prevent the illegal copying of copyright protected digital material and also ensures that the proprietors of video, audio and text content are compensated.¹³⁷ DRM works in two environments, namely (a) when a computer user purchases digital content, for instance by downloading a music file to his hard drive, or (b) when the user merely uses digital content without acquiring a copy, for instance by merely listening to music over the Internet, without receiving (downloading) an electronic copy.¹³⁸ The latter is known as "streaming".¹³⁹

Generally speaking, DRM works as follows: The digital content as well as the user-usage-rules (defined by the copyright owner), such as access conditions, are electronically packaged (encrypted) together. This is called a digibox container. A computer user purchases and downloads this digibox *via* the Internet. The digibox (also known as a *media file*) contains information such as where the license can be obtained; usually an Internet address.¹⁴⁰

In order to play, use or view the protected content, the user needs a key to decrypt the

¹³⁴ Jones 2000.

¹³⁵ Jones 2000; Lazarus 1997

¹³⁶ Jones 2000; Hawkins 1998:93; Veomett 1997; Lazarus 1997.

¹³⁷ Kontzer 2001.

¹³⁸ www.intertrust.com/main/technology/howsrcmcworks-animation.html.

¹³⁹ When a radio broadcast is streamed over the Internet, such activity is known as "webcasting". See *Bonneville International Corp et al v Marybeth Peters, as Register of Copyrights et al* 153 F.Supp.2d 763 (E.D. Pa. 2001). A copy of this judgment can be downloaded from www.paed.uscourts.gov/documents/opinions/01D0617P.HTM.

¹⁴⁰ See McGarvey 2001; Kontzer 2001; www.microsoft.com/windows/windowsmedia/en/wm7/drm.asp.

information or data. The computer of each user, in order to obtain the key, must subsequently communicate with the designated "clearinghouse", i.e. the provider of the DRM technology. This clearinghouse authenticates the consumer's request for a licence. The clearinghouse then issues an encrypted licence, containing the key necessary to use the digital content, which is not transferable and is unique to the computer that requested the licence.¹⁴¹ DRM, therefore, ensures that only the user that paid for the content can use the downloaded content by requesting the user, after he purchased the content, but prior to downloading the digital content, to provide particular information such as credit card information as well as information concerning his job title, organisational unit, company, etc. This information is then programmed into the user-usage-rules, encrypted in the digibox. The user can then download the digibox. Subsequently, whenever he wants to use the digital content, he is requested to provide certain information, which must correspond with the information contained (encrypted) in the digibox.

Furthermore, the program (called a *rights manager*) used to play, use or activate the digital content is also uniquely linked to the specific computer, which prevents a compromised player from being distributed over the Internet.¹⁴² Each time the user wants to use the digital content, the rights manager checks to see whether the computer user has a licence that allows the specific action. Where the computer user does not have the required licence, he is directed to the relevant licence registration web page.¹⁴³

DRM can, for instance, prevent a document, a music file or an image on a web page from being printed, played or copied without authorisation or can cause such content to expire after a specified time period.¹⁴⁴

In conclusion it may be stated that the purpose of DRM technology is to manage

¹⁴¹ See www.microsoft.com/windows/windowsmedia/en/wm7/drm.asp; www.microsoft.com/windows/windowsmedia/en/wm7/DRM/Overview.asp.

¹⁴² www.microsoft.com/windows/windowsmedia/en/wm7/DRM/Overview.asp.

¹⁴³ www.microsoft.com/windows/windowsmedia/en/wm7/DRM/Overview.asp.

¹⁴⁴ Sanborn 2000; <http://whatis.techtarget.com/definitionsSearchResults/1,289878,sid9,00.html?query=digital+rights+management>. DRM is already applied to DVDs. Some US companies, such as Strand Releasing, lease DVD films by means of the Internet. See www.strandrel.com. The file (also compressed, similar to a MP3 file) is downloaded and paid for by means of the Internet. The lessee can view the film for 5 days, after which the file becomes inaccessible. This is called Video-on-Demand (VOD). See Hansen 2001.

access and use of digital content over the lifetime of the content,¹⁴⁵ by setting-out the viewing, copying and printing rights as well as expiration and deletion rules.¹⁴⁶ DRM, therefore, acts as protection against online piracy of digital content¹⁴⁷ such as e-books, music and business reports.¹⁴⁸

2.3. Audio fingerprinting

Audio fingerprinting technology concerns information that can identify music based on its content.¹⁴⁹ Such technology consists of two phases, namely a) the establishment of a database and b) content identification. These processes are explained as follows, by the *Recording Industry Association of America*:

"1 *Populating the database ...*: A series of sound recordings are presented to a fingerprint generator. This generator processes audio signals in order to generate fingerprints derived uniquely from the characteristics of each sound recording. The fingerprint that is derived from each sound recording is then stored in a database and may be associated with an identifier or other metadata for that particular sound recording.

2 *Content Identification ...*: Audio, in either streaming or file format, is presented to the input of a fingerprint generator. The generator function processes the audio signal to produce a fingerprint. This fingerprint is then used to query the database. If a match is found, the resulting Track ID is retrieved from the database. A confidence level or proximity associated with each match may also be given."¹⁵⁰

This process can be illustrated as follows:

¹⁴⁵ International Data Corporation 2001:5.

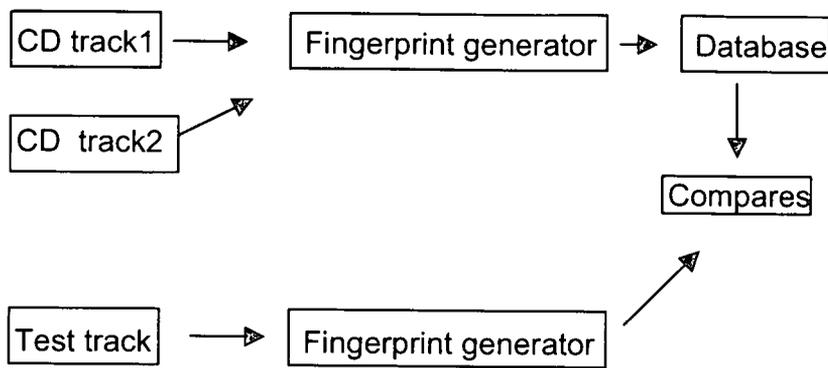
¹⁴⁶ International Data Corporation 2001:18.

¹⁴⁷ www.whatis.com

¹⁴⁸ Pack 2001:24. The WIPO maintains at par 96 of its *Primer on Electronic Commerce and Intellectual Property Issues* 2000 that DRM "contribute significantly to the enforcement of intellectual property rights on the Internet."

¹⁴⁹ RIAA/IFPI 2001:2.

¹⁵⁰ RIAA/IFPI 2001:3.



One of the many purposes of this technology is to identify unlabeled or mislabeled files on the Internet.¹⁵¹ The advantage of the audio fingerprinting methods, compared to watermarking, is that there is no need to add anything to music files.¹⁵²

2.4. Dongles

“Dongles” (also known as *hardware keys*)¹⁵³ are used to protect computer software. This technology works as follows: Say, for instance, “A” purchases MS Office XP on a CD-ROM. In the software package a hardware device, known as a dongle, is included which “A” attaches to his PC’s parallel port, serial port or USB, allowing him to use the software purchased. Each dongle is unique. Without this device, the software program is rendered inaccessible.¹⁵⁴

However, at present these devices are ineffective in that hackers have been able to alter the dongle dependent software so that it will run without the dongle.¹⁵⁵ Other problems with regard to dongles have also been experienced such as malfunction.¹⁵⁶

2.5. Conclusion

It is imperative that the law protects access control and DRM measures/mechanisms in that they serve as incentives to copyright proprietors. They also ensure that these

¹⁵¹ RIAA/IFPI 2001:4.

¹⁵² Grimm & Marshall 2001.

¹⁵³ Van der Merwe 2000:48; Verwey 1999; Van der Merwe 1998:193.

¹⁵⁴ See Lawton 2000:16; Verwey 1999.

¹⁵⁵ Lawton 2000:17.

¹⁵⁶ Library of Congress 2000:64565.

proprietors profit from their exploitations and efforts.¹⁵⁷ In addition, these technological measures have increased the availability of works to the general public.¹⁵⁸

3. COPYRIGHT INFRINGEMENTS – THE AMERICAN EXPERIENCE

Next this study examines numerous US judgments in order to -

- a) observe how computer users employ the Internet to infringe copyright protection in the US; and
- b) observe how US courts apply the existing legal principles to these Internet scenarios.

US provisions regulating copyright protection are also briefly studied. This is necessary in order to fully understand the background against which these cases were decided. Furthermore, this ensures that a proper comparison can be made between US copyright law and South African copyright law.

3.1. US copyright - general

3.1.1. Philosophy underlying copyright legislation

US Courts maintain that the purpose of copyright law is to “create the most efficient and productive balance between protection (incentive) and dissemination of information, to promote learning, culture and development.”¹⁵⁹ For this reason, these

¹⁵⁷ Library of Congress 2000:64567.

¹⁵⁸ Library of Congress 2000:64569.

¹⁵⁹ *Whelan Associates Inc v Jaslow Dental Laboratory Inc* 797 F.2d 1222 (3rd Cir. 1986). A copy of this judgment can be downloaded from www.lawstudents.org/copyright/cases/797F2D1222.html. See also *Gates Rubber Co v Bando Chemical Industries* 9 F.3d 823 (10th Cir. 1993):839 [a copy of this judgment was obtained from Westlaw]; *Sony Corporation of America v Universal City Studios Inc* 464 US 417 (1984) [a copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/464_US_417.htm]. See further *Atari Inc et al v North American Philips Consumer Electronics Corp et al* 672 F.2d 607 (7th Cir. 1982) where the Seventh Circuit of Appeal stated that US copyright law seeks to “encourage individual effort and creativity by granting valuable enforceable rights”. (At 620). Note can also be taken of *Lotus Development Corp v Paperback Software* 740 F.Supp 37 (D. Mass. 1990) where the court maintained that “Congress has granted copyright monopolies to serve the public welfare by encouraging authors (broadly defined) to generate new ideas and disclose them to the public, being free to do so in any uniquely expressed way they may choose.” (At 52). A copy of this judgment was obtained from Westlaw. In *Computer Associates International Inc v Altai Inc* 982 F.2d 693 (2nd Cir. 1992) the Second Circuit of Appeal commented (at 711) that “[t]he interest of the copyright law is not in

courts regard the rewards to the copyright owner as a secondary consideration: "The monopoly created by copyright thus rewards the individual author in order to benefit the public."¹⁶⁰

3.1.2. General copyright provisions

Copyright is regulated in the US by means of the *Copyright Act of 1976* (Title 17).¹⁶¹ A work qualifies for copyright protection when it is a) original¹⁶² and b) "fixed in a tangible medium of expression, now known or later developed, from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."¹⁶³ The categories of works of authorship that may qualify for copyright protection are not exclusive.¹⁶⁴ The Act further provides that copyright protection does not encompass the idea underlying the work.¹⁶⁵ The Supreme Court has also maintained that facts are not copyrightable.¹⁶⁶

simply conferring a monopoly on industrious persons, but in advancing the public welfare through rewarding artistic creativity, in a manner that permits the free use and development of non-protectable ideas and processes."

¹⁶⁰ *Sony Corporation of America v Universal City Studios Inc* (*supra*).

¹⁶¹ 17 USC s 101 *et seq.* A copy of these provisions can be downloaded from www4.law.cornell.edu/uscode/17/index.html.

¹⁶² In *Feist Publications Inc v Rural Telephone Service Co Inc* 499 US 340 (1991) the Supreme Court explained the requirement of originality as follows: "Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity ... To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice ... Originality does not signify novelty; a work may be original even though it closely resembles other works, so long as the similarity is fortuitous, not the result of copying." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=499&invol=340>. See also *Hyperlaw Inc et al v West Publishing Company et al* 158 F.3d 693 (2nd Cir. 1998). A copy of this judgment can be downloaded from www.hyperlaw.com/appeal1.htm.

¹⁶³ S 102(a). According to s 101, a work is "fixed" in a tangible medium of expression "when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." In other words, one must be able to see, feel or hear it. See www.cyber-crew.com/copyright/facts.html.

¹⁶⁴ S 102(a) state that the following works are included: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.

¹⁶⁵ S 102(b) declares: "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless

One only enjoys copyright protection if one's work complies with the requirements of the Act and is subsequently registered at the US Copyright Office.¹⁶⁷ Upon registration a Certificate of Registration is issued, which certificate constitutes *prima facie* evidence of the validity of the copyright and of the facts stated in the certificate.¹⁶⁸

Section 106 grants a copyright owner the following exclusive rights: To -

- reproduce the work in copies;¹⁶⁹
- prepare derivative works¹⁷⁰ based on the copyrighted work;¹⁷¹
- distribute copies of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;¹⁷²
- to perform the work publicly;¹⁷³ and
- to display the work publicly.¹⁷⁴

of the form in which it is described, explained, illustrated, or embodied in such work". Therefore only the expression of an idea is protected, but not the idea self. See *Los Angeles Times v Free Republic* 54 USPQ.2d 1453 (C.D. Cal. 2000). A copy of this judgment can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/LosAngT.html.

¹⁶⁶ *Feist Publications Inc v Rural Telephone Service Co Inc (supra)*. In the US the so-called idea/expression or fact/expression dichotomy applies to all works of expression, which stipulates that "copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work." See *Feist Publications*.

¹⁶⁷ S 408.

¹⁶⁸ S 410(c).

¹⁶⁹ S 106(1). S 101 defines "copy" and "fixed" respectively as "material objects ... in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device" and a "work is 'fixed' ... when it is ... sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."

¹⁷⁰ S 101 provides that a "derivative work" is "a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work'."

¹⁷¹ S 106(2). This is also known as the adaptation right. See Rosini 1998. In *Litchfield v Spielberg et al* 736 F.2d 1352 (9th Cir. 1984) the Ninth Circuit of Appeal noted that a work will only be considered a derivative work if it incorporates in some form a portion of the copyrighted work. (At 1357)

¹⁷² S 106(3).

¹⁷³ S 106(4) &(6). Note that s 106(6) grants copyright proprietors of sound recordings the exclusive right to perform the copyrighted work publicly by means of a digital audio transmission. A motion picture is "performed" whenever its images are shown or its sounds are made audible. See s 101.

Anyone who violates any of these exclusive rights is a copyright infringer.¹⁷⁵ The plaintiff must prove, to prevail on a claim of direct copyright infringement, 1) ownership of a valid copyright and 2) copying of protected elements of the copyrighted work,¹⁷⁶ which constitute a substantial part of the plaintiff's work.¹⁷⁷ A plaintiff establishes "ownership" by demonstrating that the material is "copyrightable" and that he complied

¹⁷⁴ S 106(5). To "display" a work "means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially." See s 101. According to s 101, to perform or display a work "publicly" "means (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times."

¹⁷⁵ S 501(a).

¹⁷⁶ See *Tiffany Design Inc v Reno-Tahoe Specialty Inc* 55 F.Supp.2d 1113 (D. Nev. 1999) [a copy of this judgment can be downloaded from www.spatial.maine.edu/~onsrud/Cases/HTML_Tiffany_Design_Link.htm]; *Scanlon v Kessler et al* 11 F.Supp. 444 (S.D.N.Y. 1998):1694 [a copy of this judgment was obtained from Westlaw]; *Playboy Enterprises Inc v Webbworld Inc et al* 968 F.Supp. 1171 (N.D. Tex. 1997) [a copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Webbworld.html]; *Maronie-FL Inc v NAFED* 983 F.Supp. 1167 (N.D. ILL. 1997) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Marobie_v_NAFED.html]; *Playboy Enterprises Inc v Hardenburgh Inc* 982 F.Supp. 503 (N.D. Ohio 1997) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Hardenburgh.html]; *MiTek Holdings Inc et al v Arce Engineering Co* 89 F.3d 1548 (11th Cir. 1996) [a copy of this judgment can be downloaded from www.law.emory.edu/11circuit/aug96/94-5262.opa.html]; *Lotus Development Corp v Borland International Inc* 49 F.3d 807 (1st Cir. 1995):813 [a copy of this judgment was obtained from Westlaw]; *Playboy Enterprises Inc v Frena et al* 839 F.Supp. 1552 (M.D. Fla. 1993) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html]; *MAI Systems Corporation v Peak Computer Inc* 991 F.2d 511 (9th Cir. 1993) [a copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/991_F2d_511.htm]; *Apple Computer Inc v Microsoft Corp et al* 35 F.3d 1435 (9th Cir. 1994):1442 [a copy of this judgment was obtained from Westlaw]; *Brown Bag Software v Symantec Corp et al* 960 F.2d 1465 (9th Cir. 1992):1472; *Key Publications Inc v Chinatown Pub Enterprise Inc* 945 F.2d 509 (2nd Cir. 1991):514 [a copy of this judgment was obtained from Westlaw]; *Manufacturers Technologies Inc v Cams Inc et al* 706 F.Supp. 984 (D. Conn. 1989):990 [a copy of this judgment was obtained from Westlaw]; *Data East USA Inc v Epyx Inc* 862 F.2d 204 (9th Cir. 1988):206; *Digital Communications Associates Inc v Softklone Distributing Corp* 659 F.Supp. 449 (N.D. Ga. 1987):453; *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al* 797 F.2d 1222 (3rd Cir. 1986):1231; *Atari Inc et al v North American Philips Consumer Electronics Corp et al* 672 F.2d 607 (7th Cir. 1982):614; *Midway Manufacturing Co v Dirkschneider* 543 F.Supp. 466 (D. Neb. 1981):479 [a copy of this judgment was obtained from Westlaw].

¹⁷⁷ *Gates Rubber Co v Bando Chemical Industries* 9 F.3d 823 (10th Cir. 1993):833. A copy of this judgment was obtained from Westlaw.

with the statutory requirements in securing the copyright.¹⁷⁸ Copying, which refers to the infringement of any of the proprietor's five exclusive rights,¹⁷⁹ is generally established by showing the defendant had access to the copyrighted material and that there is a substantial similarity, both in ideas and expression,¹⁸⁰ between the two works.¹⁸¹ Whether such substantial similarity exists, is determined by the criterion of the ordinary reasonable person.¹⁸² A plaintiff can also establish copying, without a

¹⁷⁸ *Playboy Enterprises Inc v Webbworld Inc et al (supra)*.

¹⁷⁹ *Greenwich Workshop v Timber Creations et al* 932 F.Supp. 1210 (C.D. Cal. 1996):1214 [a copy of this judgment was obtained from Westlaw]; *Gates Rubber Co v Bando Chemical Industries (supra)*:832.

¹⁸⁰ The courts require that there must be substantial similarity between the ideas behind the two works and between the expression of the two works. See *Schoolhouse Inc v Anderson et al* 275 F.3d 726 (8th Cir. 2002) [a copy of this judgment can be downloaded from www.ca8.uscourts.gov/opndir/02/01/003939P.pdf]; *Apple Computer Inc v Microsoft Corp et al (supra)*:1442; *Brown Bag Software v Symantec Corp et al (supra)*:1475; *Johnson Controls Inc v Phoenix Control Systems Inc et al* 886 F.2d 1173 (9th Cir. 1989):1176; *Data East USA Inc v Epyx Inc (supra)*:206; *Digital Communications Associates Inc v Softklone Distributing Corp (supra)*:465; *Litchfield v Spielberg et al (supra)*:1356.

¹⁸¹ See *Nihon Keizai Shimbun Inc v Comline Business Data Inc et al* 166 F.3d 65 (2nd Cir. 1999) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/January99/98-78420.html]; *Scanlon v Kessler et al (supra)*:1694; *Warren Publishing Inc v Microdos Data Corp* 115 F.3d 1509 (11th Cir. 1997) [a copy of this judgment can be downloaded from www.law.emory.edu/11circuit/june97/93-8474.op.html]; *MiTek Holdings Inc et al v Arce Engineering Co (supra)*; *Lotus Development Corp v Borland International Inc (supra)*:813; *Apple Computer Inc v Microsoft Corp et al (supra)*:1442; *Brown Bag Software v Symantec Corp et al (supra)*:1472; *Manufacturers Technologies Inc v Cams Inc et al* 706 F.Supp. 984 (D. Conn. 1989):990 [a copy of this judgment was obtained from Westlaw]; *Johnson Controls Inc v Phoenix Control Systems Inc et al* 886 F.2d 1173 (9th Cir. 1989):1176; *Data East USA Inc v Epyx Inc (supra)*:206; *Digital Communications Associates Inc v Softklone Distributing Corp (supra)*:464; *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al (supra)*:1232; *Broderbund Software Inc v Unison World Inc* 648 F.Supp. 1127 (N.D. Cal. 1986):1135 [a copy of this judgment was obtained from Westlaw]; *M Kramer Mfg Co Inc v Andrews* 783 F.2d 421 (4th Cir. 1986):445; *Midway Mfg Co v Strohon* 564 F.Supp. 741 (D.C. ILL. 1983):752 [a copy of this judgment was obtained from Westlaw]; *Atari Inc et al v North American Philips Consumer Electronics Corp et al (supra)*:614; *Midway Manufacturing Co v Dirkschneider (supra)*:482; *Stern Electronics v Kaufmann* 523 F.Supp. 635 (D.C.N.Y. 1981):639 [a copy of this judgment was obtained from Westlaw].

¹⁸² *Mist-On Systems Inc v Gilley's European Tan Spa et al* Civ 02-C-0038-C (W.D. Wis. 2002) [a copy of this judgment can be downloaded from www.jurisnotes.com/Cases/Mist-On.htm]; *Schoolhouse Inc v Anderson et al (supra)*; *Movado Group Inc v Matagorda Ventures Inc et al* 2000 WL 1855120 (S.D.N.Y. 2000) [a copy of this judgment was obtained from Westlaw]; *Apple Computer Inc v Microsoft Corp et al (supra)*:1443; *Computer Associates International Inc v Altai Inc* 982 F.2d 693 (2nd Cir. 1992):713; *Brown Bag Software v Symantec Corp et al (supra)*:1475; *Johnson Controls Inc v Phoenix Control Systems Inc et al (supra)*:1176; *Data East USA Inc v Epyx Inc (supra)*:208; *Broderbund Software Inc v Unison World (supra)*:1137; *Atari Inc et al v North American Philips Consumer Electronics Corp et al (supra)*. The copying must be quantitatively and qualitatively sufficient to support a finding of

showing of access, by showing that "the two works are so strikingly similar as to preclude the possibility of independent creation."¹⁸³ Of necessity, where proof of actual (i.e. direct) copying exists, copyright infringement is established.¹⁸⁴ Furthermore, where one copies a copy of a protected work, one is guilty of copyright infringement.¹⁸⁵ For the purposes of direct infringement, the copyright owner is not required to prove knowledge or intent on the part of the defendant to establish liability.¹⁸⁶ Wilfulness is only relevant to the award of statutory damages.¹⁸⁷

When a copyright protected work is infringed, the court enjoys the power to issue an interdict and/or to award damages as well as attorney's fees.¹⁸⁸ The Act also provides for the forfeiture of the infringing goods: "As part of a final judgment or decree, the court may order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced."¹⁸⁹

infringement. See *Nihon Keizai Shimbun Inc v Comline Business Data Inc et al (supra)*; *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al (supra)*:1245.

¹⁸³ *Playboy Enterprises v Webworld Inc (supra)*. See also *Playboy Enterprises Inc v Hardenburgh Inc (supra)*; *Playboy Enterprises Inc v Frena et al (supra)*; *Midway Manufacturing Co v Dirkschneider (supra)*:482.

¹⁸⁴ *Scanlon v Kessler et al (supra)*:1694; *MiTek Holdings Inc et al v Arce Engineering Co (supra)*; *Lotus Development Corp v Borland International Inc (supra)*:813; *Broderbund Software Inc v Unison World Inc (supra)*:1135; *M Kramer Mfg Co Inc v Andrews (supra)*:445.

¹⁸⁵ *M Kramer Mfg Co Inc v Andrews (supra)*:446.

¹⁸⁶ S 504(c).

¹⁸⁷ *Religious Technology Center et al v Netcom On-line Communication Services Inc et al* 923 F.Supp. 1231 (N.D. Cal. 1995). A copy of this judgment can be downloaded from www.loundy.com/CASES/RTC_v_Netcom.html.

¹⁸⁸ Ss 502, 504 & 505. For the purpose of seeking an interdict, proof of copyright infringement creates a presumption that the copyright holder will suffer irreparable harm. See *Atari Inc et al v North American Philips Consumer Electronics Corp et al (supra)*:620; *Midway Manufacturing Co v Dirkschneider (supra)*:483.

¹⁸⁹ S 503(b). In *Public Service Co of New Mexico v Nexus Energy Software Inc* 36 F.Supp.2d 436 (D. Mass. 1999) the defendant (a BBS operator) made the plaintiff's copyright protected software available on his BBS for downloading, without the latter's permission. The plaintiff sought an order "to have Defendant deliver to Plaintiffs all computer hardware and software used to make and distribute unlicensed or unauthorized copies of the plaintiffs' copyrighted software. The covered items include, but are not limited to, modems, disk drives, central processing units, and all other articles by means of which such unauthorized or unlicensed copies were made." The court held (at 1061) that this request was reasonable. A copy of this judgment was obtained from Westlaw.

It should always be borne in mind that Congress is restricted by the *Constitution* in promulgating copyright legislation. Section 1(8) of the *Constitution* declares that "Congress shall have Power ... To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."¹⁹⁰

3.1.3. Fair use provision

The Act provides for a "fair use" defence, stipulated in section 107, to *prima facie* copyright infringement.¹⁹¹ Section 107¹⁹² provides that "[n]otwithstanding the provisions of sections 106 [exclusive rights in copyrighted works] and 106A [moral rights], the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include -

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;¹⁹³

¹⁹⁰ Stated differently, US copyright law has a constitutional basis. See *M Kramer Mfg Co Inc v Andrews* (*supra*):432; *Digital Communications Associates Inc v Softklone Distributing Corp* (*supra*):454.

¹⁹¹ Fair use has been described by US courts as "limited and useful forms of copying and distribution that are tolerated as exceptions to copyright protection": *Playboy Enterprises Inc v Frena et al* 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html. The fair use defence has also been described as a limitation on the exclusive rights of a copyright owner to reproduce the copyrighted work. See *Los Angeles Times v Free Republic* 54 USPQ.2d 1453 (C.D. Cal. [31/3/] 2000). A copy of this judgment can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/LosAngT.html

¹⁹² It should be mentioned here that the fair use doctrine was first a judge-made doctrine. In 1976 it was given legislative authority by means of the *Copyright Act*. See *Sony Computer Entertainment America Inc v Bleem LLC* 214 F.3d 1022 (9th Cir. 2000). A copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/Sony_v_Bleem.htm.

¹⁹³ This factor investigates whether the new work is "transformative" which means that the new work adds something new "with a further purpose or different character, altering the first with new expression, meaning, or message": *Infinity Broadcast Corp v Kirkwood* 150 F.3d 104 (2nd Cir. 1998). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/July98/97-77640.html. In *Storm Impact Inc et al v Software of Month Club* 13 F.Supp.2d 782 (N.D. ILL. 1998) the court described the purpose of this factor as follows: "This factor directs the courts to examine whether the particular use made of copyrighted material was necessary to the asserted purpose, or whether the defendant's purpose could

- (2) the nature of the copyrighted work;¹⁹⁴
 - (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole;¹⁹⁵ and
 - (4) the effect of the use upon the potential market for or value of the copyrighted work.
- The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."¹⁹⁶

have been accomplished by taking nonprotectible material or less expression." (At 787). A copy of this judgment was obtained from Westlaw. See also *LA Times v Free Republic (supra)*. In *Maronie-FL Inc v NAFED* 983 F.Supp. 1167 (N.D. ILL. 1997) the court noted that where a non-profit organisation uploaded infringing copies of clip arts onto a web page, its conduct could still be considered commercial, even though it did not receive compensation therefor: "It is also undisputed that NAFED uses its Web Page for the commercial purpose of promoting the association (whose members pay dues) and generating advertising revenue. The clip art files enhanced the Web Page and furthered these commercial purposes ... NAFED promoted its Web Page in its publications and specifically referred to the 'full color graphics, photos and other appealing images' on the Web Page." A copy of this judgment can be downloaded from www.louandy.com/CASES/Marobie_v_NAFED.html. In *Playboy Enterprises Inc v Frena et al (supra)* the court added that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright".

¹⁹⁴ This factor "recognizes that creative works are 'closer to the core of intended copyright protection' than mere factual [or informational] works": *Infinity Broadcast Corp v Kirkwood (supra)*. See also *Los Angeles Times v Free Republic (supra)*; *Maronie-FL Inc v NAFED (supra)*; *Storm Impact Inc et al v Software of Month Club (supra)*:789. In *Playboy Enterprises Inc v Frena et al (supra)* the court maintained that "[i]f a work is more appropriately characterized as entertainment, it is less likely that a claim of fair use will be accepted."

¹⁹⁵ This factor "recognizes that the more of a copyrighted work that is taken, the less likely the use is to be fair, and that even a less substantial taking may be unfair if it captures the essence of the copyrighted work": *Infinity Broadcast Corp v Kirkwood (supra)*. See also *Playboy Enterprises Inc v Frena et al (supra)*. Put differently, the amount copied must be reasonable in relation to the purpose of the copying. See *Kelly et al v Arriba Soft Corp et al* 77 F.Supp.2d 1116 (C.D. Cal. 1999) [a copy of this judgment can be downloaded from <http://leon.law.harvard.edu/h2o/property/metatags/ARRIBA.html>]; *Storm Impact Inc et al v Software of Month Club (supra)*:789. The normal rule is that where an entire work is copied, copyright infringement is present and the defence of fair use cannot be upheld. See also *Sega Enterprises Ltd v Maphia* 857 F.Supp. 769 (N.D. Cal. 1994) [a copy of this judgment can be downloaded from www.leepfrog.com/E-Law/Cases/Sega_v_MAPHIA2.html]; *Infinity Broadcast Corp v Kirkwood (supra)*;

¹⁹⁶ This factor "requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also 'whether unrestricted and wide-spread conduct of the sort engaged in by the defendant ... would result in a substantially adverse impact on the potential market' for the original ... it is concerned with secondary uses that, by offering a substitute for the original, usurp a market that properly belongs to the copyright-holder": *Infinity Broadcast Corp v Kirkwood (supra)*. See also *Storm Impact Inc et al v Software of Month Club (supra)*:789; *Playboy Enterprises Inc v Frena et al (supra)*. Furthermore, the enquiry must take account not only of the harm to the original but also of harm to the market for derivative works. See *Video Pipeline Inc v Buena Vista Home Entertainment Inc et al*

As can be gleaned from the above, the examples enumerated as “fair use”, such as criticism, do not constitute a *numerus clausus* and neither do the factors mentioned to determine whether the conduct constitutes “fair use”.¹⁹⁷ The defendant always bears the onus to prove that his conduct is protected by the fair use provision.¹⁹⁸ US courts also tend to look at the cumulative effects of these four factors, without over-emphasising one factor.¹⁹⁹

US courts have motivated the existence of the fair use exception by maintaining that -

- a) “[t]he copyright holder has a property interest in preventing others from reaping the fruits of his labor, not in preventing the authors and thinkers of the future from making use of, or building upon, his advances ... Where the infringement is small in relation to the new work created, the fair user is profiting largely from his own creative efforts rather than free-riding on another’s work.”²⁰⁰
- b) “when the free flow of information is sufficiently vital, it should override the copyright holder’s interest in the exclusive control of the work.”²⁰¹ Courts have further noted that a prohibition on all copying whatsoever would stifle the free flow of ideas without serving any legitimate interest of the copyright holder.²⁰²
- c) “First Amendment concerns are protected by and coextensive with the fair use doctrine.”²⁰³

In general, US courts allow fair use where the defendant’s use benefits the public and furthers the overall purpose of the Act.²⁰⁴ Courts have also sanctioned private use

192 F.Supp.2d 321 (D.N.J. 2002). A copy of this judgment can be downloaded from <http://lawlibrary.rutgers.edu/fed/html/ca00-5236-1.html>.

¹⁹⁷ See *Infinity Broadcast Corp v Kirkwood (supra)*.

¹⁹⁸ See *Infinity Broadcast Corp v Kirkwood (supra)*.

¹⁹⁹ See *Infinity Broadcast Corp v Kirkwood (supra)*; *Religious Technology Center v Lerma et al* 40 USPQ.2d 1569 (E.D. Va. 1995) [a copy of this judgment can be downloaded from www-2.cs.cmu.edu/~dst/Fishman/OT_Fight/brinkema-tro.html].

²⁰⁰ *The New Kids On The Block et al v News America Publishing Inc et al* 971 F.2d 302 (9th Cir. 1992). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/Fisher/integrity/Links/Cases/newkids.html>.

²⁰¹ *Advanced Computer Services of Michigan Inc v Mai Systems Corp* 845 F.Supp. 356 (E.D. Va. 1994). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/ISP/cachec1.html>.

²⁰² *The New Kids On The Block et al v News America Publishing Inc et al (supra)*.

²⁰³ *Nihon Keizai Shimbun Inc v Comline Business Data Inc et al* 166 F.3d 65 (2nd Cir. 1999). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/January99/98-78420.html.

under given circumstances.²⁰⁵

To fully comprehend the US fair use doctrine, reference must be made to the defence of time-shifting. In *Sony Corporation of America v Universal City Studios Inc*²⁰⁶ (also known as the *Betamax* case) the question of law arose whether the appellant, a manufacturer of VCR machines, could be held contributorily liable²⁰⁷ for possible copyright infringements by purchasers of its VCR machines. The Supreme Court answered this question by stating that the law "must strike a balance between a copyright holder's legitimate demand for effective - not merely symbolic - protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses." The court maintained that the appellant's VCR machine could be used for, at least, one commercially significant non-infringing use namely "private, noncommercial time-shifting in the home."²⁰⁸ Time-shifting, according to the court, was merely a *specie* of legitimate fair use.

3.1.4. Contributory and vicarious liability

As mentioned above, direct copyright infringement occurs where the defendant

²⁰⁴ *Advanced Computer Services of Michigan Inc v Mai Systems Corp (supra)*.

²⁰⁵ For example, in *Sony Corporation of America v Universal City Studios Inc* 464 US 417 (1984) the Supreme Court noted (at par 84) that the following conduct constitutes fair use: "Photocopying an old newspaper clipping to send to a friend may be an example; pinning a quotation on one's bulletin board may be another. In each of these cases, the effect on the author is truly *de minimis*. Thus, even though these uses provide no benefit to the public at large, no purpose is served by preserving the author's monopoly, and the use may be regarded as fair." A copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/464_US_417.htm. See also *RIAA et al v Diamond Multimedia Systems Inc* 180 F.3d 1072 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9856727.html>. It should be noted that, unlike the South African *Copyright Act*, the US *Copyright Act* does not expressly authorise private and personal use. However, it is included in the general scope of the fair use doctrine, whenever it complies with the four criteria set by the US *Copyright Act*.

²⁰⁶ *Supra*.

²⁰⁷ Contributory liability is discussed in the next paragraph.

²⁰⁸ Time-shifting, according to the court, "enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch."

violates one or more of the plaintiff's exclusive copyrights.²⁰⁹ In the US the position obtains that someone can be held contributorily or vicariously liable for a third party's copyright infringement.²¹⁰ The Supreme Court has explained vicarious and contributory liability as follows:

"The absence of such express language [penalising contributory and vicarious liability] in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another ... the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual ... publication to the products or activities that make such duplication possible."²¹¹

Contributory infringement is present where a defendant with knowledge of the infringing activity,²¹² which means that he "knows or has reason to know" of the direct

²⁰⁹ *Arista Records Inc et al v MP3Board Inc* 2002 WL 1997928 (S.D.N.Y. 2002) [a copy of this judgment can be downloaded from www.jurisnotes.com/Cases/Arista.htm]; *Maronie-FL Inc v NAFED* 983 F.Supp. 1167 (N.D. ILL. 1997) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Marobie_v_NAFED.html].

²¹⁰ US courts have long recognised that copyright infringement constitutes a tort. Furthermore, these courts have maintained that all those who participate in such an infringement are jointly and severally liable. See *H M Kolbe Co v Shaff et al* 240 F.Supp. 588 (D.C.N.Y. 1965):589 [a copy of this judgment was obtained from Westlaw]; *Ted Browne Music Co v Fowler* 290 F. 751 (2nd Cir. 1923):754 [a copy of this judgment was obtained from Westlaw]. Consequently, the court in the *Kolbe* case maintained that officers and directors who personally participate in such infringements are individually liable. (At 589)

²¹¹ *Sony Corporation of America v Universal City Studios Inc* 464 US 417 (1984). A copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/464_US_417.htm. The concept of contributory liability was further explained by the court in *Screen Gems-Columbia Music Inc v Mark-Fi Records Inc et al* 256 F.Supp. 399 (D.C.N.Y. 1966). The court held that, even though the Act, does not provide for such liability, "[s]ince infringement constitutes a tort, common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy, and the basic common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor is applicable in suits arising under the Copyright Act." (At 403). A copy of this judgment was obtained from Westlaw.

²¹² In *Intellectual Reserve Inc v Utah Lighthouse Ministry Inc et al* 75 F.Supp.2d 1290 (C.D. Utah 1999) the court maintained that "contributory infringement is founded in the tort concept of enterprise liability ... to prevail on its claim of contributory infringement, plaintiff must first be able to establish that the conduct defendants allegedly aided or encouraged could amount to infringement." A copy can be downloaded from <http://eon.law.harvard.edu/h2o/property/metatags/ULM.html>.

infringement,²¹³ induces, assists, causes or materially contributes to the infringing conduct of another.²¹⁴ Participation by the defendant must be substantial.²¹⁵

A defendant is vicariously liable for a third party's copyright infringement if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such infringing activities.²¹⁶ An employer-employee relationship is not required.²¹⁷

3.1.5. Criminal liability

Section 506(a) of Title 17 (also known as the *No Electronic Theft Act of 1997* or, in its abbreviated form, the *NET Act*) regulates criminal liability. It establishes two offences,

²¹³ *Arista Records Inc et al v MP3Board Inc (supra)*; *A&M Records Inc et al v Napster Inc et al* 239 F.3d 1004 9th Cir. 2001:4240 [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=0016401&exact=1>].

²¹⁴ The classic statement of the contributory infringement doctrine in copyright infringement cases can be found in *Gershwin Publishing Corporation v Columbia Artists Management Inc et al* 443 F.2d 1159 (2nd Cir.1971): "[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." (At 1162). See also *Arista Records Inc et al v MP3Board Inc (supra)*; *Perfect 10 Inc v Cybernet Ventures Inc et al* 2002 US Dist Lexis 7333 (C.D. Cal. 2002) [a copy of this judgment can be obtained from Westlaw].

²¹⁵ *Arista Records Inc et al v MP3Board Inc (supra)*; *A&M Records Inc et al v Napster Inc et al (supra)*:4240; *Maronie-FL Inc v NAFED (supra)*; *Sega Enterprises Ltd v Maphia* 857 F.Supp. 769 (N.D. Cal. 1994) [a copy of this judgment can be downloaded from www.leepfrog.com/E-Law/Cases/Sega_v_MAPHIA2.html]. Contributory copyright infringement stems from the notion that one who directly contributes to another's infringement should be held liable. See *Sega Enterprises Ltd v Sabella et al* 1996 US Dist Lexis 20470 (N.D. Cal. 1996) [a copy of this judgment can be downloaded from www.isc.meiji.ac.jp/~sumwel_h/doc/cases/Sega_1995_SD_N-California.htm]; *Fonovisa Inc v Cherry Auction Inc* 76 F.3d 259 (9th Cir. 1996) [a copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/76_F3d_259.htm]. It follows that merely supplying the means to accomplish an infringing activity cannot give rise to the imposition of liability for contributory copyright infringement. See *Arista Records Inc et al v MP3Board Inc (supra)*.

²¹⁶ *Arista Records Inc et al v MP3Board Inc (supra)*; *A&M Records Inc et al v Napster Inc et al (supra)*:4245; *Maronie-FL Inc v NAFED (supra)*. Vicarious liability is grounded in the tort concept of *respondeat superior*. See *Intellectual Reserve Inc v Utah Lighthouse Ministry Inc (supra)*; *Fonovisa Inc v Cherry Auction Inc (supra)*. The *locus classicus* judgment advocating vicarious liability is *Shapiro, Bernstein & Co Inc et al v H L Green Company Inc et al* 216 F.2d 304 (2nd Cir. 1963) where the Second Circuit of Appeal held that "[w]hen the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials – even in the absence of actual knowledge that the copyright monopoly is being impaired ... the purposes of copyright law may best be effectuated by the imposition of liability upon the beneficiary of that exploitation."

namely anyone who -

- a) wilfully infringes copyright for purposes of commercial advantage or private financial gain,²¹⁸ or
- b) wilfully infringes copyright by the reproduction or distribution, including by electronic means, during any 180-day period, of one or more copies of copyrighted works, which have a total retail value of more than \$1 000,²¹⁹

commits an offence.²²⁰

3.1.6. Non-infringements – standardised features

It should be kept in mind that standardised features of graphical interfaces are not copyright protectable.²²¹ US courts have stressed that “[t]he importance of such competition, and thus improvements or extensions of past expressions, should be minimized.”²²² For instance, the court in *Apple Computer Inc v Microsoft Corp*²²³ maintained that the following concepts/features are non-copyright protectable ideas: “[U]se of windows to display multiple images on a computer screen ... (2) use of icons to represent familiar objects from the office environment and facilitate organization of information stored in the computer’s memory; (3) manipulation of icons to convey instructions and to control operation of the computer; (4) use of menus to store information or functions of the computers in a place that is convenient to reach ... (5) opening and closing of objects as a means of retrieving, transferring or storing information.”²²⁴ However, the court added that the artistic expression of the above is protected against alleged copies that are virtually identical to the plaintiff’s.²²⁵

²¹⁷ *Gershwin Publishing Corp v Columbia Artists Management (supra)*:1162.

²¹⁸ S 506(a)(1). Section 101 provides that the term “financial gain” includes “receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works”.

²¹⁹ S 506(a)(2).

²²⁰ However, evidence of reproduction or distribution of a copyrighted work, by itself, is not sufficient to establish wilful infringement. S 506(a).

²²¹ *Apple Computer Inc v Microsoft Corp* 799 F.Supp. 1006 (N.D. Cal. 1992). A copy of this judgment can be downloaded from www.lawstudents.org/copyright/cases/799FSUPP1006.html.

²²² *Apple Computer Inc v Microsoft Corp (supra)*.

²²³ *Supra*.

²²⁴ This statement was confirmed on appeal. See *Apple Computer Inc v Microsoft Corp et al* 35 F.3d 1435 (9th Cir. 1994):1443-1444. A copy of this judgment was obtained from Westlaw.

²²⁵ This statement was also confirmed on appeal, see *Apple Computer Inc v Microsoft Corp et al (supra)*:1447.

3.1.7. Database (compilation of facts) protection

The question arose whether compilations (databases) enjoy copyright protection, seeing that they consist of facts, which, as mentioned above,²²⁶ do not qualify for copyright protection.

Section 101 defines a "compilation" as "a work formed by the collection and assembling of [a] preexisting materials or of data that are [b] selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes [c] an original work of authorship."²²⁷

In *Feist Publications Inc v Rural Telephone Service Co Inc*²²⁸ the Supreme Court stated that factual compilations may possess the requisite originality.²²⁹ The facts do not become copyrightable; however the selection and arrangement of facts are protected, if original. According to the court, this entails that copyright protection for compilations are "thin": "Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement." The court continued to state that not every selection or arrangement of facts will pass the originality test: "[H]owever, the originality requirement is not particularly stringent. A compiler may settle upon a selection or arrangement that others have used; novelty is not required. Originality requires only that the author make the selection or arrangement independently (i.e., without copying

²²⁶ See paragraph 3.1.1 of this chapter.

²²⁷ In *Feist Publications Inc v Rural Telephone Service Co Inc* 499 US 340 (1991) the Supreme Court stated that: "The purpose of the statutory definition is to emphasize that collections of facts are not copyrightable *per se* ... The statute identifies three distinct elements ... At first glance, the first requirement does not seem to tell us much. It merely describes what one normally thinks of as a compilation - a collection of pre-existing material, facts, or data. What makes it significant is that it is not the sole requirement. It is not enough for copyright purposes that an author collects and assembles facts. To satisfy the statutory definition, the work must get over two additional hurdles." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=499&invol=340>. As the Second Circuit of Appeal indicated in *Key Publications Inc v Chinatown Pub Enterprise Inc* 945 F.2d 509 (2nd Cir. 1991) the second and third requirement entails that a compilation will only enjoy copyright protection whenever its selection, coordination or arrangement is sufficiently original or creative. (At 513). A copy of this judgment was obtained from Westlaw.

²²⁸ *Supra*.

²²⁹ The court was of the opinion that the alleged author had to prove the existence of "intellectual production, of thought, and conception."

that selection or arrangement from another work), and that it display some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent.”

The court continued to elaborate upon the issue of protection by stating that these works only receive limited protection due to section 103(b), which provides that “[t]he copyright in a compilation ... extends only *to the material contributed by the author of such work*, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does *not affect* or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the *preexisting material*.”²³⁰ Therefore, facts can be copied freely from an existing compilation. This is supported by section 102(b) which provides that facts are not copyrightable.²³¹

For these reasons the *Feist* court ruled that where the defendant had copied a substantial amount of factual information from the plaintiff’s telephone directory (white pages), the defendant was not guilty of copyright infringement in that (a) he only copied facts and (b) the directory did not qualify for copyright protection because it was “entirely typical”; alphabetically by surname, which is neither original nor creative.²³² The eleventh Circuit of Appeal has expanded this theory by stating that when someone includes in his compilation the entire universe of relevant facts, his compilation is not copyright protected.²³³ Two examples of compilations that lack originality are census data and normal telephone directories.²³⁴

²³⁰ Own emphasis.

²³¹ It provides that “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”

²³² The court held that “Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not ‘ow[e] its origin’ to Rural ... Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them, and would have continued to exist if Rural had never published a telephone directory.” See also *Bellsouth Advertising & Publishing Corp v Donnelley Information Publishing Inc et al* 999 F.2d 1436 (11th Cir. 1993) where the court maintained that “[t]he protection of copyright must inhere in a creatively original selection of facts to be reported and not in the creative means used to discover those facts.” A copy of this judgment can be downloaded from <http://floridalawfirm.com/iplaw/bell2.html>.

²³³ *Warren Publishing Inc v Microdos Data Corp* 115 F.3d 1509 (11th Cir. 1997). A copy of this judgment can be downloaded from www.law.emory.edu/11circuit/june97/93-8474.op.html.

²³⁴ See the *Feist* decision.

In summary, it can be stated that copyright protection afforded to compilations is thin. Only the arrangement, selection and/or coordination are protected from substantial similarity.²³⁵ This means that copyright infringement only occurs where the defendant photocopies the page-by-page arrangement or appearance of another's telephone directory or copies text or graphic material from the advertisements in the directory or the positioning of these advertisements.²³⁶

3.2. Examples of copyright infringements via the Internet

Next, specific copyright infringements unique to the Internet context are discussed. Extensive use is made of quotations in order to illustrate how US courts reasoned and applied their relevant legal principles to Internet scenarios. A further purpose these quotations serve is to act as a reliable source of US jurisprudence.

3.2.1. Peer-to-peer file sharing: MP3 files and other digital content

3.2.1.1. Napster

The facts of *A&M Records Inc et al v Napster Inc et al*²³⁷ were the following: Napster operated a system which permitted the transmission and retention of MP3 files. The Napster service allowed its users to make MP3 music files, stored on their individual computer hard drives, available for copying by other Napster users and further allowed those same users to search for MP3 music files stored on other users' computers, via the Internet. Napster made this possible by providing its MusicShare software for free on its Internet site. It also provided technical support for the indexing and searching of MP3 files. The computer user indicated to the Napster servers which MP3 files were stored on his hard drive, the latter verified this and then created a database of all the files available via this service. The MP3 file remained on the user's hard drive and was never uploaded to Napster's servers. When another user wanted to enquire which MP3 files were available for download, at that specific point in time, he could search for

²³⁵ See *Key Publications Inc v Chinatown Pub Enterprise Inc (supra)*:514. In fact the Second Circuit of Appeal went on to state that compilers operating under different principles of selection are not obligated to repeat factual research already undertaken and completed by others. See p 516.

²³⁶ See *Bellsouth Advertising & Publishing Corp v Donnelley Information Publishing Inc et al (supra)*.

²³⁷ 239 F.3d 1004 (9th Cir. 2001). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=0016401&exact=1>.

the relevant file by means of Napster's search engine. Thereafter, if the user found a MP3 file which he wanted to download, Napster's server would communicate the address of the computer, on which the particular file was stored, to the requesting computer. The latter then used this information to establish a connection with the former and downloaded the file onto his own hard disk.^{238 239}

The plaintiffs were commercial enterprises engaged in the recording, distribution and sales industry of copyright musical compositions and sound recordings. They contended that computer users, using the Napster's service, were guilty of direct copyright infringement in that they were reproducing and distributing copyrighted works by means of the said service. They further submitted that the defendant, Napster, was a contributory and vicarious copyright infringer.²⁴⁰

The Ninth Circuit of Appeals confirmed the court *a quo's* (district court's) judgment:²⁴¹ The users of Napster were guilty of direct infringement in that they violated, at least, two of the plaintiffs' exclusive copyrights, namely the right to reproduce and the right to distribute these files:

"Napster users who upload file names to the search index for others to copy violate plaintiffs' distribution rights. Napster users who download files containing copyrighted music violate plaintiffs' reproduction rights."²⁴²

Napster's first defence was that the conduct of its users did not constitute direct copyright infringement; it constituted, according to them, "fair use". The district court as well as the Ninth Circuit maintained that the users' conduct did not constitute fair use in that such conduct constituted commercial use: The hosting computer would retransmit an original work to an anonymous requester and the latter obtained something he would ordinarily have to pay for.²⁴³ Furthermore, such conduct constituted repeated and exploitative unauthorised copying of copyrighted works, without having to account to the copyright holder.²⁴⁴ In addition, such conduct did not constitute fair use because

²³⁸ 239 F.3d 1004 (9th Cir. 2001):par 4223-4226.

²³⁹ At one stage, Napster had over 65 million users worldwide. See Breyer 2001:64.

²⁴⁰ 239 F.3d 1004 (9th Cir. 2001):par 4222 & 4427.

²⁴¹ *A&M Records Inc et al v Napster Inc et al* 114 F.Supp.2d 896 (N.D. Cal. 2000). A copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dlip/napsteropinion.pdf>.

²⁴² 239 F.3d 1004 (9th Cir. 2001):par 4228.

²⁴³ 239 F.3d 1004 (9th Cir. 2001):par 4231.

²⁴⁴ 239 F.3d 1004 (9th Cir. 2001):par 4231-4232.

the entire song was copied and thus constituted wholesale copying.²⁴⁵ The Ninth Circuit also confirmed the district court's finding that Napster users materially impaired the marketability of the work which was copied, in at least two ways:

"[I]t reduces audio CD sales among college students and it 'raises barriers to plaintiffs' entry into the market for the digital downloading of music.' ... Having digital downloads available for free on the Napster system necessarily harms the copyright holders' attempts to charge for the same downloads."²⁴⁶

Napster also contended that its users downloaded MP3 files to "sample" the music in order to decide whether to purchase the recording. The court maintained that sampling remained a commercial use even if some users eventually purchased the music.²⁴⁷ Furthermore, where record companies provide free downloads, such downloads "consist of thirty-to-sixty second samples or are full songs programmed to 'time out,' that is, exist only for a short time on the downloader's computer ... In comparison, Napster users download a full, free and permanent copy of the recording."²⁴⁸ Likewise, the court confirmed the district court's judgment that "the more music that sampling users download, the less likely they are to eventually purchase the recordings on audio CD" or pay for downloading music files.²⁴⁹

The court rejected Napster's argument that "sampling" increases or tends to increase audio CD sales, by stating that "any potential enhancement of plaintiffs' sales ... would not tip the fair use analysis conclusively in favor of defendant" and the "increased sales of copyrighted material attributable to unauthorized use should not deprive the copyright holder of the right to license the material."²⁵⁰

Napster also contended that its users' "space-shifting" constituted fair use.²⁵¹ The court maintained that the conduct of the Napster users did not constitute "fair use" in that the

²⁴⁵ 239 F.3d 1004 (9th Cir. 2001):par 4232-4233.

²⁴⁶ 239 F.3d 1004 (9th Cir. 2001):par 4233-4236.

²⁴⁷ 239 F.3d 1004 (9th Cir. 2001):par 4236.

²⁴⁸ 239 F.3d 1004 (9th Cir. 2001):par 4237.

²⁴⁹ 239 F.3d 1004 (9th Cir. 2001):par 4237.

²⁵⁰ 239 F.3d 1004 (9th Cir. 2001):par 4238. A similar argument was rejected in *Storm Impact Inc et al v Software of Month Club* 13 F.Supp.2d 782 (N.D. ILL. 1998). A copy of this judgment was obtained from Westlaw. The defendant argued that by distributing the plaintiffs' work without the latter's authorisation, he was benefitting the latter because their sales were greatly enhanced. See p 789-790.

²⁵¹ Space-shifting normally occurs where a user transforms music on his audio CD into a MP3 file, stored on his hard disk or MP3 player.

“shifting” simultaneously involved distribution of the copyrighted material to the general public.²⁵²

Consequently, the court concluded that the computer users’ conduct constituted direct infringement of the plaintiffs’ copyrights. The next question the court addressed was whether Napster was secondarily liable for the direct infringement under two US doctrines of copyright law, namely contributory copyright infringement and vicarious copyright infringement.²⁵³ The court maintained that Napster, by its conduct, knowingly encouraged and assisted the infringement of plaintiffs’ copyrights²⁵⁴ seeing that -

a) it had knowledge, both actual and constructive, of its users’ direct infringement.²⁵⁵

The district court held that Napster had actual knowledge because “(1) a document authored by Napster co-founder Sean Parker mentioned ‘the need to remain ignorant of users’ real names and IP addresses ‘since they are exchanging pirated music’; and (2) the Recording Industry Association of America (‘RIAA’) informed Napster of more than 12,000 infringing files, some of which are still available.”²⁵⁶

The district court found constructive knowledge because -

“(a) Napster executives have recording industry experience; (b) they have enforced intellectual property rights in other instances; (c) Napster executives have downloaded copyrighted songs from the system; and (d) they have promoted the site with ‘screen shots listing infringing files.’”²⁵⁷

The Ninth Circuit further noted that “if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement ... Conversely, absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material.”²⁵⁸

b) it materially contributed to the infringing activity by providing the site and facilities

²⁵² 239 F.3d 1004 (9th Cir. 2001):par 4239.

²⁵³ 239 F.3d 1004 (9th Cir. 2001):par 4240.

²⁵⁴ 239 F.3d 1004 (9th Cir. 2001):par 4240.

²⁵⁵ 239 F.3d 1004 (9th Cir. 2001):par 4241.

²⁵⁶ See 239 F.3d 1004 (9th Cir. 2001):par 4241, footnote 5.

²⁵⁷ See 239 F.3d 1004 (9th Cir. 2001):par 4241, footnote 5.

²⁵⁸ 239 F.3d 1004 (9th Cir. 2001):par 4243-4244.

for direct infringement.²⁵⁹

The next question that faced the Ninth Circuit of Appeal was whether the defendant's conduct (i.e. service) constituted vicarious copyright infringement. The court held that Napster was vicariously liable in that -

- (i) it had a direct financial interest in the infringing activity because "Napster's future revenue is directly dependent upon 'increases in userbase.' More users register with the Napster system as the 'quality and quantity of available music increases.'"²⁶⁰
- (ii) its "ability to block infringers' access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise."²⁶¹ Furthermore, Napster's express reservation of rights policy on its web site was indicative of this right and ability to monitor.²⁶² The court held that Napster failed to exercise the right to prevent the exchange of copyrighted content seeing that it did not police its system's "premises".²⁶³

In the final upshot, the court confirmed the preliminary injunction (interdict) granted by the district court against Napster, but stated that the injunction should be modified to the following: Whenever the plaintiffs give notice to Napster that copyrighted MP3 files are available on its systems, Napster has the duty to disable access to the offending content.²⁶⁴

3.2.1.2. Aimster, Grokster, Musiccity.com & Scour.com

Since the emergence and downfall of Napster, numerous other free file-sharing services have surfaced, such as BearShare,²⁶⁵ KaZaA,²⁶⁶ Morpheus,²⁶⁷ Scour.com,

²⁵⁹ 239 F.3d 1004 (9th Cir. 2001):par 4245.

²⁶⁰ 239 F.3d 1004 (9th Cir. 2001):par 4246.

²⁶¹ 239 F.3d 1004 (9th Cir. 2001):par 4247. This was recently confirmed by the court in *Arista Records Inc et al v MP3Board Inc* 2002 WL 1997928 (S.D.N.Y. 2002). A copy of this judgment can be downloaded from www.jurisnotes.com/Cases/Arista.htm.

²⁶² This policy stated that Napster reserves the "right to refuse service and terminate accounts in [its] discretion, including, but not limited to, if Napster believes that user conduct violates applicable law . . . or for any reason in Napster's sole discretion, with or without cause." See 239 F.3d 1004 (9th Cir. 2001):par 4247.

²⁶³ 239 F.3d 1004 (9th Cir. 2001):par 4248-4249.

²⁶⁴ 239 F.3d 1004 (9th Cir. 2001):par 4255-4256.

²⁶⁵ www.bearshare.com.

Grokster, InfraSearch, iMesh, FreeNet, Hotline, Pointera, Gnutella, Audio Galaxy and CuteMX. Most of these services, functioning exactly on the same basis as Napster did,²⁶⁸ allow their subscribers to share *all types of digital content* such as MP3s, photographs, movie content, software, etc. Some of these services, e.g. Grokster, create a protected zone for piracy by encrypting all the electronic communications within the network to ensure anonymity of its users, and simultaneously ensure that monitoring of copyright infringements is more difficult. The Grokster system differs from the other services in that the four main servers used to run the Grokster service are located in different countries.²⁶⁹

When this thesis was written, the RIAA²⁷⁰ and MPAA²⁷¹ had instituted copyright proceedings against Scour.com²⁷² and Grokster.²⁷³ Similar to the *Napster* case, the RIAA and MPAA submit that the subscribers (Internet users) are guilty of direct copyright infringements, by infringing the copyright owners' right to reproduction as well as their right to distribution, and that the P2P²⁷⁴ file services are guilty of contributory copyright infringements in that they a) facilitate these direct copyright infringements by providing their subscribers with fully integrated infrastructures, facilities and software, b) thus encouraging computer users to make their individual, and previously private, libraries of sound recordings and other digital content available for instantaneous distribution to and copying by other subscribers to these services, and c) consequently intentionally inducing, causing and materially contributing to such unauthorised reproductions and/or distributions of copyright protected content. They further contend that these services are guilty of vicarious copyright infringements in that they a) enjoy the power and ability to police these systems and to supervise and/or control the infringing conduct of their subscribers and therefore to prevent

²⁶⁶ www.kazaa.com.

²⁶⁷ www.musiccity.com.

²⁶⁸ The online content is never copied to their servers; the systems merely create an up-to-date list of the files that are available for download and create a link between the individual who makes his content available and the Internet user who wishes to copy it.

²⁶⁹ Two servers are located in the US, a third one in the Netherlands and a fourth one in the West Indies.

²⁷⁰ An acronym for Recording Industry Association of America.

²⁷¹ An acronym for Motion Picture Association of America.

²⁷² *Twentieth Century Fox Film Corp et al v Scour Inc*. A copy of this complaint can be downloaded from www.mpa.org/Press/ScourComplaint.html.

²⁷³ *Metro-Goldwyn-Mayer et al v Grokster et al* Case no 01-CV-854 (C.D. Cal 2001). A copy of the complaint can be downloaded from <http://news.findlaw.com/cnn/docs/mgm/mgmgrokster100201.pdf>.

²⁷⁴ An acronym for peer-to-peer.

copying and distribution of the infringing copies, which they fail to do; and b) by deriving substantial benefit from these copyright infringements: "In short, Defendants are building a business based on the daily massive infringement that they enable and encourage."²⁷⁵

3.2.1.3. Conclusion

In conclusion it can be stated that the problematic issues concerning P2P file sharing services are that they build their entire businesses on, and profit daily from, massive copyright infringements. Such unlawful conduct not only deprives the copyright owners from receiving due revenue, but also teaches "a generation of consumers that artists and copyright owners have no right to compensation for their work and that music and movie content should be free to anyone", using the Internet.²⁷⁶ Stated differently, P2P file sharing services are "a vehicle for global piracy of copyright protected works."²⁷⁷

3.2.2. Space-shifting

US courts employ the term "space-shifting" to indicate that a particular work is transformed from one medium to another.²⁷⁸ An example is when music on a CD is transformed into MP3 files stored on a computer's hard drive.

3.2.2.1. Scanning

3.2.2.1.1. Scanning copyrighted content

In *Tiffany Design Inc v Reno-Tahoe Specialty Inc*²⁷⁹ the defendant scanned one of the

²⁷⁵ See Wright 2001:58. At least one US commentator, namely Shachtman, is of the opinion that banning file-sharing online entities does not provide a solution to the problem of copyright infringement. He argues that by killing Napster, the RIAA just created bigger problems in that other entities have emerged offering the same or similar services as Napster and that it is impossible and too expensive for the RIAA to litigate against all such entities. He further argues that legitimate entities selling online music or DVDs simply cannot compete with the variety of online downloads that illegitimate entities offer. See Shachtman 2001.

²⁷⁶ See par 4 of complaint in *Twentieth Century Fox Film Corp et al v Scour Inc*. A copy of this complaint can be downloaded from www.techlawjournal.com/courts/scour/20000720com.asp.

²⁷⁷ See par 56 of the complaint in *Twentieth Century Fox Film Corp et al v Scour Inc (supra)*.

²⁷⁸ *UMG Recordings Inc v MP3.Com Inc* 92 F.Supp.2d 249 (S.D.N.Y. 2000). A copy can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/UGM.html.

plaintiff's photos, digitally altered it, and subsequently distributed it as its own product. The court held that the scanning of the photo constituted "copying of original photographic elements." The court continued to state that -

"[t]he prevailing view therefore seems to be that the digitization or input of any copyrighted material, whether it be computer code or visual imagery, may support a finding of infringement notwithstanding only the briefest of existence in a computer's RAM ... This Court finds that Defendant's scanning of the 1998 image and input of this precursor image into its computer, in preparation for further graphic manipulation and insertion into its own works, constitutes an act of copyright infringement as a matter of law."

The court further maintained that the "creation of a scanned precursor image constituted a violation of Plaintiffs' exclusive right to reproduce copyrighted works". In *Movado Group Inc v Matagorda Ventures Inc et al*²⁸⁰ the court also held that scanning copyright protected photographs constitutes copyright infringement.

3.2.2.1.2. Scanning reported judgments in law reports for commercial purposes

In *Hyperlaw Inc et al v West Publishing Co et al*²⁸¹ both the plaintiff and the defendant were involved in publishing law reports. The plaintiff merely scanned the text of judgments,²⁸² as printed in the defendant's law reports, and made this available by means of its CD-ROM products. The plaintiff did not include the defendant's headnotes, which the latter added to its reports. The case therefore dealt with compilations. The question of law, in this declaratory judgment, was whether the plaintiff was guilty of copyright infringement. The plaintiff argued that it merely copied the individual opinions; it did not copy the arrangement of the cases or defendant's indexes.

The court *a quo* aptly summarised the competing policy considerations: "[I]t seems fundamentally unfair to allow Hyperlaw to take advantage of the substantial time and

²⁷⁹ 55 F.Supp.2d 1113 (D. Nev. 1999). A copy can be downloaded from www.spatial.maine.edu/~onsrud/Cases/HTML_Tiffany_Design_Link.htm.

²⁸⁰ 2000 WL 1855120 (S.D.N.Y. 2000). A copy of this judgment was obtained from Westlaw.

²⁸¹ 42 USPQ.2d 1930 (S.D.N.Y. 1997). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/bender1.html. On appeal, the Second Circuit of Appeal confirmed this judgment. See *Hyperlaw Inc et al v West Publishing Company et al* 158 F.3d 693 (2nd Cir. 1998). A copy of this judgment can be downloaded from www.hyperlaw.com/appeal1.htm.

²⁸² US law also prescribes that judgments are not copyright protected works. See s 105.

expense West has invested in its reporters by engaging in wide-ranging copying of the opinions published by West. On the other hand, the opinions published by West are written, not by West, but by federal judges and it seems unfair to say that West can preclude anyone from copying what is basically a government document." The court responded to the issue of copyright infringement by stating that -

"[t]he fact that Hyperlaw scans hundreds of cases rather than a single case does not mean that it is copying 'those aspects of the compilation that embody the original creation of the compiler.' ... West's compilation copyright protects its arrangement of cases, its indices, its headnotes and its selection of cases for publication, but these are not what Hyperlaw is copying. What Hyperlaw is copying is the individual reported decision and the fact that it copies one, two or a thousand decisions does not change the fact that it is the decisions and not West's compilation of those decisions that Hyperlaw is copying."

The question arose whether defendant enjoyed any copyrights in the law reports as derivative works. The court was of the opinion that these works did not constitute derivative works, as original works of authorship:

"The changes that West makes to an opinion that it publishes do not make the reported decision 'independently copyrightable.' If one looks at each opinion as a whole then it seems clear that the changes made by West are trivial indeed. Minor changes to the caption, the identification of judges and information as to the attorneys, together with the insertion of subsequent history, are not sufficient to qualify West's reprints as 'original works of authorship.' "283

Therefore, the defendant did not add anything substantial to the judgments to make them creative or original; it merely rearranged certain given facts such as the docket number, the attorneys' names, etc.²⁸⁴ Other additions were merely mechanical and reflected no level of originality. Therefore the question of fair use did not arise.

²⁸³ The court was of the opinion that it had to look at the significance of each individual change to determine whether the totality of the changes made by West constituted "an original work of authorship."

²⁸⁴ As the Second Circuit stated: "West's choices on selection and arrangement can reasonably be viewed as obvious, typical, and lacking even minimal creativity." The appeal court further stated that "[t]he creative spark [for the purpose of compilations] is missing where: (i) industry conventions or other external factors so dictate selection that any person composing a compilation of the type at issue would necessarily select the same categories of information ... or (ii) the author made obvious, garden-variety, or routine selections". The appeal court concluded that "creativity in selection and arrangement therefore is a function of (i) the total number of options available, (ii) external factors that limit the viability of

3.2.2.2. Internet radio broadcasts

Another example of space-shifting is *Infinity Broadcast Corp v Kirkwood*.²⁸⁵ Although this case does not directly deal with the Internet, it is submitted that it applies with equal force to the Internet where Internet users can listen to radio broadcasts *via* the Internet.

The appellant (Infinity) was a network of radio broadcasters and the copyright holder of the programs broadcast on its stations. The respondent (Kirkwood) allowed subscribers to listen, for a fee, over telephone lines to contemporaneous radio broadcasts, including the appellant's. The appellant averred that the respondent's conduct constituted copyright infringement and requested an interdict restraining the respondent from retransmitting copyrighted material broadcast by its stations. The respondent's defence was that his conduct fell within the scope of "fair use". The court maintained that the respondent's conduct did not fall within the parameters of "fair use" in that:

- a) One's use of copyrighted material "that 'merely repackages or republishes the original' is unlikely to be deemed a fair use". Therefore there was no transformation: "[A]ll Kirkwood does is sell access to unaltered radio broadcasts."
- b) The entire broadcasts were unique and creative, even though it comprised of music and advertisements of which the applicant was not the copyright proprietor.
- c) The court was of the opinion that the potential scope of retransmission was more relevant than evidence of actual retransmission by Dial-Up users: "Dial-Up permits essentially unlimited access to radio broadcasts in the cities in which it has receivers and there is thus the potential for retransmission of entire copyrighted programs." The court also reasoned that "[e]ven if Kirkwood is correct that society benefits from his provision of access to Infinity's broadcasts, he still must justify potentially providing his subscribers with access to every radio station in the cities Kirkwood serves, 24 hours a day, seven days a week."
- d) The court further noted that -

"Kirkwood is selling Infinity's copyrighted material in a market that Infinity, as the

certain options and render others non-creative, and (iii) prior uses that render certain selections 'garden variety.' "

²⁸⁵ 150 F.3d 104 (2nd Cir. 1998). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/July98/97-77640.html.

copyright owner, is exclusively entitled to exploit. Kirkwood does not suppress demand for Infinity's broadcasts in the manner of a reviewer, but instead *replaces* Infinity as the supplier of those broadcasts to meet the demand of his customers. This is precisely the kind of harm the fourth factor aims to prevent ... 'the revenues that Kirkwood generates for himself come not from a market that is only "likely to be developed," but from a market that Infinity currently occupies,' albeit in different form."

Finally, the court concluded that Kirkwood created nothing and advanced no body of knowledge or criticism; he simply took Infinity's unaltered broadcasts and marketed them to a specific clientele.

Similar facts arose in *Mutual Broadcasting Co v Muzak Corp.*²⁸⁶ The defendant received the plaintiff's radio broadcast over the airwaves and then supplied this broadcast *via* telephone to various subscribers at a charge. The court merely stated that plaintiff's copyright had been infringed by defendant and granted an interdict.²⁸⁷

US courts have maintained, with regard to radio broadcasts, that a performance is "no less public because the listeners are unable to communicate with one another, or are not assembled with an enclosure, or gathered together in some open stadium or park or other public place. Nor can a performance ... be deemed private because each listener may enjoy it alone in the privacy of his home."²⁸⁸

It can, therefore, be concluded that if someone rebroadcasts a radio broadcast over the Internet without the copyright proprietor's consent, he will be guilty of copyright infringement in that he will infringe the proprietor's exclusive right to reproduce the work in question as well as his exclusive right to perform the work in public.

²⁸⁶ 30 NYS.2d 419 (Sup. Ct. NY Co. 1941). A copy of this judgment was obtained from Westlaw.

²⁸⁷ 30 NYS.2d 419 (Sup. Ct. NY Co. 1941):420.

²⁸⁸ *Jerome H Remick & Co v American Automobile Accessories Co* 5 F.2d 411 (6th Cir. 1925). A copy of this judgment was obtained from Westlaw. S 101 of the *Copyright Act* provides that "[t]o perform or display a work 'publicly' means (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times."

3.2.2.3. Internet TV broadcasts

In *Twentieth Century Fox Film Corp et al v IcraveTV et al*²⁸⁹ the facts were, extremely simplified, that the plaintiffs owned copyright in numerous theatrical motion pictures as well as TV broadcasts. The defendant offered a service for free over the Internet by which Internet users could digitally record TV broadcastings and subsequently replay them over the Internet. The defendant's service thus acted, more or less, like an "Internet VCR". The digital content was streamed to the Internet user who requested the recording. The defendant received its revenue from online advertisements. The plaintiffs contended that the defendants were guilty of copyright infringement in that they were infringing their (the plaintiffs') rights in their audiovisual works, namely the right to perform and to display these copyrighted works publicly as well as the right to authorise a public performance or display of the said work.²⁹⁰ Defendant raised the defence of fair use: It merely recorded the television broadcast for subsequent viewing.

The court granted a preliminary injunction compelling the defendants to cease their Internet VCR activity.²⁹¹ The court maintained that the defendants' conduct constituted an unauthorised public performance of the plaintiffs' copyright protected works in the US.²⁹²

3.2.2.4. Streaming digital content

3.2.2.4.1. My.MP3.com

The facts of *UMG Recordings Inc v MP3.Com Inc*²⁹³ were the following: Similar to

²⁸⁹ 53 USPQ.2d 1831 (W.D. Pa. 2000). A copy of this judgment can be downloaded from www.mpaa.org/Press/iCrave_Findings.htm. A copy of the complaint can be downloaded from <http://legal.web.aol.com/decisions/dlip/icravecomplaint.pdf>.

²⁹⁰ The defendant denied that viewing by a user was a public performance or constituted a public display.

²⁹¹ A copy of the injunction can be downloaded from www.mpaa.org/Press/iCrave_Permanent_Injunction.htm.

²⁹² Specifically the court noted that "Defendants do so by transmitting (through use of 'streaming' technology) performances of the works to the public by means of the telephone lines and computers that make up the Internet ... This activity violates plaintiffs' rights to perform their works publicly and to authorize others to do so ... These infringements occur in the United States and violate the U.S. Copyright Act".

²⁹³ 92 F.Supp.2d 249 (S.D.N.Y. 2000). A copy can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/UGM.html.

Napster, MP3.com offered the service "My.MP3.com" which it advertised as permitting subscribers to store, customise, and listen to the recordings contained on their CDs from any place where they had an internet connection. To make good on this offer, MP3.com purchased tens of thousands of popular CDs in which plaintiffs held the copyrights, and, without authorisation, copied their recordings onto its computer servers so as to be able to replay the recordings for its subscribers. Specifically, in order to first access such a recording, a subscriber to MP3.com either had to prove that he already owned the CD version of the recording by inserting his copy of the commercial CD into his computer CD-ROM drive for a few seconds or had to purchase the CD from one of MP3.com's co-operating online retailers. Thereafter the subscriber could access, via the Internet, an electronic copy of plaintiffs' recording (made by the defendant MP3.com) from a computer anywhere in the world.

The court was of the opinion that the defendant's conduct constituted *prima facie* copyright infringement: "[I]n actuality defendant is re-playing for the subscribers converted versions of the recordings it copied, without authorization, from plaintiffs' copyrighted CDs." The defendant's sole defence was that its services fell within the scope of "fair use". The court rejected this defence, stating that -

- 1) the purpose of the defendant's services was commercial "for while subscribers to My.MP3.com are not currently charged a fee, defendant seeks to attract a sufficiently large subscription base to draw advertising and otherwise make a profit";
- 2) the defendant merely repackaged the recordings to facilitate their transmission through another medium;
- 3) "the creative recordings here being copied are 'close to the core of intended copyright protection,' ... and, conversely, far removed from the more factual or descriptive work more amenable to 'fair use,' ";
- 4) the entire copyrighted work was available by means of MP3.com for replay; and
- 5) "defendant's activities on their face invade plaintiffs' statutory right to license their copyrighted sound recordings to others for reproduction." The defendants argued that its activities could only enhance plaintiffs' sales, since subscribers could not gain access to particular recordings made available by MP3.com unless they had already purchased, or agreed to purchase, their own CD copies of those recordings. The court found this argument unpersuasive:

"Any allegedly positive impact of defendant's activities on plaintiffs' prior market in no

way frees defendant to usurp a further market that directly derives from reproduction of the plaintiffs' copyrighted works."

The defendant further contended that it provided a useful service to consumers. The court rejected this argument by maintaining that "[c]opyright, however, is not designed to afford consumer protection or convenience but, rather, to protect the copyright holders' property interests ... Stripped to its essence, defendant's 'consumer protection' argument amounts to nothing more than a bald claim that defendant should be able to misappropriate plaintiffs' property simply because there is a consumer demand for it."

3.2.2.4.2. Streaming video content

In *Video Pipeline Inc v Buena Vista Home Entertainment Inc et al*²⁹⁴ the defendants owned copyrights in numerous motion pictures. The plaintiff made, without the defendants' consent, short promotional trailers (i.e. digital video clips)²⁹⁵ of these movies, which the plaintiff made available for the customers of its clients (retailers), for the purpose of promoting sales of these copyrighted motion pictures. Retailers could access the plaintiff's web site and stream the digital preview to their (potential) customers. These previews could not be downloaded. Retail customers could "view these previews while on the retailers' web site by clicking on the 'preview' buttons for a particular motion picture, which links them immediately to VideoPipeline.net, which then 'streams' the video to the customer." The plaintiff received its income for this service from the retailers it served, based upon the number of times that a particular retailer's customers viewed plaintiff's previews. The defendants accused the plaintiff of copyright infringement. The plaintiff subsequently sought a declaratory order that it was not infringing the defendants' copyrights.

The court first stated that the plaintiff's video clips were derivative works.²⁹⁶ Thereafter the court stated that the online streaming of these video clips constituted a public performance:

²⁹⁴ 192 F.Supp.2d 321 (D.N.J. 2002). A copy of this judgment can be downloaded from <http://lawlibrary.rutgers.edu/fed/html/ca00-5236-1.html>.

²⁹⁵ These clips were each approximately 120 seconds.

²⁹⁶ The court noted that "the video clips here are based exclusively on the copyrighted motion picture, and its scenes come entirely from [defendants'] movies. Plaintiff failing to argue to the contrary, and because the clip previews consist entirely of scenes excerpted from [defendants'] copyrighted films, the Court finds that plaintiff's clip previews for this Internet use constitute 'derivative works' under § 106(2)."

"Customers of plaintiff's retailer clients can access the clip previews provided by plaintiff on the Internet. As each clip preview is accessed, scenes from the copyrighted motion picture are transmitted to the individual computer screens, actual points-of-sale in this case, and this replaying of selected scenes from the movie recurs when another of retailer's customers clicks on the appropriate icon. Because transmission of the clip previews to individual computers occurs when any member of the public selects an icon that redirects him or her to Video Pipeline's website, from which the video clips are then shown, such actions by Video Pipeline constitute a 'public performance' under § 106(4)."

The plaintiff averred that its conduct constituted fair use. The court was of the opinion that, due to the following reasons, the plaintiff's conduct did not fall within the parameters of the fair use defence: (1) The plaintiff's previews were not transformative, meaning that they did not add anything new to the defendants' copyrighted works; (2) The plaintiff's conduct was for commercial gain purposes; (3) The defendants' movies were fictional, creative works; (4) Even though the previews were short, they, from a qualitative standpoint, provided a description of the copyrighted movie to potential customers; and (5) With the regard to the last statutory factor, namely the effect of the plaintiff's conduct on the defendants' market for videos, the court was of the opinion that this factor favoured neither party:

"While [plaintiff's] creation of movie previews and allowing its availability online is intended to promote the video sales and rentals of the underlying copyrighted motion pictures, there is also the possibility that potential customers will be discouraged from purchasing or renting certain videos due to the depiction of the movie as provided by [plaintiff's] clip previews ... Moreover, the evidence that Video Pipeline's video previews are low in quality ... also suggests that the market for purchasing or renting the copyrighted motion pictures may be detrimentally affected. While some customers may attribute such flaws to the lack of ability of a particular computer to stream video previews, it is possible that others would attribute the lower quality to the film itself, and thereby discourage its ultimate purchase."²⁹⁷

²⁹⁷ Furthermore, the plaintiff's service competed with the defendants' own online preview clip services.

3.2.2.5. MP3 walkmans

In *RIAA et al v Diamond Multimedia Systems Inc*²⁹⁸ the question arose whether the respondent's MP3 walkman violated the plaintiffs' copyrights. Computer users could copy (space-shift) their MP3 files, stored in their computers, onto the defendant's walkman. The court was of the opinion that the walkman in question did not violate the *Copyright Act*: "The Rio merely makes copies in order to render portable, or 'space-shift,' those files that already reside on a user's hard drive ... Such copying is paradigmatic non-commercial personal use entirely consistent with the purposes of the Act."

Therefore, the court declared that just as television viewers have the right to time-shift, computer users enjoy the right to space-shift, i.e. "they can make additional copies of digital files they have obtained lawfully in order to listen to them in different places."²⁹⁹ Therefore, the consequence of this decision is that "consumers may, for example, legitimately transfer music from their audio CDs to their hard drive, convert the files to MP3 format and either play them on the computer or download copies of the files to the Rio or to other devices",³⁰⁰ provided that such activity can be classified as private and non-commercial use.

However, it remains clear that the unauthorised downloading or playing of pirated MP3 files is not permitted.³⁰¹

3.2.3. Uploading content onto the Internet

3.2.3.1. Direct liability

The question addressed under this heading is whether the unauthorised uploading of copyright protected content onto the Internet constitutes copyright infringement. Several US courts have addressed this question.

In *Religious Technology Center v Lerma et al*³⁰² the respondent scanned parts of the applicant's copyright protected works and posted them on the Internet. The court

²⁹⁸ 180 F.3d 1072 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9856727.html>.

²⁹⁹ Kaplan 1999.

³⁰⁰ Kaplan 1999.

³⁰¹ Kaplan 1999.

maintained that such conduct constituted copyright infringement. The respondent's defence was that this was necessary for the purpose of research. The court rejected this argument, noting that it did "not justify the wholesale copying and republication of copyrighted material," and concluded that "the degree of copying by [respondent] combined with the absence of commentary on most of his Internet postings," was inconsistent with such a defence.

A similar conclusion was reached in *Maronie-FL Inc v NAFED*.³⁰³ The plaintiff was the copyright owner of certain digital clip arts (i.e. computer-stored images). The defendant obtained some of these clip art files "from an unknown source"³⁰⁴ and copied them onto its hard drive as well as its web page. The court maintained that both the copying of the clip arts onto the defendant's hard drive as well as the uploading of the files onto its web page constituted copyright infringement: Such conduct "constitute a violation of [plaintiff's] exclusive right to reproduce the clip art." The placement of the clip art files on defendant's web page also violated the plaintiff's exclusive right to publicly distribute the clip art files. Likewise, the court in *Central Point Software Inc v Nugent*³⁰⁵ held that where the defendant made third parties' software available for download by means of his BBS, without their authorisation, he was guilty of copyright infringement.³⁰⁶ Other courts have reached similar conclusions.³⁰⁷

³⁰² 897 F.Supp. 260 (E.D. Va. 1995). A copy of this judgment can be downloaded from www.eff.org/Censorship/SLAPP/Intprop_abuse/Scientology_cases/brinkema_rtc_washpost_112895.opinion.

³⁰³ 983 F.Supp. 1167 (N.D. ILL. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Marobie_v_NAFED.html.

³⁰⁴ In other words, they constituted unauthorised copies.

³⁰⁵ 903 F.Supp. 1057 (E.D. Tex. 1995). A copy of this judgment was obtained from Westlaw.

³⁰⁶ 903 F.Supp. 1057 (E.D. Tex. 1995):1060.

³⁰⁷ In *State v Perry* 697 N.E.2d 624 (Ohio 1998) the court stated that "[p]osting software on a bulletin board where others can access and download it is distribution ... Unauthorized posting may also be viewed as facilitating unauthorized downloading or copying by a third party and as such is also a violation of the exclusive right of reproduction under the copyright laws." A copy of this judgment can be downloaded from www.lawyersweekly.com/ohsup/970628.htm. See further *Creative Labs Inc et al v Cyrix Corp et al* 42 USPQ.2d 1872 (N.D. Cal. 1997) where the defendants copied plaintiffs' computer software onto their web site and encouraged Internet users to download this software. The court was of the opinion that the defendants committed direct copyright infringement by posting copies of the software on their web site. (At 1875). The court was further of the opinion that the defendants were also "contributorily liable because [they] encouraged and provided the resources for known infringing activity, i.e. the copying by others of the applet software that [they] made available on [their] website." (At 1876). A copy of this judgment was obtained from Westlaw.

In *Playboy Enterprises Inc v Sanfilippo et al*³⁰⁸ the court held that where the defendant, an operator of a web site, gave authorisation to a third party to copy infringing images onto his site, such (third party) uploading is the equivalent of copying by the defendant himself.³⁰⁹

Finally, it should be noted here that where (scanned) copies of the plaintiff's copyrighted photos are displayed on the defendant's web site, it constitutes evidence of direct copying.³¹⁰

3.2.3.2. Liability of BBS and web site owners for third party postings

The question of law arose whether the owners of BBS or web sites can be held liable for infringing copies posted, by their subscribers, on their web sites. In 1993, the court in *Playboy Enterprises Inc v Frena et al*³¹¹ held that these owners were directly liable for such copyright infringements. The facts were that 170 photos, from 50 publications, of the plaintiff were scanned and posted on defendant's web site. The latter was a subscription BBS. The defendant did not personally put these images on his web site; they were posted by his subscription members. The question of law was whether defendant was guilty of direct copyright infringement. The plaintiff was required to prove three requirements namely a) that defendant had access to its photographs; b) that the photographs on defendant's BBS were substantially similar to plaintiff's and c) that defendant infringed one of the plaintiff's exclusive rights.

The court maintained that "[a]ccess to the copyrighted work is not at issue. Access is essentially undeniable because every month PEI sells over 3.4 million copies of Playboy magazine throughout the United States" and furthermore, the relevant photographs on the BBS were identical to plaintiff's copyright protected photographs. The court further held that defendant infringed plaintiff's right of public distribution as well as its right to display its works publicly:

"PEI's right ... to distribute copies to the public has been implicated by Defendant Frena ... There is no dispute that Defendant Frena supplied a product containing

³⁰⁸ 46 USPQ.2d 1350 (S.D Cal. 1998). A copy of this judgment was obtained from Westlaw.

³⁰⁹ 46 USPQ.2d 1350 (S.D Cal. 1998):1353.

³¹⁰ See *Scanlon v Kessler et al* 11 F.Supp. 444 (S.D.N.Y. 1998):1694. A copy of this judgment was obtained from Westlaw.

³¹¹ 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html.

unauthorized copies of a copyrighted work. It does not matter that Defendant Frena claims he did not make the copies itself ... Furthermore, the 'display' rights of PEI have been infringed upon by Defendant Frena ... The concept of display is broad ... It covers 'the projection of an image on a screen or other surface by any method, the transmission of an image by electronic or other means, and the showing of an image on a cathode ray tube, or similar viewing apparatus connected with any sort of information storage and retrieval system.' ... The display right precludes unauthorized transmission of the display from one place to another, for example, by a computer system ... A 'public display' is a display 'at a place open to the public or ... where a substantial number of persons outside of a normal circle of family and its social acquaintances is gathered.' ... A place is 'open to the public' in this sense even if access is limited to paying customers ... Defendant's display of PEI's copyrighted photographs to subscribers was a public display. Though limited to subscribers, the audience consisted of 'a substantial number of persons outside of a normal circle of family and its social acquaintances.' "

Therefore, the court concluded that defendant was guilty of direct copyright infringement: "There is irrefutable evidence of direct copyright infringement in this case. It does not matter that Defendant Frena may have been unaware of the copyright infringement. Intent to infringe is not needed to find copyright infringement. Intent or knowledge is not an element of infringement, and thus even an innocent infringer is liable for infringement ... Defendant Frena infringed Plaintiff's copyrights; specifically, the 170 image files in question".

However, since this judgment was delivered, other US courts have maintained that these web site or BBS operators are not directly liable for such infringements, but only contributorily. Next a discussion of these cases follows in order to ascertain how they resolved these questions of law.

In *Playboy Enterprises Inc v Hardenburgh Inc*³¹² the defendant operated a BBS. Plaintiff accused defendant of direct and/or contributory copyright infringement because 412 digitized images of plaintiff's magazines were found on the defendant's BBS. To increase its stockpile of available information, and thereby its attractiveness to new customers, defendant provided certain incentives to encourage subscribers to upload information onto the BBS. Uploaded files were briefly screened by defendant's employees before they were made available to other subscribers.

³¹² 982 F.Supp. 503 (N.D. Ohio 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Hardenburgh.html.

The defendant's defence was that its subscribers uploaded the said files to the BBS and not its employees and consequently it did not directly infringe the plaintiff's copyrights. Furthermore, the defendant contended that it did not distribute the photographic images to its customers: "[I]t was the customers themselves who chose whether or not to download the GIFs from the central system to their home computer." The defendant further contended that it did not publicly display plaintiff's photographs "because subscribers to the BBS could only view the GIFs on their own computers in the privacy of their own home, and only with the help of certain specialized software." Defendant's final submission and defence was that it was impossible to monitor all photographic images: "[I]t would be unthinkable to require these employees to determine the source of each and every photograph to ensure that there was no possibility of copyright infringement."

The plaintiff's answer to the latter contention was the following: Copyright laws are meant to protect copyright owners from a situation in which their private material is used, without permission, by a non-owner for profit. Defendant profited from a system in which plaintiff's photographs were illegally provided to consumers who did not themselves purchase Playboy Magazine. Instead, these consumers purchased subscriptions to defendant's BBS, and received the Playboy pictures for free. The plaintiff further argued that it was more reasonable, to place the cost of protecting against copyright infringement on the parties who provide the system which facilitates infringement, rather than on the innocent owner of the copyright: "If [defendant] cannot divine an efficient way to operate a computer BBS free of copyrighted material ... then [defendant] have the option of leaving the industry."

The court firstly maintained that direct copyright infringement requires some element of direct action or participation because -

"[f]irst, the statute is cast in terms of activities which are reserved to copyright owners. 17 U.S.C. § 106. It follows that an infringer must actually engage in one of those activities in order to directly violate the statute. Setting up a computer bulletin board is not one of those activities. Merely encouraging or facilitating those activities is not proscribed by the statute. Second, it is the area of contributory liability which allows 'the imposition of liability on certain parties who have not themselves engaged in the infringing activity ... There would be no reason to bifurcate copyright liability into the separate categories of direct and contributory if any remote causal connection to copyright infringement could be analyzed under theories of direct infringement."

The court, however, maintained that the defendant was guilty of contributory infringement in that the facts were "sufficient to establish that Defendants themselves engaged in two of the activities reserved to copyright owners ... Defendants distributed and displayed copies of PEI photographs in derogation of PEI's copyrights. This finding hinges on two crucial facts: (1) Defendants' policy of encouraging subscribers to upload files, including adult photographs, onto the system, and (2) Defendants' policy of using a screening procedure in which RNE employees viewed all files in the upload file and moved them into the generally available files for subscribers. These two facts transform Defendants from passive providers of a space in which infringing activities happened to occur to active participants in the process of copyright infringement ... It is inconsistent to argue that one may actively encourage and control the uploading and dissemination of adult files, but cannot be held liable for copyright violations because it is too difficult to determine which files infringe upon someone else's copyrights."

The court further held that defendant distributed and publicly displayed unlawful copies of plaintiff's photographs:

"In order to establish 'distribution' of a copyrighted work, a party must show that an unlawful copy was disseminated 'to the public.' ... The phrase 'to the public,' in this sense, includes paying subscribers to an otherwise publicly available service ... Defendants disseminated unlawful copies of PEI photographs to the public by adopting a policy in which RNE employees moved those copies to the generally available files instead of discarding them. Similarly, Defendants violated PEI's right of public display. The comment to 17 U.S.C. § 106 states that a display is public if 'it takes place "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances are gathered." ' ... 'The same principles apply whenever the potential recipients of the transmission represent a limited segment of the public, such as the occupants of hotel rooms or the subscribers of a cable television service.' ... Defendants displayed copies of PEI photographs to the public by adopting a policy which allowed their employees to place those photographs in files available to subscribers."

Therefore, the court held that where the defendant encourages Internet users to infringe copyright protection, e.g. by posting images and the defendant subsequently screens these images, it is contributorily liable for copyright infringements by its subscribers.

In *Religious Technology Center et al v Netcom On-line Communication Services Inc et al*³¹³ X infringed plaintiffs' copyrights by posting plaintiffs' works on defendants' BBS. The plaintiffs alleged that defendants were guilty of direct copyright infringement. The court rejected this argument noting that "[t]here are no allegations that [defendants] took any affirmative steps to cause the copies to be made ... There are no allegations in the complaint to overcome the missing volitional or causal elements necessary to hold a BBS operator directly liable for copying that is automatic and caused by a subscriber." Furthermore, the court noted that it -

"is not entirely convinced that the mere possession of a digital copy on a BBS that is accessible to some members of the public constitutes direct infringement by the BBS operator. Such a holding suffers from the same problem of causation as the reproduction argument. Only the subscriber should be liable for causing the distribution of plaintiffs' work, as the contributing actions of the BBS provider are automatic and indiscriminate ... Where the BBS merely stores and passes along all messages sent by its subscribers and others, the BBS should not be seen as causing these works to be publicly distributed or displayed."³¹⁴

However, the court held defendants liable for contributory infringement because after the plaintiffs notified them of X's copyright infringing conduct, the defendants failed to respond and, consequently, their conduct constituted substantial participation because they permitted other Internet users to access the infringing material, whilst having the

³¹³ 923 F.Supp. 1231 (N.D. Cal. 1995). A copy of this judgment can be downloaded from www.loundy.com/CASES/RTC_v_Netcom.html.

³¹⁴ The court further reasoned that "it does not make sense to hold the operator of each computer liable as an infringer merely because his or her computer is linked to a computer with an infringing file. It would be especially inappropriate to hold liable a service that acts more like a conduit, in other words, one that does not itself keep an archive of files for more than a short duration. Finding such a service liable would involve an unreasonably broad construction of public distribution and display rights. No purpose would be served by holding liable those who have no ability to control the information to which their subscribers have access, even though they might be in some sense helping to achieve the Internet's automatic 'public distribution' and the users' 'public' display or files ... it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet." The court finally stated that it did "not find workable a theory of infringement that would hold the entire Internet liable for activities that cannot reasonably be deterred. Billions of bits of data flow through the Internet and are necessarily stored on servers throughout the network and it is thus practically impossible to screen out infringing bits from noninfringing bits. Because the court cannot see any meaningful distinction (without regard to knowledge) between what Netcom did and what every other Usenet server does, the court finds that Netcom cannot be held liable for direct infringement."

ability to stop the infringing conduct.

Therefore, the court held the defendants contributorily liable even though they neither encouraged copyright infringements nor made it easier for Internet users to find the infringing material posted on their web site, as the defendant in the *Hardenburg* case did. According to the court, where the defendant knows that the content on his web site or BBS infringes the plaintiff's copyrights, which knowledge he may acquire by means of a notice from the plaintiff, and subsequently fails to remove these images, his conduct constitutes substantial participation and therefore contributory infringement.

In *Sega Enterprises Ltd v Sabella et al*³¹⁵ the defendants operated a BBS, which allowed subscribers to upload and download electronic content. Some of the subscribers uploaded copies of plaintiff's games to defendants' BBS. The court held that defendants were not liable for direct copyright infringements seeing that they neither directly uploaded or downloaded these files nor directly caused them to be uploaded or downloaded. Only the subscribers committed direct copyright infringements.

However, the court held that the defendants were guilty of contributory infringements in that they knowingly provided facilities for the infringement of copyrights: "Sabella provided the BBS as a central depository site for the unauthorized copies of games, and allowed subsequent distribution of the games by user downloads. She provided the facilities for copying the games by providing, monitoring, and operating the BBS software, hardware, and phone lines necessary for the users to upload and download games." The court went on to state that even if "substantial participation" was required, the defendants would still be guilty:

"Sabella did more than provide the site and facilities for the known infringing conduct. She provided a road map on the BBS for easy identification of Sega games available for downloading. Through the same THE SEWER LINE BBS medium, she offered copiers for sale to facilitate playing the downloaded games ... Moreover, Sabella's business ... provided limited free downloading of games to customers who had purchased copiers, and advertised that the downloading was provided so they could start their 'collection of games.' "

The court also maintained that defendants had reason to know that the content on their

³¹⁵ 1996 US Dist Lexis 20470 (N.D. Cal. 1996). A copy of this judgment can be downloaded from www.isc.meiji.ac.jp/~sumwel_h/doc/cases/Sega_1995_SD_N-California.htm.

BBS was infringing the plaintiff's copyright protection. Similar facts arose in *Sega Enterprises Ltd v Maphia*³¹⁶ and the court came to a similar conclusion.³¹⁷

Therefore where the defendant provides facilities that can be used for copyright infringement and he or she knows that those facilities are being used to infringe third parties' copyrights, the defendant is contributorily liable.

With regard to third party liability, the case of *Playboy Enterprises v Webbworld Inc et al*³¹⁸ is noteworthy. The defendant operated an adult web site. A computer user could, after paying the prescribed subscription fee, obtain access to this web site. Several of plaintiff's copyrighted photographic images were found on this web site. The plaintiff alleged that defendant was guilty of copyright infringement. One of the defendant's defences was that it had no control over the persons who posted the infringing images to the adult newsgroups from which defendant obtained its material. The court simply stated that -

"[w]hile this may be true, [defendant] surely has control over the images it chooses to sell on [its] website. Even the absence of the ability to exercise such control, however, is no defense to liability. If a business cannot be operated within the bounds of the Copyright Act, then perhaps the question of its legitimate existence needs to be addressed."

The case *Los Angeles Times v Free Republic*,³¹⁹ which concerned the posting, not of games or pornographic content but, of news articles, is also noteworthy. The plaintiff was a newspaper publisher who made copies of its articles freely available online. A

³¹⁶ 857 F.Supp. 769 (N.D. Cal. 1994). A copy of this judgment can be downloaded from www.leepfrog.com/E-Law/Cases/Sega_v_MAPHIA2.html.

³¹⁷ The court stated that: "[The defendant] provided the BBS as a central depository site for the unauthorized copies of games, and allowed subsequent distribution of the games by user downloads. He provided the facilities for copying the games by providing, monitoring, and operating the BBS software, hardware, and phone lines necessary for the users to upload and download games ... [Furthermore he] actively solicited users to upload unauthorized games, and provided a road map on his BBS for easy identification of Sega games available for downloading. Additionally, through the same MAPHIA BBS medium, he offered copiers for sale to facilitate playing the downloaded games ... Thus, [the defendant's] role in the copying, including providing facilities, direction, knowledge, encouragement, and seeking profit, amounts to a *prima facie* case of contributory copyright infringement."

³¹⁸ 968 F.Supp. 1171 (N.D. Tex. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Webbworld.html.

³¹⁹ 54 USPQ.2d 1453 (C.D. Cal. 2000). A copy of this judgment can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/LosAngT.html or <http://freeconservatives.com/policy/judgement2.html>

user would, however, pay to view archived articles. The plaintiff's web site also produced advertising and licensing revenue as a result of third parties paying the plaintiff to display their digital banners on its web site. The defendant operated a BBS whose members used the site to post entire texts of news articles. Amongst these were *verbatim* copies of the plaintiff's articles, to which they added remarks or commentary. The defendant also posted copyrighted articles on its BBS. Amongst these were articles from the plaintiff's web site. The plaintiff contended that the unauthorised copying and posting of its articles on the defendant's web site constituted copyright infringement, which, in turn, resulted in financial losses in that a) advertising revenue was diminished due to fewer Internet users visiting its web site, and b) less archived articles were sold. The defendant's defence was that the copying of news articles onto their web site was protected by the fair use doctrine.

The court firstly held that the defendant was guilty of copyright infringement. With regard to the articles that the defendant's employees posted on its own web site, defendant was guilty of direct copyright infringement. With regard to the copyright infringements by defendant's subscribers, the court held that defendant was contributorily liable: "Here, there is no doubt that members' posting of full-text copies of plaintiffs' articles to the Free Republic website constitutes copyright infringement. Robinson, and through him, Free Republic, have induced and contributed to this infringing activity by providing guidelines and instructions for posting, and by actively encouraging full-text copying."³²⁰ With regard to the fair use defence, the court held that:

- a) The defence of fair use was not available in that exact copies of whole or substantial portions of the plaintiff's articles were posted on the defendant's web site. Consequently the "articles posted there serve as substitutes for the originals found on plaintiffs' websites or in their newspapers."
- b) The defence of criticism was not available seeing that when the copies were posted by the defendant on its web site, it contained little or no commentary. The users added comments.³²¹ Furthermore, because entire or substantial copies were

³²⁰ *Los Angeles Times v Free Republic* (C.D. Cal. [31/7/] 2000). A copy of this judgment can be downloaded from www.techlawjournal.com/courts/freerep/20000731ord.asp.

³²¹ The facts of *Religious Technology Center v Netcom On-Line Communication Services Inc* 923 F.Supp. 1231 (N.D. Cal. 1995) were identical to the facts of the case under discussion. The court came to the conclusion that the defence of criticism was not available for the same reasons enumerated in the

posted on the Internet, the extent of copying exceeded what was necessary for the purpose of review or criticism.

- c) "Defendants do not generate revenue or profits from posting plaintiffs' articles on the Free Republic website. At most, they derive indirect economic benefit by enhancing the website's cachet, increasing registrations, and hence increasing donations and other forms of support ... it is more appropriate to conclude that, while defendants do not necessarily 'exploit' the articles for commercial gain, their posting to the Free Republic site allows defendants and other visitors to avoid paying the 'customary price' charged for the works." The court also maintained that the posting of the plaintiff's articles served the same purpose for which licenses are sold.
- d) The defendant's posting of the plaintiff's articles caused detriment to the plaintiff's market in that the defendant's copies of the plaintiff's articles constituted a substitute for the latter: Fewer people visited the plaintiff's web site and paid the fee the plaintiff charged for retrieving an article from its archives. The court noted that as the copyright holders plaintiffs had the right to control access to the said articles. The defendant's conduct also reduced the number of people visiting the plaintiff's site, and thus caused the latter to lose advertising revenue calculated on the number of hits their web site received.
- e) Even if defendant's web site created a demand for the plaintiff's works, such opinion constituted no defence.

The only factor which favoured the defendant was that the plaintiff's articles were predominantly factual. However, the court maintained that copying the articles *exactly* as they appeared on the plaintiff's web site, virtually ousted this factor in that the expression of ideas and facts are protected by copyright law.

3.2.3.3. Liability of verification services

In *Perfect 10 Inc v Cybernet Ventures Inc et al*³²² the plaintiff operated a web site as well as sold a magazine that featured nude models. Cybernet, the main defendant, operated an age and content verification service: Pornography web sites would enrol the services of the defendant. The defendant then ensured that these web sites

LA Times case. A copy of this judgment can be downloaded from www.loundy.com/CASES/RTC_v_Netcom.html.

³²² 2002 US Dist Lexis 7333 (C.D. Cal. 2002). A copy of this judgment was obtained from Westlaw.

complied with its guidelines, such as displaying no child pornography and further refraining from displaying the same celebrity picture too many times on their web sites. After these web sites complied with the defendant's criteria, the defendant would include these web sites within its "Adult Check" service. An Internet user would pay a fee to the defendant to gain access to its Adult Check service, whereafter he had access to all these web sites. The defendant would then pay a commission fee to the web sites visited by its paying Internet customers. Many of these web sites infringed the plaintiff's copyrights in its pornographic photos. The plaintiff alleged that the defendant was guilty of direct, contributory and vicarious copyright infringement.

The court held that the defendant was not guilty of direct copyright infringement in that it did not directly participate in the infringing activities of the aforementioned web sites. With regard to the issue of contributory liability, the court firstly noted that the defendant knew that infringing content was displayed on these web sites in that third parties had provided it with actual notice of a large number of alleged infringements. Next the court maintained that the defendant's materially contributed to the infringing activity:

"[Defendant] markets the Adult Check brand through advertising, it pays webmasters commissions directly based upon the number of Adult Check users that register through the site, it provides technical and content advice, it reviews sites, and it attempts to control the quality of the 'product' it presents to customers as a unified brand. [Defendant's] entire business model is premised on harnessing the competitive pressures between individual webmasters into a cooperative system that benefits the webmasters by increasing the overall value to consumers. [Defendant's] role in this system is crucial, and its profits accordingly, only paying out approximately 1/2 of each subscriber's payments to the participating websites for each of its users, who access the system close to 2 million times a day."

Accordingly, the defendant was guilty of contributory liability. With regard the question whether the defendant was guilty of vicarious liability, the court firstly held that the defendant had a direct financial interest in the web site operators' conduct.³²³

³²³ In particular, the court noted that "all money associated with these websites flow directly to [Defendant] before some of it is returned to the individual site owners as 'commissions' ... The income derived from each website is directly based on the site's initial popularity. The more consumers appreciate the content of a page, the more money [Defendant] receives. [Defendant's] income stream pays no regard to a site's respect for copyright or lack thereof. Additionally, [Defendant] depends on content to attract consumers."

Furthermore, the court held that due to the fact that the defendant enjoyed the right and ability to monitor the content of the above-mentioned web sites,³²⁴ it was vicariously liable.

3.2.4. Uploading content onto the network

In *Religious Technology Center v F.A.C.T.NET Inc et al*³²⁵ the plaintiff alleged that the defendants were guilty of copyright infringement in that they scanned copies of plaintiff's unpublished religious works³²⁶ and subsequently uploaded the works to the private sections of their computer library, without making them available to the public. Stated differently, the defendants copied the plaintiff's works onto their computer network. The court held that "[c]opying of this sort by Defendants falls within the well-established limitation on the exclusive right of copyright ownership". The defendant raised fair use as a defence, which the court upheld:

"Defendant's use of the materials was not with the intention of depriving the planned publication of its full impact. Further, no evidence was presented as to the effect of the Defendants' copying of the Works upon the potential market for them ... The alleged copying by the Defendants was not of a commercial nature. Rather, it was made for non-profit purposes to advance understanding of issues concerning the Church which are the subject of ongoing public controversy."

Therefore the court was of the opinion that because the defendants' reproduction of the plaintiff's work onto their computer network did not commercially harm the latter, their conduct fell within the ambit of the fair use defence.

3.2.5. Copying of headlines and headings

On the premises of *Bellsouth Advertising & Publishing Corp v Donnelley Information*

³²⁴ The court noted that "[Defendant] has a monitoring program in place. Under this program, participating sites receive detailed instructions regarding issues of layout, appearance, and content. [Defendant] has refused to allow sites to use its system until they comply with its dictates. Most importantly, it monitors images to make sure that celebrity images do not oversaturate the content found within the sites that make up Adult Check ... It forbids certain types of images ... [Defendant] not only has the right to terminate webmasters at will, it controls consumer access, and promotes its services."

³²⁵ 901 F.Supp. 1519 (D. Colo. 1995). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/rtc-fact.html.

³²⁶ These works were only made available to certain religious followers.

*Publishing Inc et al*³²⁷ it can safely be stated that where A copies B's typical heading structure and uses a similar one on the Internet, A is not guilty of copyright infringement. In this case defendant copied information from the plaintiff's yellow pages, including headings. The court maintained, in the context of compilations, that where the plaintiff's "heading structure" of a classified business directory is dictated by functional considerations and common industry practice, such heading structures are not copyrightable in that they lack originality.³²⁸

A similar issue arose in *Schoolhouse Inc v Anderson et al.*³²⁹ Both parties published information about schools in certain districts. The appellant published its information in a magazine and the respondent their information on a web site. Unlike appellant, respondents did not publish information on all area schools in a single table. Instead, the latter's web site provided a list of school districts with links to information on each school. When an Internet user clicked on a school district, the web site took the user to a page of information respondents had compiled exclusively on that district. Both products covered many of the same topics such as information on the population of schools, classes offered, etc. In total, 64 topics covered by the respondents' web site included 56 of the 76 topics listed in the appellant's table. The appellant alleged that the respondents created their web site by copying the selection and arrangement of topics in its (the appellant's) magazine.

The Eighth Circuit of Appeal noted that appellant's table on public schools was a factual compilation. The court further held that not too much reliance should be placed on the fact that 56 of respondents' 64 topics are also included in the appellant's table: "The ratio used by Schoolhouse suggests that Anderson obtained many of his topics from Schoolhouse's table, but it does not establish that Anderson's website is substantially similar to Schoolhouse's table 'as a whole work.' A better measure of this relationship is the ratio of the topics Anderson and Schoolhouse have in common to the total number of topics in the Schoolhouse table." Moreover, the court observed that the topics (headings) did not deserve copyright protection:

"A great deal of the overlap between Schoolhouse's table and Anderson's website is

³²⁷ 999 F.2d 1436 (11th Cir. 1993) A copy of this judgment can be downloaded from <http://floridalawfirm.com/iplaw/bell2.html>.

³²⁸ The court stated that these headings "represent such an obvious label for the entities appearing under these headings as to lack the requisite originality for copyright protection."

the result of Schoolhouse's comprehensive approach to reporting data. For example, the topics in the 'Athletic' section of Schoolhouse's 1996 public schools table comprise all of the seventeen sports that are generally available in local high schools. For purposes of compiling such a table, there is nothing original about simply selecting all of the generally available sports. Similarly, nearly all of the topics selected by Schoolhouse, such as school district population, number of pupils, pupil/staff ratio, and particular classes offered, convey facts that parents obviously consider important in selecting a school for their children. When such topics are removed from the comparison, it is clear that the selection of topics in Anderson's website is not substantially similar to the selection of topics in Schoolhouse's table. The arrangement of the topics in the two works is not substantially similar either. As the district court observed, the respective formats of Anderson's website and Schoolhouse's table are quite dissimilar. It is true that Anderson and Schoolhouse group many of their topics under similar headings, such as 'Classes Offered' and 'Certified Staff.' Such headings, however, are obvious labels for these categories and therefore lack originality ... Nor does copyright law protect Schoolhouse's grouping of individual topics. There is nothing original about placing 'French,' 'Spanish,' and 'German' within the category of 'Classes Offered,' or the other decisions Schoolhouse made in grouping topics together."

The court concluded that although there were some objective similarities in the ideas expressed by appellant's table and respondents' web site, the two works express their ideas so differently that ordinary, reasonable minds could not find them substantially similar. The selection and the arrangement of facts by appellant in its magazine table were not substantially similar to the selection and the arrangement of facts on respondents' internet web site. It is submitted that the ultimate reason why the court rejected the copyright infringement claim was because the appellant's table of information lacked originality.

3.2.6. Virtual search engines and thumbnails

A "virtual search engine" functions on the same premises as a normal search engine.³³⁰ The Internet user keys in a search query at the designated place of the search engine's web site. Whereas one employs a normal search engine to find text and information in the Internet, one uses a virtual search engine to find pictures on the Internet. Further, unlike normal search engines which return hit lists, consisting of

³²⁹ 275 F.3d 726 (8th Cir. 2002). A copy of this judgment can be downloaded from www.ca8.uscourts.gov/opndir/02/01/003939P.pdf.

³³⁰ Discussed in paragraph 7 of chapter 1.

hyperlinks to "relevant" web sites/pages, the virtual search engine returns small pictures, called *thumbnails*, of the "relevant" pictures it found on the Internet. When the user clicks on one of these pictures, the virtual search engine, similar to a normal search engine, deep-links³³¹ the user directly to the third party's web page where the full picture is displayed.

In *Kelly et al v Arriba Soft Corp et al*³³² the defendant operated a virtual search engine on the Internet. The court explained how the defendant's virtual search engine functioned:

"Like other Internet search engines, it allows a user to obtain a list of related Web content in response to a search query entered by the user. Unlike other Internet search engines, defendant's retrieves images instead of descriptive text. It produces a list of reduced, 'thumbnail' pictures related to the user's query ... By 'clicking' on the desired thumbnail, an Arriba Vista user could view the 'image attributes' window displaying the full-size version of the image, a description of its dimensions, and an address for the Web site where it originated. By clicking on the address, the user could link to the originating Web site for the image. The defendant's search engine ... works by maintaining an indexed database of approximately two million thumbnail images. These thumbnails are obtained through the operation of [the defendant's] 'crawler,' a computer program that travels the Web in search of images to be converted into thumbnails and added to the index. [The defendant's] employees conduct a final screening to rank the most relevant thumbnails and eliminate inappropriate images."

When *some* of these thumbnail images were clicked on, they were enlarged into full-size images by means of inline linking. This means that the images were displayed as if they were part of defendant's web page, although they were not copied onto the defendant's web site. Other thumbnail images could not be enlarged from the defendant's web site. The plaintiff, a photographer, complained that 35 of his photographic images were indexed by the defendant's crawler and included in the latter's image database. As a result, these images were made available in thumbnail form to users of the defendant's virtual search engine. The plaintiff sued for copyright infringement. The defendant averred that the display of copyrighted images by any virtual search engine on the Internet constituted fair use.

³³¹ The concept "deep-linking" is discussed below in paragraph 3.2.12. of this chapter.

³³² 77 F.Supp.2d 1116 (C.D. Cal. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/metatags/ARRIBA.html>.

The court maintained that *prima facie* copyright infringement was present in that the defendant reproduced and displayed plaintiff's images in thumbnail form without authorisation. However, the court found that fair use was present in that -

- although the defendant operated his web site for a commercial purpose, the plaintiff's images did not represent a significant element of that commerce, nor were they exploited in any special way: The crawler obtained large numbers of images from numerous sources without seeking authorisation and consequently the use of the plaintiff's images was somewhat incidental.³³³
- the defendant's use of the plaintiff's images were transformative in nature.³³⁴ The court observed that the "defendant's use is very different from the use for which the images were originally created. Plaintiff's photographs are artistic works used for illustrative purposes. Defendant's visual search engine is designed to catalog and improve access to images on the Internet ... The character of the thumbnail index is not aesthetic, but functional; its purpose is not to be artistic, but to be comprehensive."³³⁵
- it was necessary for a virtual search engine to copy images in their entirety so that users could recognise them. Therefore, the "[d]efendant's copying would likely be reasonable in light of its purposes."³³⁶
- the plaintiff failed to prove any harm or adverse impact by providing evidence about the decrease of traffic to his web sites or negative effects on his business.³³⁷

When this case went on appeal, the Ninth Circuit of Appeal³³⁸ maintained that the "creation and use of the thumbnails in the search engine is a fair use, but the display of

³³³ The appeal court also agreed with this statement. See *Kelly et al v Arriba Soft Corp et al* 280 F.3d 934 (9th Cir. 2002);par 1963. A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055521p.pdf>.

³³⁴ The appeal court also agreed with this conclusion. See *Kelly et al v Arriba Soft Corp et al (supra)*:par 1963.

³³⁵ The appeal court confirmed this finding. See *Kelly et al v Arriba Soft Corp et al (supra)*:par 1963.

³³⁶ The appeal court also agreed with this statement. See p 1967.

³³⁷ Plaintiff alleged that the "[d]efendant's search engine also enabled users to 'deep link' directly to the pages containing retrieved images, and thereby bypass the 'front page' of the originating Web site. As a result, these users would be less likely to view all of the advertisements on the Web sites or view the Web site's entire promotional message."

³³⁸ *Kelly et al v Arriba Soft Corp et al (supra)*.

the larger image is a violation of Kelly's exclusive right to publicly display his works.³³⁹ The court of appeal maintained that defendant's thumbnails constituted fair use because (1) the defendant's thumbnails served a totally different function than the plaintiff's images, (2) it was unlikely that anyone would use the thumbnails as a substitute for the original images, (3) the public benefited by the search engine type offered by the defendant,³⁴⁰ and (4) the thumbnails did not harm the market for plaintiff's images.³⁴¹

However, with regard to the defendant's act of inline linking – that is that when a user clicked on some of these thumbnails the defendant created larger images - the court held a different opinion. The court first stated that inline linking (as well as framing³⁴²) does not entail copying, "but, rather, importing them directly from [defendant's] web site", and further does not constitute copyright infringement based on the reproduction of copyrighted works.³⁴³ Such activities, according to the court, infringed the plaintiff's exclusive right to display his works publicly due to the fact that the defendant was displaying the plaintiff's work, without his permission, publicly by means of the inline link.³⁴⁴ The court further held that a "display is public even if there is no proof that any of the potential recipients was operating his receiving apparatus at the time of the transmission. By making Kelly's images available on its web site, Arriba is allowing public access to those images. The ability to view those images is unrestricted to

³³⁹ 280 F.3d 934 (9th Cir. 2002):par 1958.

³⁴⁰ 280 F.3d 934 (9th Cir. 2002):par 1964-1966. The court stated (at 1966) that "[t]he thumbnails do not stifle artistic creativity because they are not used for illustrative or artistic purposes and therefore do not supplant the need for the originals. In addition, they benefit the public by enhancing information gathering techniques on the internet."

³⁴¹ 280 F.3d 934 (9th Cir. 2002):par 1968. The court stated (at 1968-1969) that "Arriba's use of Kelly's images in its thumbnails does not harm the market for Kelly's images or the value of his images. By showing the thumbnails on its results page when users entered terms related to Kelly's images, the search engine would guide users to Kelly's web site rather than away from it. Even if users were more interested in the image itself rather than the information on the web page, they would still have to go to Kelly's site to see the full-sized image. The thumbnails would not be a substitute for the full-sized images because when the thumbnails are enlarged, they lose their clarity. If a user wanted to view or download a quality image, he or she would have to visit Kelly's web site ... Arriba's use of Kelly's images also would not harm Kelly's ability to sell or license his full-sized images. "

³⁴² Framing is discussed in paragraph 3.2.9.1 of this chapter.

³⁴³ 280 F.3d 934 (9th Cir. 2002):par 1969.

³⁴⁴ 280 F.3d 934 (9th Cir. 2002):par 1970.

anyone with a computer and internet access."³⁴⁵ Furthermore, by allowing the public to view plaintiff's copyrighted works while visiting defendant's web site, the latter created a public display of plaintiff's works.³⁴⁶ The defendant raised the defence that it was not proved that anyone ever saw the images and therefore there was no display. The court answered this by stating that "Arriba made the images available to any viewer that merely visited Arriba's site. Allowing this capability is enough to establish an infringement; the fact that no one saw the images goes to the issue of damages, not liability."³⁴⁷

In conclusion the appeal court stated that defendant was directly liable for copyright infringement because it "actively participated in displaying Kelly's images by trolling the web, finding Kelly's images, and then having its program inline link and frame those images within its own web site. Without this program, users would not have been able to view Kelly's images within the context of Arriba's site. Arriba acted as more than a passive conduit of the images by establishing a direct link to the copyrighted images."³⁴⁸ Therefore, the defendant committed copyright infringement. The final question was whether the defendant could raise fair use as a defence. The court was of the opinion that the defendant's full-size images did not constitute fair use in that (1) they supplanted the plaintiff's product as a source and therefore harmed plaintiff's market;³⁴⁹ (2) they did not serve another purpose such as the thumbnails did; and (3) the defendant displayed the full images.³⁵⁰

³⁴⁵ 280 F.3d 934 (9th Cir. 2002);par 1971. The court based this contention on the definition of "publicly", as defined in s 101: "to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered".

³⁴⁶ 280 F.3d 934 (9th Cir. 2002);par 1972.

³⁴⁷ 280 F.3d 934 (9th Cir. 2002);par 1972.

³⁴⁸ 280 F.3d 934 (9th Cir. 2002);par 1974.

³⁴⁹ At 1976-1977 the court stated: "Users will no longer have to go to Kelly's web site to see the full-sized images, thereby deterring people from visiting his web site. In addition, users would be able to download the full-sized images from Arriba's site and then sell or license those images themselves, reducing Kelly's opportunity to sell or license his own images. If the display of Kelly's images became widespread across other web sites, it would reduce the number of visitors to Kelly's web site even further and increase the chance of others exploiting his images. These actions would result in substantial adverse effects to the potential markets for Kelly's original works."

³⁵⁰ The court stated that "while it was necessary to provide whole images to suit Arriba's purpose of giving users access to the full-sized images without having to go to another site, such a purpose is not legitimate". (At par 1976)

3.2.7. Viewing infringing content (browsing) in contrast to copying it

As pointed out above, when an Internet user copies copyright protected content from the Internet, without the copyright proprietor's consent, he violates the *Copyright Act*. The question arose whether a computer user who merely views copyrighted content, in contrast to copying it, is guilty of copyright infringement. To this question, US courts have unanimously answered in the affirmative. The following cases illustrate how these courts came to this conclusion.

The entire dispute whether viewing copyright protected content constitutes copyright infringement, started in 1993 with *MAI Systems Corporation v Peak Computer Inc.*³⁵¹ The facts were that respondent (Peak) serviced (i.e. maintained) the computers of its customers, the latter using appellant's (MAI's) software as their operating systems. The appellant argued that when the respondent serviced its customers' computers, by switching their computers on and subsequently loading the computers' operating system into the computers' memory, for the purpose of diagnosing these systems, respondent committed copyright infringement in that the latter was not allowed to view the software. The Ninth Circuit held that -

" 'copying' for purposes of copyright law occurs when a computer program is transferred from a permanent storage device to a computer's RAM ... 'the loading of copyrighted computer software from a storage medium (hard disk, floppy disk ...) into the memory of a central processing unit ("CPU") causes a copy to be made. In the absence of ownership of the copyright or express permission by license, such acts constitute copyright infringement.' ... it is generally accepted that the loading of software into a computer constitutes the creation of a copy under the Copyright Act."

It appears further that the court based its decision on the fact that the software license between appellant and its customers did not allow for the use or copying of the appellant's software by third parties and, consequently, the court held that "any 'copying' done by Peak is 'beyond the scope' of the license." The court further maintained that a fixed copy of the software programs was made by the respondent, when diagnosing/maintaining the computer systems: "[B]y showing that Peak loads the software into the RAM and is then able to view the system error log and diagnose the problem with the computer, MAI has adequately shown that the representation created

³⁵¹ 991 F.2d 511 (9th Cir. 1993). A copy can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/ISP/cachec2.html>.

in the RAM is 'sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.' "

In 1994 MAI also instituted copyright proceedings against Advanced Computer Services in *Advanced Computer Services of Michigan Inc v Mai Systems Corp*³⁵² on similar grounds. The court held that when a copyrighted program is loaded from a storage device to a computer's memory, copying occurs: "This language supports a reading of the Act that recognizes that electrical impulses of a program in RAM are material objects, which, although themselves imperceptible to the ordinary observer, can be perceived by persons with the aid of a computer ... Once a software program is loaded into a computer's RAM, useful representations of the program's information or intelligence can be displayed on a video screen or printed out on a printer. And this can be done virtually instantaneously once loading is completed. Given this, it is apparent that a software program residing in RAM is 'stable enough to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.' " The court further maintained that when the software is loaded during the booting-up phase of a computer, copying also occurs. The defendant raised fair use as a defence. The court maintained that 1) the relevant software was copied into memory for the purpose of providing computer maintenance service, which constitutes commercial use, 2) the relevant software was creative, 3) when the defendant booted its clients' computers up, the software was copied in its totality, and 4) the copyright owner of the software would be harmed financially by the unauthorised copying of the program into the computer's memory.³⁵³

In 1995 three different courts addressed this issue: Two district courts and one circuit of appeal. The facts of *Central Point Software Inc v Nugent*³⁵⁴ were similar to those in the above case studies. The court merely stated that "[c]opying [may be established] if [the plaintiff] can demonstrate that the software has been reproduced in a computer's memory without permission."³⁵⁵ *Religious Technology Center et al v Netcom On-line*

³⁵² 845 F.Supp. 356 (E.D. Va. 1994). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/ISP/cachec1.html>

³⁵³ The court argued that the plaintiff was financially harmed because the defendant drew custom away from it. The plaintiff and defendant were the only entities that could service computers running on the plaintiff's software.

³⁵⁴ 903 F.Supp. 1057 (E.D. Tex. 1995). A copy of this judgment was obtained from Westlaw.

³⁵⁵ 903 F.Supp. 1057 (E.D. Tex. 1995):1059.

Communication Services Inc et al,³⁵⁶ on the other hand, was the first judgment to address the issue of browsing.³⁵⁷ The court held that browsing constitutes *prima facie* copyright infringement, but is protected by the fair use defence: "Absent a commercial or profit-depriving use, digital browsing is probably a fair use; there could hardly be a market for licensing the temporary copying of digital works onto computer screens to allow browsing. Unless such a use is commercial, such as where someone reads a copyrighted work online and therefore decides not to purchase a copy from the copyright owner, fair use is likely. Until reading a work online becomes as easy and convenient as reading a paperback, copyright owners do not have much to fear from digital browsing and there will not likely be much market effect ... Additionally, unless a user has reason to know, such as from the title of a message, that the message contains copyrighted materials, the browser will be protected by the innocent infringer doctrine, which allows the court to award no damages in appropriate circumstances. In any event, users should hardly worry about a finding of direct infringement; it seems highly unlikely from a practical matter that a copyright owner could prove such infringement or would want to sue such an individual."

In the third case, *Triad Systems Corp et al v Southeastern Express et al*,³⁵⁸ the Ninth Circuit had another opportunity to resolve the issue whether loading a program into the computer's memory, for servicing purposes, constitutes copying. The plaintiff manufactured specific computers and provided unique software for its computers. The plaintiff sold these software products subject to a license agreement stipulating that the purchaser was prohibited from allowing third parties from using the software. The defendant maintained and services these computers. The plaintiff, as in the *MAI* case, contended that the defendant was guilty of copyright infringement. The court, relying on the *MAI* judgments, held that defendant's "activities are 'copying' for purposes of the Copyright Act ... Because [defendant's] service activities involved copying entire programs, there is no doubt that protected elements of the software were copied." With regard to the defendant's defence of fair use, the court held that this defence did not apply to the facts:

"Southeastern is simply commandeering its customers' software and using it for the

³⁵⁶ 923 F.Supp. 1231 (N.D. Cal. 1995). A copy of this judgment can be downloaded from www.loundy.com/CASES/RTC_v_Netcom.html.

³⁵⁷ The facts are set out in paragraph 3.2.3.1 of this chapter.

³⁵⁸ 64 F.3d 1330 (9th Cir. 1995). A copy of this judgment can be downloaded from www.eff.org/Legal/Cases/triad_v_southeastern_64f3d1330_decision.html.

very purpose for which, and in precisely the manner in which, it was designed to be used. As a result, the copies made by Southeastern while servicing Triad computers have undoubtedly diminished the value of Triad's copyright ... As the district court reasoned: 'If ISOs like Southeastern freely used Triad's copyrighted software on a widespread basis to compete with Triad, this would likely cause a significant adverse impact on Triad's licensing and service revenues and lower returns on its copyrighted software investment.' To allow Southeastern to use Triad's software as it wishes would cause Triad to lose licensing revenues from the ISOs, who 'have a substantial motivation to obtain access' to Triad's software ... In short, we detect no appreciable public benefit arising from Southeastern's practice to justify this continuance under the fair use doctrine."

The court went on to state that plaintiff "invented, developed, and marketed its software to enable its customers and its own technicians to service [plaintiff's] computers. [Defendant] is getting a free ride when it uses that software to perform precisely the same service. [Plaintiff] is entitled to licensing fees from [defendant] and other ISOs that make use of [plaintiff's] software in servicing [plaintiff's] computers."

In 1998 *Stenograph LLC v Bossard Associates Inc et al*³⁵⁹ followed. The question of law was whether the plaintiff succeeded in establishing that the defendant *copied* his software. The defendant obtained a copy of relevant software from one of the plaintiff's employees, without paying the purchasing price. The court firstly stated that "[t]he copying must be beyond the scope of a license possessed by the defendant." The court proceeded to state that -

"[a]s an analytical matter, there are two different ways to describe the impermissible 'copying' that occurred in this case. First, it can be concluded, quite simply, that copying occurred when appellants installed and used the software for the principal purposes for which it was intended. Alternatively, following a line of analysis adopted by a number of courts, it can be concluded that appellants copied the software when it was booted up for use for its principal purposes, and thereby loaded into RAM. These two theories may be two ways of saying the same thing; but in either of them, the jury's verdict against appellants was fully justified ... The language of the Copyright Act, case law, and common sense support the proposition that the installation of software onto a computer results in 'copying' within the meaning of the Copyright Act."

The court also stated, *obiter*, that a defendant might claim that he or she used only

³⁵⁹ 144 F.3d 96 (D.C. Cir. 1998). A copy of this judgment can be downloaded from www.ll.georgetown.edu/Fed-Ct/Circuit/dc/opinions/97-7049a.html.

those elements of a software program that are common to other programs and, therefore, by themselves, not copyrightable: "In such a case, it might be argued that such limited use of the software by the defendant does not support an action for infringement, because the limited use did not cause any of the software's protected elements to be reproduced into RAM."

In 1999, the court in *Intellectual Reserve Inc v Utah Lighthouse Ministry Inc*³⁶⁰ went further and maintained that "[w]hen a person browses a website, and by so doing displays the [copyright protection material], a copy of [it] is made in the computer's random access memory (RAM), to permit viewing of the material. And in making a copy, even a temporary one, the person who browsed infringes the copyright ... [a]lthough this seems harsh, the Copyright Act has provided a safeguard for innocent infringers. Where the infringer 'was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages' ".

Finally, in 2000 the Ninth Circuit of Appeal tacitly maintained in *Sony Computer Entertainment America Inc v Connectix Corp*³⁶¹ that when computer code (i.e. a computer program) is loaded (copied) into the memory (RAM) of a computer, for the purpose of reverse engineering, copyright infringement occurs.

A few US commentators have raised criticism against these judgments. For example, Grossman & Rigamonti contend that viewing web pages does not constitute copyright infringement. Their argument warrants full quotation:

"Browsing is viewing. Viewing a Web page does not differ from viewing a page of any printed book that is publicly accessible. However, the passive act of viewing a copy of a copyrighted work has never implicated the copyright laws, as copyright protection was never intended to provide complete control over all possible uses of a work. Accordingly, viewing is not one of the enumerated exclusive uses assigned to the copyright owner by 17 U.S.C. § 106. One rationale for this is the copyright owner's ability to control 'viewing' indirectly, because he or she can control the making, the distribution, the public performance, and the public display of the copy being viewed.

³⁶⁰ 75 F.Supp.2d 1290 (C.D. Utah 1999). A copy can be downloaded from <http://eon.law.harvard.edu/h2o/property/metatags/ULM.html>. See paragraph 6.2.8 of this chapter for the facts of this case.

³⁶¹ 203 F.3d 596 (9th Cir. 2000). A copy of this judgment can be downloaded from www.law.cornell.edu/copyright/cases/203_F3d_596.htm.

As a result, someone is always liable for copyright infringement when 'unauthorized' viewing occurs; however, that someone is not the viewer, but rather the person who provides the copy. The fact that viewing does not involve copyright laws has two important implications. First, it is irrelevant what is viewed, i.e. whether the copy being viewed is authorized or not. Even in the case of an unauthorized public display of a copy, it is not the person who privately views the copy who is liable for copyright infringement, but the person who displays the copy. In the Internet context, it is the person who uploads a copy who is liable for copyright infringement, not the person who views it. Second, it is equally irrelevant how the viewing occurs, i.e. what technology is used. Whether the bare eyes, binoculars, microscopes, or computers are used to view the copy makes no difference. As a matter of consistency, the same activity should not be treated differently just because a different viewing technology is used. Applied to the Internet, this means that viewing Web pages should not implicate the copyright laws at all ... The court ... should conclude that viewing alone does not implicate any of the exclusive rights reserved to the copyright owner".³⁶²

Three additional considerations may be advanced. These judgments, especially the *MAI* cases, entail that no computer business can service the computers of its business rival, where the client installed the rival's software. Furthermore, depending on the applicable licence, all businesses will infringe Microsoft's copyright in Windows, whenever they diagnose their clients' computers for (possible) errors. Secondly, as the district court stated in *State v Perry*,³⁶³ "third-party users, whether authorized or unauthorized, are not parties to the licensing agreement and generally cannot be bound by its terms. Copyrights are rights 'against the world,' but a licensing agreement affects only its parties and, as such, any licensing agreement involving the software would be between the copyright owner and the purchaser."³⁶⁴ Consequently, it is irrelevant whether the licence between the client and the software developer allows or prohibits third parties from servicing the former's computer. This contract has no bearing on the third party who only services the client's computer. Finally, defendant's temporary use of plaintiff's software in maintaining its customers' computers and in diagnosing a computer problem, constitutes fair use of the latter's software, "allowing the technician to view the systems error log, which is part of the operating system,

³⁶² Grossman & Rigamonti 1998.

³⁶³ 697 N.E.2d 624 (Ohio 1998). A copy of this judgment can be downloaded from www.lawyersweekly.com/ohsup/970628.htm.

³⁶⁴ See also *Procd Inc v Zeidenberg et al* 86 F.3d 1447 (7th Cir. 1996): "[C]opyright is a right against the world. Contracts, by contrast, generally affect only their parties". A copy of this judgment can be downloaded from www.law.emory.edu/7circuit/june96/96-1139.html.

thereby enabling the technician to diagnose the problem."³⁶⁵

3.2.8. Notice on web page indicating where infringing material or software can be downloaded

The question arose whether the operator of a specific web site is liable for copyright infringement where he indicates, by means of his web site, where copyright infringing content can be downloaded or obtained from.

In *Intellectual Reserve Inc v Utah Lighthouse Ministry Inc et al*³⁶⁶ the salient facts were that the defendants infringed the plaintiff's copyright directly by posting substantial portions of its copyrighted material on the former's web site. The plaintiff obtained an interdict compelling the defendants to remove the electronic material from its web site. However, after the defendants were ordered to remove the material from their web site, they inserted a notice on their own web site indicating three web sites where the material, that they were ordered to remove, could be obtained. Defendants also posted e-mails on their web site encouraging browsing of those web sites, printing copies of the copyrighted material and sending it to others. There was no direct relationship between the defendants and the individuals responsible for the three web sites in question. The plaintiff averred that the defendants were, by reason of their web site notices, guilty of copyright infringement.

Due to the lack of direct relationship (the defendants were neither compensated by the owners of the three web sites nor were they providing the copyrighted material to the latter), the court held that the defendants did not contribute to the infringing action of those who operated the infringing web sites. Consequently, the defendants were not directly liable for the conduct of the three web site operators merely because they referred Internet users to those web sites.

The next question of law was whether the defendants were contributorily liable for the actions of those browsing the three infringing web sites. As noted earlier,³⁶⁷ US courts maintain that when someone views (displays on his computer screen) a web page containing infringing material, the viewer is guilty of copyright infringement. The court

³⁶⁵ Quoted from the *MAI Systems Corporation v Peak Computer Inc* judgment.

³⁶⁶ 75 F.Supp.2d 1290 (C.D. Utah 1999). A copy can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/IntRes.html.

³⁶⁷ See paragraph 3.2.7 of this chapter.

held that the defendants, by means of their conduct, encouraged the infringement of plaintiff's copyrights and consequently maintained that the defendants were guilty of contributory copyright infringement in that they knowingly induced, caused or materially contributed to third party infringements of plaintiff's copyright.

In *Arista Records Inc et al v MP3Board Inc*³⁶⁸ the defendant established a web site, located at www.mp3board.com, where it operated a search engine that provided a search engine to Internet users assisting them in locating MP3 files from publicly available web sites. The search engine created and organized links to the MP3 files. The defendant's web site further provided a tutorial instructing Internet users on how to locate and download these files. Many of these MP3 files were alleged to be pirated copies. However, none of these alleged infringing files were located on the defendant's web site. Furthermore, the defendant solicited Internet users to post links, on its web site, where such MP3 files could be located. In addition, the defendant provided a link³⁶⁹ to a third party's web site where Internet users could store audio files online. The defendant's web site also featured a "message board" where users could post song requests, to which the defendants' employees would respond: These employees would personally search for links to songs and then post these links on the "message board". They would also solicited other users to provide the requested MP3 files. The plaintiffs instituted action for contributory and vicarious copyright infringement, alleging that the defendant facilitated the infringement of its (the plaintiffs') copyrights.

The court held, more or less, that the Internet users committed direct copyright infringement. The court further maintained that the defendant's above-mentioned conduct constituted sufficient evidence of substantial participation, for the purpose of contributory liability:

"[F]rom which a factfinder could determine that MP3Board engaged in an overall course of conduct which materially contributed to copyright infringement ... Not only could a jury find that MP3Board provided the facilities to promote infringing activity ... but also that it directly assisted users in locating and downloading infringing files ... Viewed in totality, the record companies have introduced evidence that [defendant played an] active role in facilitating its users' copying constituted substantial material participation in infringement."

³⁶⁸ 2002 WL 1997928 (S.D.N.Y. 2002). A copy of this judgment can be downloaded from www.jurisnotes.com/Cases/Arista.htm.

³⁶⁹ The court failed to state whether such a link either constituted a deep-link or a hyperlink.

With regard to the question whether the defendant knew or should have known that it assisted the Internet users in infringing third parties' copyrights, the court held that the names which the Internet users gave the above-mentioned "links" constituted probative value of constructive knowledge, namely that the defendant should have known that the links referred Internet users to illegal MP3 files. The Internet users gave the links names such as "SUPERILLEGAL MP3z", "FREE ILLEGAL MP3 FILES DIRECT DOWNLOAD", "FREE FAST ILLEGAL MP3 DIRECT DOWNLOAD", "The BIGGEST Archive of ILLEGAL MP3 FLZ", "100% ILLEGAL FAST DOWNLOADS", "a HUGE Archive of Illegal MP3 Files!!" and "any song you want". The court was also of the opinion that the defendant knew that the links referred to infringing material on the web: The plaintiffs had previously sent the defendant a notice informing it that the links on its web site referred Internet users to illegal copies.

With regard to the question whether the defendant was guilty of vicarious liability, the court held that the facts proved that the defendant had the right and ability to police those who posted links on its web site as well as the ability to remove those links from being displayed to Internet users:

"While there is no evidence that MP3Board could control which links were initially found by its automated procedures, MP3Board could delete links from its database and thus prevent them from being displayed in response to user queries ... Moreover, MP3Board had stated a policy of restricting users from posting certain types of links, such as those linking to pornography, hate, and hacker and 'warez' (illegally copied and distributed commercial software) sites, and did in fact remove offending links from the site and banned repeat offenders of MP3Board's rules from posting any additional links ... Thus, there is evidence that MP3Board had the right and ability to remove links to infringing works and bar the participation of users who transmitted those infringing files."

Furthermore, the court held that the defendant had a direct financial interest on the exchange of infringing files: "Infringement which increases a defendant's user base or otherwise acts as a draw for customers constitutes a direct financial interest ... MP3Board's principals testified that the revenue MP3Board received from banner advertisements on the site was directly tied to the number of users who were exposed to those ads ... The MP3Board site is exclusively and consciously devoted to locating audio files, and its financial interest in the locating and copying of music files is thus far more substantial and direct than the general interest, content neutral search engines

with which MP3 wishes to compare itself. A jury could certainly find that MP3Board possessed a direct financial interest in infringing activities.”

The court also maintained that the defendant’s conduct was not protected by the fair use defence.³⁷⁰

3.2.9. Framing

3.2.9.1. The technique of framing, including IMG links

“Framing” refers to the instance where A incorporates the content of a third party’s web page into his own web page. A web page that uses framing techniques works as follows on a computer user’s screen: Headlines or headings are, for instance, displayed on one side, or both sides, of the screen. When the user clicks on one of these headings or headlines, the web page, to which this particular heading or headline is hyperlinked to,³⁷¹ is then displayed (incorporated) into the screen visible to the computer user. In other words, on the one side of the computer screen the headings or headlines remain visible, whilst in the middle of the screen the incorporated web page is displayed. Framing can, therefore, be compared to the concept of a “picture within a picture”.³⁷² A third party will most probably have copyrights on his web page. A computer user visiting X’s web site will, depending on the framing technique the latter employs, be unaware of the fact that the framed web content does not belong to X and/or that X is not authorised to display the content, which can be text, photographs or an entire web page, In addition, the user’s browser does not indicate any noticeable change in web site location. As explained by two US commentators:

³⁷⁰ The court stated that “[r]egarding the first factor, ‘the purpose and character of the use,’ the purpose of MP3Board and its users was commercial, as they were allegedly ‘profit[ing] from the exploitation of the copyrighted work without paying the customary prices.’ ... Moreover, the copied works were simply retransmitted, not transformed ... Regarding the second factor, ‘the nature of the copyrighted work,’ the published creative sound recordings copied are ‘close to the core of intended copyright protection,’ and, conversely, far removed from the more factual or descriptive type of work that is more amenable to fair use ... Regarding the third factor, ‘the amount and substantiality of the portion used in relation to the copyrighted work as a whole,’ plaintiffs contend that entireties of copyrighted works were infringed rather than small portions. Regarding the fourth factor, ‘the effect of the use upon the potential market for or value of the copyrighted work,’ the alleged activities of MP3Board and its users on their face could harm the market for the original works.”

³⁷¹ The concept of hyperlinking is explained in paragraph 3.2.10.1 of this chapter.

"Framing ... often conceal the origin or URL of the retrieved material, because the embedding/framing page is not replaced, but incorporated 'within' another page. In fact, the user usually does not or cannot realize that the source of origin of a framed page or an embedded multimedia application is different from the source of origin of the framing/embedding page."³⁷³

An IMG link (also known as an *IMaGe link* and an *inline link*) is a specific type of framing technique, which functions, generally speaking, as follows: On A's web page, a text appears, referring e.g. to a picture. When the Internet user clicks on this link, the aforementioned picture is displayed below the text. This image may belong to A or to a third party. The Internet user remains under the impression that the image belongs to A.³⁷⁴ Another example is where a thumbnail (a small version of a photo) is displayed on A's web page. When the Internet user clicks on this picture, the picture is automatically enlarged. The full photo (the enlarged version) can either belong to A or to a third party. Similar to above, the Internet user will labour under the impression that the photo belongs to A, unless the web page indicates otherwise.

Framing can influence the advertising revenue of both the framing party as well as the framed-to party. This is explained as follows: "Advertising revenue is often measured by the number of 'hits' a particular Web site receives. Stated simply, Web sites that receive more hits can demand a higher price for the placement of advertisements on their sites."³⁷⁵ When A frames B's web page or content on B's web page, this is not recognised as a "hit" for B's web site/page and can therefore cause significant loss in advertising revenue for B.³⁷⁶ On the other hand, A's web site gains the advantage of more "hits" in that more Internet users will visit his web site, from where they can gain easy access to relevant information/content on third parties' web sites, without having to search for that particular information/content.

Framing also presents another problem: The advertiser paid a premium to appear on a particular web page. When this page is framed, the advertisements are stripped out by

³⁷² www.nolo.com/lawcenter/ency/article.cfm/objectID/C13F7E6B-B05E-43DF-80D62B635DF9DD9F.

³⁷³ Grossman & Rigamonti 1998.

³⁷⁴ See Bolin 2000: "To the end-user, the integration of the two pieces of content (text and graphic) is seamless, despite the fact that they were taken from two very different sources. The user would never know (though she might suspect) that the image was not created or stored locally." See also www.library.unt.edu/copyright/Webcopyright.htm.

³⁷⁵ Millar 1999.

³⁷⁶ Millar 1999.

the web site operator who frames (imports) this particular page into his own web site and consequently these advertisements are not displayed on the framed web page.³⁷⁷

3.2.9.2. Framing and copyright infringement issues

The question arose whether framing infringes copyright protection.

In *Futuredontics Inc v Applied Anagramics Inc*³⁷⁸ the plaintiff established a web site which consisted of a number of copyright protected web pages. The defendant established its own site and included a hyperlink which framed the plaintiff's web pages. The electronic frame included the defendant's logo, information and links to all defendant's other web pages. The plaintiff alleged that such conduct constituted copyright infringement in that the defendant generated an unauthorised derivative work of the plaintiff's web pages by combining plaintiff's web pages with defendant's material. The court merely stated that "Plaintiff's Third Claim for Relief sufficiently alleges a claim for copyright infringement."³⁷⁹

Some US commentators support this judgment by stating that it can "be argued that the incorporating page is based upon the incorporated page by using its parts. In fact, the screen display of the retrieved page is altered, and that is why this display could be considered an unauthorized derivative work ... Consequently, the creator of an unauthorized framing or embedding page could be held liable for copyright infringement due to a violation of the adaptation right".³⁸⁰

In *The Washington Post Company et al v Total News Inc et al*³⁸¹ the parties were

³⁷⁷ Millar 1999.

³⁷⁸ 45 USPQ.2d 2005 (C.D. Cal. 1998). A copy of this judgment can be downloaded from www.law.gwu.edu/facweb/claw/futured.htm.

³⁷⁹ On appeal the Ninth Circuit of Appeal held that the plaintiff had failed to show that it was or would be injured by the defendant's conduct. See *Futuredontics Inc v Applied Anagramics Inc* 1998 US App Lexis 17012 (9th Cir. 1998). Unfortunately, this case was not available online, so I had to rely on www.phillipsnizer.com/int-art102.htm.

³⁸⁰ Grossman & Rigamonti 1998. See also Rose 1999: "The distortion or alteration caused by framing, if significant enough, could likely be considered 'derivative' or an entirely new creation. Under this notion, plaintiffs would not have to show that an actual copy took place, but only that what the viewer perceived through the frame was distorted enough, or different enough from the original so as to constitute something separate and distinct." See further Lisby 1999 where he argues that framing causes a derivative work to be made.

³⁸¹ 97 Civ. 1190 (PKL) (S.D.N.Y.). A copy of the complaint can be downloaded from www.jmls.edu/cyber/cases/total1.html.

competitors in the news industry. The defendants used frame technology to display content from the plaintiffs' web site in a frame generated by them (defendants) in a way that made it appear that the content was published by them.³⁸² A computer user would probably have assumed that the proprietors of the information were the defendants because their logos and URLs as well as advertisements were displayed on the computer screen.³⁸³

The plaintiffs contended that the defendants infringed their copyright protected web content by "republishing this material, or otherwise making it available without Plaintiffs' consent, at the totalnews.com website ... Defendants make unauthorized use of the content of Plaintiffs' websites".³⁸⁴ The parties settled the dispute out of court, by stipulating in the settlement agreement that the defendants could link, by means of hyperlinks, to the plaintiffs' web site. However, they were not permitted to "import" the plaintiffs' information and/or content into frames.³⁸⁵

³⁸² The plaintiffs described it as follows: "The totalnews.com website consists of lists of numerous 'name-brand' news sources, including the famous trademarks exclusively associated with Plaintiffs in the public mind. When a user of totalnews.com 'clicks' on one of those famous trademarks with the computer mouse, the user accesses a Plaintiff's corresponding website. (In Internet parlance, the trademarks here function as 'hyperlinks': areas on the screen that, when clicked on, take the user directly to another website.) Plaintiff's site, however, does not then fill the screen as it would had the user accessed Plaintiff's site either directly or by means of a hyperlink from a website that does not 'frame' linked sites. Nor does Plaintiff's URL appear at the top of the screen as it normally would. Instead, part of Plaintiff's site is inserted in a window designed by Defendants to occupy only a portion of the screen. Masking part of Plaintiff's site is the totalnews.com 'frame,' including, *inter alia*, the 'Total News' logo, totalnews.com URL, and advertisements that others have purchased from Defendants ... Defendants' 'frame' consists of the totalnews.com URL at the top; rectangular icons with the trademarked names of certain Plaintiffs and others running down the left margin; and advertising sold by Defendants at the bottom. At the right-center portion of the screen is the news window. When the user first logs on to the totalnews.com website, this window is occupied by a 'compass'-style array of hyperlinks that lead to still more websites, run by Plaintiffs and other providers of original content, that Defendants republish inside their frame. Trademarks of Plaintiffs CNN, Time (*Time Daily*) and Reuters appear in the large icons at the left side of the totalnews.com frame. The trademarks of Plaintiffs Dow Jones, Los Angeles Times and Washington Post become visible when a user clicks on the 'National' link on the totalnews.com compass. Additional trademarks of Plaintiff Time are visible when a user clicks elsewhere on the compass." See the complaint of The Washington Post, para 30-31.

³⁸³ See the complaint of The Washington Post, par 8.

³⁸⁴ See the complaint of The Washington Post, par 70-71.

³⁸⁵ A copy of the settlement, consequently made an order of the court, can be downloaded from <http://legal.web.aol.com/decisions/dlip/washorde.html>.

In 2002 the Ninth Circuit of Appeal in *Kelly et al v Arriba Soft Corp et al*³⁸⁶ addressed the issue whether inline linking constitutes copyright infringement.³⁸⁷ The court first stated that inline linking does not entail copying, “but, rather, importing them directly from [defendant’s] web site”, and further does not constitute copyright infringement based on the reproduction of copyrighted works.³⁸⁸ Such activities, according to the court, infringed the plaintiff’s exclusive right to display his works publicly due to the fact that the defendant was displaying the plaintiff’s work, without his permission, publicly by means of the inline link.³⁸⁹ The court further held that a “display is public even if there is no proof that any of the potential recipients was operating his receiving apparatus at the time of the transmission. By making Kelly’s images available on its web site, Arriba is allowing public access to those images. The ability to view those images is unrestricted to anyone with a computer and internet access.”³⁹⁰ Moreover, by allowing the public to view plaintiff’s copyrighted works while visiting defendant’s web site, the latter created a public display of plaintiff’s works.³⁹¹ The defendant raised the defence that it was not proved that anyone ever saw the images and therefore there was no display. The court answered this by stating that “Arriba made the images available to any viewer that merely visited Arriba’s site. Allowing this capability is enough to establish an infringement; the fact that no one saw the images goes to the issue of damages, not liability.”³⁹²

The appeal court concluded that defendant was directly liable for copyright infringement because it “actively participated in displaying Kelly’s images by trolling the web, finding Kelly’s images, and then having its program inline link and frame those images within its own web site. Without this program, users would not have been able to view Kelly’s images within the context of Arriba’s site. Arriba acted as more than a passive conduit of the images by establishing a direct link to the copyrighted

³⁸⁶ 280 F.3d 934 (9th Cir. 2002). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055521p.pdf>.

³⁸⁷ The facts of this case were outlined in paragraph 3.2.6 of this chapter.

³⁸⁸ 280 F.3d 934 (9th Cir. 2002);par 1969.

³⁸⁹ 280 F.3d 934 (9th Cir. 2002);par 1970.

³⁹⁰ 280 F.3d 934 (9th Cir. 2002);par 1971. The court based this contention on the definition of “publicly”, as defined in s 101: “[T]o perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered”.

³⁹¹ 280 F.3d 934 (9th Cir. 2002);par 1972.

³⁹² 280 F.3d 934 (9th Cir. 2002);par 1972.

images.³⁹³ Therefore, the defendant committed copyright infringement.

At least one US commentator also maintains that inline linking does not constitute reproduction.³⁹⁴

It is noteworthy to mention here that web site owners appear to have the ability to prevent their web pages from being framed. As one US commentator states, "developers add an instruction to the page's source code so that when the user clicks the link to the page a new window is opened so that the page appears in its own window without the linked page's frame around it."³⁹⁵

3.2.9.3. Background: framing of pictures

In order to fully understand both US commentators' argument as well as the *Futuredontics* conclusion that framing techniques constitute copyright infringement, and specifically an unauthorised derivative work, the following should be borne in mind. US courts maintain that when –

(a) a picture in a book is cut out, framed and sold individually, such framed picture constitutes a derivative work;³⁹⁶

³⁹³ 280 F.3d 934 (9th Cir. 2002):par 1974.

³⁹⁴ Bolin argues that "[w]hen the content of another page is incorporated into one's own page by means of an unauthorized IMG link, there is no direct copyright infringement by the creator of the link. This is because the link's creator never copies the pirated content; she merely provides a visiting browser with instructions to retrieve the image, which is then incorporated into the overall page on the user's machine. Thus the only person who copies the protected image is the final user." See Bolin 2000.

³⁹⁵ Abel 1999:123. See also Lisby 1999.

³⁹⁶ In *Greenwich Workshop v Timber Creations et al* 932 F.Supp. 1210 (C.D. Cal. 1996) the plaintiff was the proprietor of certain copyrighted paintings. It reproduced these paintings, on a reduced scale, in a book. The defendants cut out these photos, framed them, and sold them individually. The plaintiff alleged that the defendants infringed its copyright protection. The court held that the defendants' framed pictures constituted a derivative work: "[T]he Court rules that defendants' matted and framed bookplates do infringe plaintiff's copyrights in both the artwork and the book. 'By borrowing and mounting the preexisting, copyrighted individual art images without the consent of [plaintiff] ... [defendants] ha[ve] prepared a derivative work and infringed the subject copyrights.' ... Defendants' infringement is particularly evident in the context of the copyrighted book, which defendants have clearly 'recast' and 'transformed' by physically removing the pages and adapting them into works of art to hang on the wall. Defendants' argument that they have simply 'created an alternative method of display' for plaintiff's copyrighted works is unavailing. Defendants' practice of removing from plaintiff's copyrighted book reduced-scale versions of plaintiff's copyrighted artwork, which were intended solely for inclusion in the

(b) a picture in a book is cut out, pasted on a tile, and sold in such form, i.e. the tile with the picture mounted thereon, it constitutes a derivative work.³⁹⁷ Identical considerations apply where the defendant affixes the plaintiff's notecards permanently on ceramic tiles and then sells these tiles to third parties.³⁹⁸

3.2.10. Hyperlinking

3.2.10.1. The technique of hyperlinking

Hyperlinks (also known as *hypertext links*³⁹⁹) make it unnecessary for a cyber-surfer to type in the complete web site address; instead, the cyber-surfer merely clicks on a highlighted or underlined text (such as www.uovs.ac.za) or on an image,⁴⁰⁰ visible on the web page where the cyber-surfer currently presides. Therefore, hyperlinks are incorporated into web pages.⁴⁰¹ When a cyber-surfer clicks on the hyperlink he is

book, is not equivalent to simply framing a work of art for display purposes." (At 1215). A copy of this judgment was obtained from Westlaw.

³⁹⁷ See *Mirage Editions Inc et al v Albuquerque A.R.T. Co* 856 F.2d 1341 (9th Cir. 1988) where the Eight Circuit of Appeal noted (at 1343-1344) that "[t]he protection of derivative rights extends beyond mere protection against unauthorised copying to include the right to make other versions of, perform, or exhibit the work ... What appellant has clearly done here is to make another version of [appellants'] art works ... and that amounts to preparation of a derivative work. By borrowing and mounting the preexisting, copyrighted individual art images without the consent of the copyright proprietors ... appellant has prepared a derivative work and infringed the subject copyrights ... We conclude, though, that appellant has certainly recast or transformed the individual images by incorporating them into its tile-preparing process."

³⁹⁸ See *Munoz et al v Albuquerque A.R.T Co* 829 F.Supp. 309 (D. Alaska 1993). A copy of this judgment was obtained from Westlaw. See p 314 where the court noted that: "The court cannot agree that permanently affixing a notecard to a ceramic tile is not recasting, transforming or adapting the original art work [i.e. it does not constitute a derivative work]. Placing a print or painting in a frame and covering it with glass does not recast or transform the work of art. It is commonly understood that this amounts to only a method of display. Moreover, it is a relatively simple matter to remove the print or painting and display it differently if the owner chooses to do so. Neither of these things is true of the art work affixed to a ceramic tile. Moreover, tiles lend themselves to other uses such as trivets (individually) or wall coverings (collectively)."

³⁹⁹ Hypertext links are also known as HREF (Hypertext REFerence) links. See www.bitlaw.com/internet/linking.html.

⁴⁰⁰ See *Bensusan Restaurant Corp v King* 126 F.3d 25 (2nd Cir. 1997). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/blue2.html.

⁴⁰¹ See Luria 1997.

directly transferred to the home page of the designated web site.⁴⁰²

3.2.10.2. Hyperlinking and copyright infringement issues

The question of law arose whether hyperlinks can render a web site owner liable for the copyright infringements on the linked-to web site. In *Bernstein v JC Penny*⁴⁰³ the defendant linked to B's web site, where (*inter alia*) its product was promoted. The latter web site linked to another web site, where two infringing digital photos were displayed. The plaintiff alleged that the defendant was guilty of copyright infringement in that through a series of links, from defendant's web site, Internet users could view the infringing images. Defendant contended that:

- It could not be held liable for the infringing conduct on third parties' web sites;
- The plaintiff's theory would require web site owners to not only screen the sites they link to, but also all of the sites that those sites linked to, etc. This theory would effectively destroy the web's usefulness;
- It could not be held liable for contributory infringement because linking has substantial non-infringing uses; and
- By linking, it did not "copy or otherwise process the content of the linked-to site."

The court simply dismissed the plaintiff's claim without providing any reason. This aspect is further dealt with in paragraphs 3.2.11.2 and 3.4.2 of this chapter.

3.2.11. Deep-linking

3.2.11.1. The technique of deep-linking

Deep-linking occurs where A's web site contains a link to B's web site. However, deep-linking differs from normal hyperlinking in that in the case of hyperlinking the cyber-surfer is transported to B's main (home) web page, whereas in the case of deep-linking

⁴⁰² A hyperlink was described as follows in *Universal City Studios et al v Reimerdes et al* 111 F.Supp.2d 194 (S.D.N.Y. 2000): "Links bear a relationship to the information superhighway comparable to the relationship that roadway signs bear to roads but they are more functional. Like roadway signs, they point out the direction. Unlike roadway signs, they take one almost instantaneously to the desired destination with the mere click of an electronic mouse." A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/NY/trial/op.html>.

⁴⁰³ 50 USPQ.2d 1063 (C.D. Cal. 1998). A copy of this judgment was obtained from Westlaw. Additional facts of this case can be obtained from <http://eon.law.harvard.edu/property00/metatags/linking1.html>.

the cyber-surfer is transported to one of the web pages contained within B's web site. Therefore, the cyber-surfer is transported "past" the home page to one of the internal web pages, generally accessible from the home page or normally after clicking on a few headings or headlines. Deep-links are often used for the purposes of footnotes or bibliographic references: "[P]ointing the user to related materials of interest while also transporting the user there."⁴⁰⁴ Therefore a deep-link "is simply a connection between the content of two different files (or between different parts of a single file). A link may lead either to another file in the same web site, or to a file on a different computer located elsewhere on the Internet."⁴⁰⁵

Deep-linking differs from framing in two important aspects: (1) When the Internet user clicks on the deep-link, the screen displayed either changes completely in that the web page, which contains the deep-link, is no longer displayed but a new web page or the user's browser may create a new window in which the linked-to web page is displayed, on its own; and (2) The linked-to web page address is correctly displayed by the user's browser.

Some web site operators object to deep-linking because cyber-surfers are transported past their home pages where advertisement banners are (normally) displayed or other relevant information, from which they (the relevant web site owners) derive an income. Therefore, whenever cyber-surfers are transported from third party web sites to one of the internal web pages contained in A's web site, A is, in fact, deprived of possible income.⁴⁰⁶

It should also be mentioned here some courts understand the term "hyperlinking" to include all forms of linking, including deep-linking.⁴⁰⁷

⁴⁰⁴ Luria 1997.

⁴⁰⁵ Bolin 2000.

⁴⁰⁶ The problem can further also be illustrated as follows: "X sets up a homepage for her site. On the homepage she places some advertisements, from which she hopes to make some money. The homepage also contains links to various subordinate pages, which contain content that X believes consumers wish to see. Y then creates his own Web site, which contains links to X's subordinate pages. The net result is that visitors to Y's site will be able to gain access to X's material, without ever seeing X's advertisements." See <http://eon.law.harvard.edu/property/metatags/main.html>.

⁴⁰⁷ See e.g. *Universal Studios et al v Corley* 273 F.3d 429 (2nd Cir. 2001) where the Second Circuit of Appeal described a hyperlink as a "cross-reference" between web pages. A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/November01/00-9185.html. In *Bensusan Restaurant Corp v King* 126 F.3d 25 (2nd Cir. 1997) the Second Circuit of Appeal stated that a hyperlink is "highlighted text or images that, when selected by the user, permit him to view another, related Web

3.2.11.2. Deep-linking and copyright infringement issues

In *Ticketmaster Corp et al v Tickets.com Inc*⁴⁰⁸ the plaintiffs operated a web site where customers could purchase tickets to various entertainment events. From the Ticketmaster home page Internet users were transferred to "event pages" which provided information as well as a description on how to order tickets for a specific event. The defendant also sold a few tickets at its web site, but, in addition, provided information as to where and how tickets to an event could be purchased. The defendant provided on his web pages short factual descriptions as to each event, time, date, place and price. A deep-link was provided which instantaneously transferred the user "to the interior web page of Ticketmaster (bypassing the home page) for the particular event in question, where the customer may buy the tickets (from Ticketmaster, not Tickets) on-line." Defendant also included an explanation on its web page: "These tickets are sold by another ticketing company. Although we can't sell them to you, the link above will take you directly to the other company's web site where you can purchase them." The plaintiff's interior web pages, to which the defendant deep-linked, contained the plaintiffs' trade mark. Therefore the computer user knew that he was dealing with the plaintiffs and not the defendant. The plaintiffs contended that the defendant was guilty of copyright infringement as a result of the said deep-linking. With regard to the linking issue, the court stated that -

document." (See fn 1 of the judgment). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/blue2.html. This description was confirmed in *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/bihari.pdf>. In *Intermatic Inc v Toeppen* 947 F.Supp. 1227 (N.D. ILL. 1996) it was stated that a hyperlink "is a link from one site on the Internet to a second site on the Internet. 'Clicking' on a designated space on the initial page which references the subsequent site by a picture, by some highlighted text or by some other indication will take a person viewing the initial web page to a second page. In addition to their use in indexes, hyperlinks are commonly placed on existing web pages, thus allowing Internet users to move from web page to web page at the click of a button, without having to type in URLs." A copy of this judgment can be downloaded from www.louandy.com/CASES/Intermatic_v_Toeppen.html. See also *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* 86 F.Supp.2d 176 (W.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>. The (South African) *Electronic Communications and Transactions Act 25 of 2002* defines a hyperlink in s 1 as "a reference or link from some point on one data message directing a browser or other technology or functionality to another data message or point therein or to another place in the same data message".

⁴⁰⁸ 2000 US Dist LEXIS 4553 (C.D. Cal. [27 March] 2000). Also reported as 54 USPQ.2d 1344 (C.D. Cal. 2000). A copy of this judgment can be downloaded from www.gigalaw.com/library/ticketmaster-tickets-2000-03-27.html.

"hyperlinking does not itself involve a violation of the Copyright Act (whatever it may do for other claims) since no copying is involved. The customer is automatically transferred to the particular genuine web page of the original author. There is no deception in what is happening. This is analogous to using a library's card index to get reference to particular items, albeit faster and more efficiently."

There are, generally speaking, two schools of thought on the question whether deep-linking should be allowed. The one school maintains that a web site operator grants an implied licence to the entire Internet community to link as well as to deep-link to his web pages. The second school, however, maintains that the Internet is a commercial medium and that one web site operator should only be allowed to hyperlink to the home page of a third party's web site, where the commercial advertisements are displayed. Stated differently, web site operators should have a right to control access to their internal web pages.⁴⁰⁹

Hillis, a proponent of deep-linking technology, argues the following, concerning the question whether deep-linking should constitute copyright infringement: "A strength of hyperlinks is the ability to drill down to the specific page with the relevant idea, text or graphics. If I have a page on Year 2000 legal issues, I do not want to link to the front gateway page of C/Net; I want to link to the specific story that ran last week on Year 2000 computer bug problems. Links to front pages are an absurd curbing of the power of the Internet to allow users to bring together relevant ideas and manipulate them creatively to add intellectual value. Comparing and contrasting ideas online is done with the use of hyperlinks to precise pages, or even points within those pages."⁴¹⁰ He further states that the following balance must be struck, in the case of deep-linking: "There is a need to allow [an owner] to control its Web space, and how visitors access it. There is also the need to accommodate the creative development of online ideas by allowing Web builders to bring together or juxtapose similar ideas, even if the ideas are

⁴⁰⁹ These two schools of thought are explained as follows by the Law Faculty of the University of North Texas: "1. Anyone who creates a Web page grants the Internet community an implied license to link to it. The owner of the intellectual property should not have the right to curb any deep linking. The whole basis of the Web is linking. 2. Web site owners should have the right to dictate how visitors experience their Web sites. Deep linking should not be allowed. Advertisements should not be over looked when linking. The Web is a commercial medium and should not be a free-for-all." See www.library.unt.edu/copyright/Webcopyright.htm.

⁴¹⁰ Hillis 1998(a).

buried deep within different Web sites.”⁴¹¹

As with framing technology, some US commentators allege that a web site owner can prevent his web pages from being deep-linked: The internal web pages can be programmed to accept traffic only from the home page.⁴¹²

3.2.12. Copying factual data from web pages

In *Ticketmaster Corp et al v Tickets.com Inc*⁴¹³ the plaintiffs operated a web site where customers could purchase tickets to various entertainment events. From the Ticketmaster home page Internet users were transferred to “event pages” which provided information as well as a description on how to order tickets for the event. The defendant sold a few tickets at its web site, but also provided information as to where and how tickets to an event could be purchased. The defendant provided a short factual description as to event, time, date, place and price. A deep-link was provided which transferred the user to plaintiffs’ interior web pages. Plaintiffs alleged that defendant was guilty of copyright infringements by copying the factual information provided on its web pages.

The court stated that copyright may not be claimed to protect factual data (basic facts) available on public web pages, as long as the expression and method of expression/presentation are not copied. All that the defendant did was to extract the factual data and to present it in its own format.⁴¹⁴ “This all goes back to a fundamental concept of copyright law that ideas and knowledge may not become the property of any one person even when that person has developed the idea or knowledge.”⁴¹⁵ The plaintiffs further submitted that defendant was guilty of copyright infringement in that his computer programs copied the plaintiffs’ web page addresses. The court answered by stating that it “doubts that the material is protectable because the URL appears to

⁴¹¹ Hillis 1998(a).

⁴¹² Cabell 2000.

⁴¹³ 2000 US Dist LEXIS 4553 (C.D. Cal. 2000). A copy of this judgment can be downloaded from www.gigalaw.com/library/ticketmaster-tickets-2000-03-27.html. This judgment was confirmed by the Ninth Court of Appeal. See *Ticketmaster Corp et al v Tickets.com Inc* 2 Fed.Appx 741 (9th Cir. 2001). A copy of this judgment was obtained from Westlaw.

⁴¹⁴ 2000 US Dist LEXIS 4553 (C.D. Cal. [27 March] 2000).

⁴¹⁵ 2000 US Dist LEXIS 12987 (C.D. Cal. [10 August] 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/ticketmaster.htm>.

contain functional and factual elements only and not original material.”⁴¹⁶

3.2.13. News reporting and the Internet

3.2.13.1. Reproducing a photo for news reporting

The question arose in *Sixto Nunez v Caribbean International News Corp*⁴¹⁷ whether a newspaper is permitted to reproduce a photo for the purpose of reporting an event, without the copyright proprietor’s consent. Although this case did not deal with the Internet, its facts and conclusions of law are relevant to the Internet context. The appellant was the copyright owner of certain contentious photographs depicting a Miss Giruad as Miss Puerto Rico. Controversy arose whether these photographs were appropriate or whether they were indecent (as in constituting naked photographs). The respondent, a newspaper, subsequently printed these photographs in its newspaper, without authorisation. The appellant contended that the respondent was guilty of copyright infringement, while the respondent, in turn, maintained that the printing was allowed by the fair use defence: It used the photographs for news reporting.

The Third Circuit of Appeal was of the opinion that the publication was justified by the fair use defence. The court took the following factors into consideration whether the defendant was justified in reproducing the photographs:

- 1) Respondent used the photographs to make a commercial gain: “For a commercial use to weigh heavily against a finding of fair use, it must involve more than simply publication in a profit-making venture ... We agree with the district court that the commercial use here, however, constitutes more than mere reproduction for a profitable use. The photographs were used in part to create an enticing lead page that would prompt readers to purchase the newspaper. Thus El Vocero used the photograph not only as an ordinary part of a profit-making venture, but with emphasis in an attempt to increase its revenue.”
- 2) The respondent used the photographs to inform the public: “This informative function is confirmed by the newspaper’s presentation of various news articles and interviews in conjunction with the reproduction. Appellee reprinted the pictures not just to entice the buying public, but to place its news articles in context; as the

⁴¹⁶ 2000 US Dist LEXIS 12987 (C.D. Cal. [10 August] 2000).

⁴¹⁷ No 99-2266 (3rd Cir. 2000). A copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=99-2266.01A.

district court pointed out, 'the pictures were the story.' It would have been much more difficult to explain the controversy without reproducing the photographs ... It suffices to say here that El Vocero did not manufacture newsworthiness, as it sought not to 'scoop' appellant by publishing his photograph, but merely to provide news reporting to a hungry public."

- 3) The respondent acted in good faith: a) It acknowledged that the appellant was the copyright owner of the photographs, b) it acquired the photographs lawfully, c) it did not use the photographs to compete with the appellant and d) it was under the impression that it was allowed to use the photographs.
- 4) The photographs were not confidential.
- 5) The respondent had to copy the entire photograph: "[T]o copy any less than that would have made the picture useless to the story".
- 6) With regard to the effect of the copying on the market for the reproduced photographs, the court noted that "even if there was widespread conduct of this sort, it would have little effect on the demand for disseminated pictures because a newspaper front page is simply an inadequate substitute for an "8 x 10" glossy." Furthermore, the court maintained that this factor favoured the respondent because "the only discernible effect of the publication in El Vocero was to increase demand for the photograph, and because any potential market for resale directly to the newspaper was unlikely to be developed".

Finally, the court enunciated the following principle, which aptly summarises the legal position: "Unauthorized reproduction of professional photographs by newspapers will generally violate the Copyright Act of 1976; in this context, however, where the photograph itself is particularly newsworthy, the newspaper acquired it in good faith, and the photograph had already been disseminated, a fair use exists". Therefore, where an online newspaper reproduces a third party's copyrighted photograph for the purpose of adding fragrance, such use constitutes copyright infringement. However, where the photograph is reproduced because it is the centre of attention, such use is permissible.

3.2.13.2. Providing translations or abstracts of news reports

The question arose whether selling online direct translations and abstracts of a third party's copyright protected work constitutes copyright infringement.

In *Nihon Keizai Shimbun Inc v Comline Business Data Inc et al*⁴¹⁸ the plaintiff published and sold newspapers in various languages around the world. The defendants gathered news articles from a variety of sources and sold abstracts and translations of those articles to their customers. Approximately one third of the abstracts and translations were derived from plaintiff's news sources. The plaintiff submitted that the defendants were guilty of copyright infringement. The defendants, in turn, raised two defences namely a) that they only copied unprotected facts and b) that their conduct was protected by the fair use defence.

The court held that a substantial similarity was present between the parties' respective works in that the defendants' abstracts appeared to be direct translations of plaintiff's articles.⁴¹⁹ The defendants further averred that their copyright infringement was *de minimis* because they only infringed a total of 20 articles out of the 90 000 that plaintiff published each year. The court disagreed, stating that -

"[i]t is true that the *de minimis* infringement of a copyrighted work is not actionable ... However, Nikkei is entitled to the separate legal protection of each of its articles, and Comline's failure to copy a larger percentage of Nikkei's total works does not insulate it from liability. We also reject defendants' argument that any infringement was *de minimis* because 20 abstracts represent only a tiny fraction of the 17,000 abstracts they published in 1997. As Learned Hand declared long ago, 'no plagiarist can excuse the wrong by showing how much of his work he did not pirate.' "

With regard to the fair use defence, the court held that defendants' conduct did not constitute fair use in that their abstracts were not transformative,⁴²⁰ their abstracts were virtually *verbatim* translations of the plaintiff's articles, and thirdly, defendants' abstracts and translations competed with the plaintiff's works and would consequently have a substantial impact on the plaintiff's market.

3.2.14. Liability of ISPs

In 1998, when the *Digital Millennium Copyright Act* (hereafter the "DMCA") came into

⁴¹⁸ 166 F.3d 65 (2nd Cir. 1999). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/January99/98-78420.html.

⁴¹⁹ Defendants' abstracts also had the same structure and organisation of facts as plaintiff's articles. The court held that it would only allow the translations and abstracts where defendants reported the facts in a different arrangement, with different sentence structures and different phrasing.

⁴²⁰ I.e. they did not add something new to the plaintiff's articles.

operation, the US position regarding liability of Internet service providers (ISPs) for third party copyright infringements changed. The law prior to the commencement of the DMCA is discussed in that it can prove valuable for the purpose of comparative research. The provisions of the DMCA are also discussed in order to observe how the US legislature attempted to address the liability of ISPs.

3.2.14.1. Position before the Digital Millennium Copyright Act

In *Maronie-FL Inc v NAFED*⁴²¹ the plaintiff was the copyright owner of certain digital clip arts (computer-stored images). B obtained some of these clip art files and copied them onto his hard drive as well as his web page. The defendant was B's ISP and therefore provided a host computer for B's web page. The plaintiff instituted action for direct, contributory and vicarious copyright infringement against the defendant. The plaintiff averred that the defendant was guilty of direct copyright infringement in that "when the information in a requested file is sent to an Internet user, the information passes in electronic form through the Random Access Memory ('RAM') of [the defendant's] computer ... [and that the defendant] directly infringed its copyrights each time an Internet user downloaded one or more of the files containing plaintiff's clip art because, each time, [the defendant's] computer 'copied' the files from its hard drive to its RAM." The court held that defendant made a copy of the copyrighted work:

" 'copy' under the Act need not be potentially perceptible with the naked eye ... In the instant case, the copy created by [defendant's] computer can be perceived with the aid of a machine or device, namely, the Internet user's computer. Although the information in a file is transmitted in pieces, [defendant] itself states that 'the smaller units are reunited, and the files arrive at the requester's Internet address,' and that the Internet user may then view the information by 'load[ing] the graphic images into some computer program capable of displaying the formatted image.' ... Accordingly, the court rejects [defendant's] argument that its computer did not 'copy' plaintiff's files when they were requested by Internet users."

One of defendant's defences was that it did not initiate the copying: Its system was merely used to create a copy by a third party; its action was automatic and indiscriminate. The court maintained that defendant was not guilty of direct copyright infringement in that it "only provided the means to copy, distribute or display plaintiff's

⁴²¹ 983 F.Supp. 1167 (N.D. ILL. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Marobie_v_NAFED.html.

works, much like the owner of a public copying machine used by a third party to copy protected material. Like a copying machine owner, [defendant] did not actually engage in any of these activities itself. Accordingly, [defendant] may not be held liable for direct infringement.”

The court held that insufficient evidence was presented to indicate that defendant knew that the material on B’s web page infringed plaintiff’s copyright protection and consequently defendant was not guilty of contributory copyright infringement. The court also found that insufficient evidence was led to indicate that defendant had sufficient control over the content of B’s web page. Furthermore, defendant had no financial interest in B’s infringing conduct in that defendant’s remuneration remained the same irrespective of how many Internet users visited B’s web pages or what content they downloaded. Therefore, the court refused to hold defendant vicariously liable for B’s copyright infringement.

Other courts also maintained that ISPs were not directly liable for copyright infringements committed by their subscribers because they normally did not monitor the content of information made available by their subscribers. Nor did they initiate the copying.⁴²² Specifically, they did not infringe the copyright owner’s right to reproduce and to distribute. Other courts also equated ISPs with the owners of photocopying machines: “Netcom’s act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it. Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner’s liability under the rubric of contributory infringement, not direct infringement.”⁴²³ At least one court stated that “[i]t would be especially inappropriate to hold liable a service that acts more like a conduit, in other words, one that does not itself keep an archive of files for more than a short duration. Finding such a service liable would involve an unreasonably broad construction of public distribution and display rights. No purpose would be served by holding liable those who have no ability to control the information to which their subscribers have access, even though they might be in some sense helping to achieve the Internet’s automatic ‘public distribution’ and the users’ ‘public’ display or files ... Where the infringing subscriber is clearly

⁴²² See e.g. *Religious Technology Center et al v Netcom On-line Communication Services Inc et al* 923 F.Supp. 1231 (N.D. Cal. 1995). A copy of this judgment can be downloaded from www.loundy.com/CASES/RTC_v_Netcom.html.

directly liable for the same act, it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet. Such a result is unnecessary as there is already a party directly liable for causing the copies to be made."⁴²⁴

There is one case where an ISP was held contributorily liable for copyright infringements. In *Religious Technology Center et al v Netcom On-line Communication Services Inc et al*⁴²⁵ A infringed the plaintiffs' copyright by posting the latter's copyright protected works on a BBS. The main defendant, Netcom, was the operator of the said BBS whose position can be equated with that of an ISP. The plaintiffs gave notice to Netcom of the alleged copyright infringement but the latter failed to respond to this request. Plaintiffs subsequently attempted to hold Netcom liable for contributory infringement. As mentioned above,⁴²⁶ two requirements have to be met before liability can follow: a) The defendant must have knowledge of the infringing activity and b) must substantially contribute to the infringing conduct. The court firstly held that defendant had the necessary knowledge:

"Although a mere unsupported allegation of infringement by a copyright owner may not automatically put a defendant on notice of infringing activity, [Netcom's] position that liability must be unequivocal is insupportable ... Where works contain copyright notices within them, as here, it is difficult to argue that a defendant did not know that the works were copyrighted. To require proof of valid registrations would be impractical and would perhaps take too long to verify, making it impossible for a copyright holder to protect his or her works in some cases, as works are automatically deleted less than two weeks after they are posted. The court is more persuaded by the argument that it is beyond the ability of a BBS operator to quickly and fairly determine when a use is not infringement where there is at least a colorable claim of fair use. Where a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder's failure to provide the necessary documentation to show that there is a likely infringement, the operator's lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system. Since [Netcom] was given notice of an infringement claim before [A] had

⁴²³ *Religious Technology Center et al v Netcom On-line Communication Services Inc et al (supra)*.

⁴²⁴ *Religious Technology Center et al v Netcom On-line Communication Services Inc et al (supra)*.

⁴²⁵ *Supra*.

⁴²⁶ See paragraph 3.1.4 of this chapter.

completed his infringing activity, there may be a question of fact as to whether [Netcom] knew or should have known that such activities were infringing ... [Netcom] admits that it did not even look at the postings once given notice and that had it looked at the copyright notice and statements regarding authorship, it would have triggered an investigation into whether there was infringement ... These facts are sufficient to raise a question as to [Netcom's] knowledge once [it] received a letter from plaintiffs."

Finally the court maintained that Netcom's actions constituted substantial participation: "[Netcom] allows [A's] infringing messages to remain on its system and be further distributed to other Usenet servers worldwide. It does not completely relinquish control over how its system is used, unlike a landlord. Thus, it is fair, assuming [Netcom] is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold [Netcom] liable for contributory infringement where [it] has knowledge of [A's] infringing postings yet continues to aid in the accomplishment of [A's] purpose of publicly distributing the postings."

The US position, before the enactment of the DMCA, can, therefore, be summarised as follows: An ISP is not directly liable for copyright infringements committed by its clients, namely web site operators, because it (the ISP) did not actively participate in the infringement. Furthermore, ISPs are, generally speaking, not contributorily liable for copyright infringements by their clients because the former normally lack the knowledge that their clients are infringing a third party's copyright. However, where the copyright owner gives notice to the ISP that a particular web site operator is infringing his copyrights, the ISP must respond positively, otherwise, it might be held contributorily liable.

It should be mentioned here that the Dutch decision in *Scientology vs Providers and Spaink*⁴²⁷ supports this reasoning. The question of law was whether ISPs are liable for copyright infringements by their subscribers. The District Court of the Hague observed that ISPs only provide the technical means to enable publication by third parties and consequently "in these circumstances the Service Providers do not do the publishing themselves, but only provide the opportunity for publication."⁴²⁸ The court went on to state that "[t]his does not detract from the fact that the Service Provider, who does not

⁴²⁷ 9/6/1999. A copy of this judgment can be downloaded from www.xs4all.nl/~kspaink/cos/verd2ned.html. An English translated version can be downloaded from www.xs4all.nl/~kspaink/cos/verd2eng.html.

⁴²⁸ Translated. The Dutch version reads: "de Service Providers onder deze omstandigheden niet zelf openbaar maken maar slechts gelegenheid geven tot openbaarmaking."

reproduce or publish material himself, nevertheless can be bound to assist and take adequate measures, on the grounds of the care that is fitting in the conduct of society, if he is notified that one of the users of his computer system is infringing copyright or otherwise acting unlawfully through the use of his home page. A certain degree of care may thus be expected from the Service Provider with regard to the occurrence of further infringements. Also in view of the fact that the Service Providers operate in a business capacity, the possibility available to them of denying access to the home page, and the damage that could result from further infringements, it must be judged that the Service Provider who has been notified that a user of his services is infringing copyright or otherwise acting unlawfully on his home page, is himself acting unlawfully if he does not then intervene when the correctness of the notification of this fact cannot be reasonably doubted. It may be expected of the Service Provider to remove the infringing documents from his computer system, and to inform the copyright holder, on his request, of the name and address of the user concerned."⁴²⁹ The court proceeded to state that where the ISP acquires the knowledge that infringing material is posted (displayed) on one of its subscribers' web site, it must remove or make the content inaccessible.

3.2.14.2. Position after the Digital Millennium Copyright Act

In 1998 the *Digital Millennium Copyright Act*⁴³⁰ (hereafter the "DMCA") added section 512 to Chapter 5 of the *Copyright Act*.⁴³¹ It provides that the liability of an ISP is limited

⁴²⁹ Translated. The Dutch version reads: "Een en ander neemt niet weg dat de Service Provider die niet zelf openbaar maakt en verveelvoudigt, niettemin op grond van de zorgvuldigheid die in het maatschappelijk verkeer betaamt gehouden kan zijn zijn medewerking te verlenen en adequate maatregelen te nemen als hij ervan in kennis wordt gesteld dat een van de gebruikers van zijn computersysteem door middel van diens home page auteursrechtinbreuk pleegt of anderszins onrechtmatig handelt. Van de Service Provider mag een zekere maten van zorg worden verwacht ten aanzien van het voorkomen van verdere inbreuk. Mede gelet op de omstandigheid dat de Service Providers bedrijfsmatig handelen, de mogelijkheid die hun ten dienste staat de toegang tot de home page af te sluiten en de schade die van verdere inbreuken het gevolg zou kunnen zijn, moet worden geoordeeld dat de Service Provider die ervan in kennis wordt gesteld dat een gebruiker van zijn diensten op diens home page auteursrechtinbreuk pleegt of anderszins onrechtmatig handelt, terwijl aan de juistheid van die kennisgeving in redelijkheid niet valt te twijfelen, zelf onrechtmatig handelt indien hij alsdan niet ingrijpt. Van de Service Provider mag dan worden verwacht dat hij de inbreukmakende documenten uit zijn computersysteem verwijdert en tevens dat hij aan de rechthebbende op diens verzoek de naam en het adres van de desbetreffende gebruiker bekend maakt."

⁴³⁰ A copy of the DMCA can be downloaded from <http://thomas.loc.gov/cgi-bin/query/z?c105:H.R.2281.ENR>.

whenever it meets certain criteria.⁴³² Generally speaking, four criteria exist:

⇒ Firstly, the ISP must either a) merely render access to the Internet without modifying the content of material sent (the “mere conduit” limitation),⁴³³ or b) where the ISP sells web space to its clients so that they can establish web sites, the ISP must merely store the material at the client’s discretion without modifying the material (the “hosting” limitation);⁴³⁴

⇒ Secondly, the ISP has to adopt, and reasonably implement, a policy that it will terminate the accounts or subscriptions of its clients who repeatedly infringe copyrights *via* the Internet;⁴³⁵

⇒ Thirdly, the ISP is under an obligation to inform its subscribers and account holders of this policy;⁴³⁶ and

⇒ Fourthly, the ISP shoulders the obligation to accommodate and not to interfere with “standard technical measures” used by copyright owners to identify or protect copyrighted works.⁴³⁷

Under given circumstances, an additional requirement is imposed namely that the ISP must not maintain any copy of the material on its system.⁴³⁸ Furthermore, under given circumstances, the Act requires that the ISP a) must lack actual knowledge that the material in question, or an activity using the material, on its system or network is infringing a third party’s copyright protection, and b) must not be aware of facts or circumstances from which infringing activity is apparent.⁴³⁹ Additionally, under certain circumstances, the ISP is required, in order to avoid liability, to remove, or disable

⁴³¹ Visser 2000:168.

⁴³² In *ALS Scan Inc v Remarq Communities Inc* 239 F.3d 619 (4th Cir. 2001) the court maintained that the provisions of the DMCA, dealing specifically with the limitation of ISPs’ liability, were “enacted both to preserve copyright enforcement on the Internet and to provide immunity to service providers from copyright infringement liability for ‘passive,’ ‘automatic’ actions in which a service provider’s system engages through a technological process initiated by another without the knowledge of the service provider.” A copy of this judgment can be downloaded from www.louandy.com/CASES/ALS_v_RemarQ.html.

⁴³³ S 512(a) & (b).

⁴³⁴ S 512(c).

⁴³⁵ S 512(i)(1)(A).

⁴³⁶ S 512(i)(1)(A).

⁴³⁷ S 512(i)(1)(B) & s 512(i)(2). See Visser 2000:168-9; Visser 1999(c):161.

⁴³⁸ See s 512(a) & (b); Visser 2000:170.

⁴³⁹ S 512(c)(1) read with s 512(d)(1).

access to the infringing material upon notification.⁴⁴⁰ This is the so-called "notice and takedown" procedure. The Act also imposes the obligation upon ISPs to designate an agent to receive notification of alleged acts of infringement. ISPs are further obliged to make the prescribed information about their designated agents available on their web sites, which information must also be filed with the Copyright Office.⁴⁴¹

The Act, in addition, declares that where anyone intentionally makes a material misrepresentation to an ISP that an alleged copyright infringement occurred, he can be held liable for damages incurred by the ISP, the alleged infringer or the copyright owner of the work "as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it."⁴⁴²

An interdict may also be obtained to restrain the ISP from rendering access to the infringing material or activity at a particular site on the ISP's system or network.⁴⁴³ Even an order to compel an ISP to terminate a particular infringer's account (subscription) may be obtained, in order to deny the infringer access to the system or network.⁴⁴⁴

The Act protects an ISP who *bona fide* disables access to or removes material believed to be infringing, even where no third party notification has been submitted.⁴⁴⁵ The Act stipulates that an ISP is not liable "to any person for any claim based on the service provider's good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing",⁴⁴⁶ provided that the ISP –

⇒ takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material; and

⇒ upon receipt of a counter notification from the subscriber, promptly provides the complainant, who provided the notification, with a copy of the counter notification, and

⁴⁴⁰ See s 512(b)(3)(E); s 512(c)(1)(C); s 512(d)(1)(C); Visser 2000:170; Visser 1999(c):163.

⁴⁴¹ S 512(c)(2); Visser 2000:171; Visser 1999(c):163.

⁴⁴² S 512(f); Visser 1999(c):163.

⁴⁴³ S 512(j)(1)(A)(i).

⁴⁴⁴ S 512(j)(1)(A)(ii) & (B)(i); Visser 2000:172-3; Visser 1999(c):164.

⁴⁴⁵ S 512(g).

⁴⁴⁶ S 512(g)(1).

informs him that it will replace the removed material or cease disabling access to it in 10 business days; and

⇒ replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its (the ISP's) designated agent first receives notice from the complainant that he has instituted proceedings, seeking an interdict to restrain the subscriber from engaging in infringing activity in relation to the said material on the ISP's system or network.⁴⁴⁷

This exemption from liability applies to both delictual and contractual claims that can be instituted against ISPs for removing/blocking access to content.⁴⁴⁸ Note, further, that the Act does not require ISPs, in general, to monitor and block content or to seek facts indicating infringing activity.⁴⁴⁹

A copyright proprietor who seeks to determine the identity of an online infringer, may, in terms of the Act, request a clerk of any United States district court to issue a subpoena to an ISP requiring identification of an alleged infringer.⁴⁵⁰ Such subpoena authorises and compels the ISP to disclose, expeditiously, to the said proprietor information sufficient to identify the alleged infringer, to the extent that such information is available to the ISP.⁴⁵¹

3.2.15. Determining substantiality

Finally, it merits mentioning that when US courts are required to determine whether the defendant copied a *substantial* part of the plaintiff's copyrighted work, they direct that a qualitative evaluation must be made of the copying of the copyright protected work. In essence, US courts interpret "substantial" to mean the copying of an essential part of a copyright protected work.⁴⁵² For instance, digitising one photograph from a Playboy magazine and displaying it on a web site constitutes substantial copying. In *Playboy Enterprises Inc v Frena et al*⁴⁵³ the court remarked that:

⁴⁴⁷ S 512(g)(2).

⁴⁴⁸ Visser 1999(c):164.

⁴⁴⁹ See s 512(m)(1).

⁴⁵⁰ S 512(h)(1); Visser 1999(c):164.

⁴⁵¹ S 512(h)(3).

⁴⁵² *Playboy Enterprises Inc v Frena et al* 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html.

⁴⁵³ *Supra*.

"There is no doubt that the photographs in Playboy magazine are an essential part of the copyrighted work. The Court is not implying that people do not read the articles in PEI's magazine. However, a major factor to PEI's success is the photographs in its magazine. By pirating the photographs for which PEI has become famous, Defendant Frena has taken a very important part of PEI's copyrighted publications."

Other US courts have asked the following question: "[W]hether that portion constitutes the 'heart' of the copyrighted work."⁴⁵⁴

3.3. Publication vs mere display of copyright protected work

In *Getaped.Com Inc v Cangemi et al*⁴⁵⁵ the plaintiff established a web site for its domain name www.getaped.com. The defendants copied the source code of the plaintiff's web site with the result that they created identical web sites for their own web site, established for the domain names www.buyaped.com and www.23water.com. The question arose whether the plaintiff's web site, and therefore also the underlying source code, was "published" or merely displayed on the Internet. If the said web site was merely displayed, the plaintiff could not claim statutory damages.

The court firstly held that the common theme running through the judgments dealing with unlawful postings or publications⁴⁵⁶ was "the ability of the Internet user to download a file containing a copyrighted work and thereby gain control of it, that is, gain a proprietary or possessory interest in the copyrighted work. As the foremost copyright treatise states, 'a sine qua non of publication [is] the acquisition by members of the public of a possessory interest in tangible copies of the work in question.'" The court maintained that the public display of a work of art or the public performance of a play does not constitute publication, seeing that a person does not take any sort of possession or control of a copy of a painting or a play merely by viewing it. With regard to the Internet, the court maintained that -

"[b]y accessing a webpage, the user not only views the page but can also view - and copy - the code used to create it. In other words, merely by accessing a webpage, an

⁴⁵⁴ See *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html.

⁴⁵⁵ 188 F.Supp.2d 398 (S.D.N.Y. 2002). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/007661.htm>.

⁴⁵⁶ Such as *A&M Records Inc v Napster*, *Playboy Enterprises Inc v Chuckleberry*, *Playboy Enterprises Inc v Frena et al* and *Playboy Enterprises Inc v Hardenburgh*.

Internet user acquires the ability to make a copy of that webpage, a copy that is, in fact, indistinguishable in every part from the original. Consequently, when a website goes live, the creator loses the ability to control either duplication or further distribution of his or her work. A webpage in this respect is indistinguishable from photographs, music files or software posted on the web - all can be freely copied. Thus, when a webpage goes live on the Internet, it is distributed and 'published' in the same way the music files in *Napster* or the photographs in the various *Playboy* decisions were distributed and 'published.' Under this analysis, Getaped did 'publish' its website (and, necessarily, the underlying source code)".

3.4. US Digital Millennium Copyright Act – removal of copyright protection

Next the US law regarding the removal and circumvention of digital protection mechanisms, used to protect copyright protected content, is discussed.

3.4.1. General provisions

The 1998 *Digital Millennium Copyright Act*,⁴⁵⁷ enacted to comply with the US' obligations in terms of the *WIPO Copyright Treaty* and the *WIPO Phonograms and Performances Treaty*,⁴⁵⁸ was inserted into the *Copyright Act*⁴⁵⁹ as Chapter 12,⁴⁶⁰ entitled copyright protection and management systems, to -

- a) criminalise the circumvention of anti-piracy measures⁴⁶¹ built into commercial software; and
- b) to outlaw the manufacture, sale, and distribution of code-cracking devices used to illegally copy software.⁴⁶²

⁴⁵⁷ A copy of the DMCA can be downloaded from <http://thomas.loc.gov/cgi-bin/query/z?c105:H.R.2281.ENR>.

⁴⁵⁸ Library of Congress 2000:64556. The *WIPO Copyright Treaty* is discussed in paragraph 4.1.1 of this chapter.

⁴⁵⁹ Title 17 of the *USC*.

⁴⁶⁰ The provisions of the DMCA can also be obtained from www4.law.cornell.edu/uscode/17/1201.html.

⁴⁶¹ I.e. copyright protection systems.

⁴⁶² The purpose of the DMCA was described as follows in *Universal City Studios et al v Corley* 273 F.3d 429 (2nd Cir. 2001): "Fearful that the ease with which pirates could copy and distribute a copyrightable work in digital form was overwhelming the capacity of conventional copyright enforcement to find and enjoin unlawfully copied material, Congress sought to combat copyright piracy in its earlier stages, before the work was even copied. The DMCA therefore backed with legal sanctions the efforts of copyright owners to protect their works from piracy behind digital walls such as encryption codes or password protections. In so doing, Congress targeted not only those pirates who would *circumvent*

The provisions, dealing with the circumvention of technological protection measures, are known as the "black box provisions".⁴⁶³

Section 1201(a)(1) of the *Copyright Act* (hereafter the "Act") provides that the law prohibits anybody from circumventing a technological measure that effectively controls access to a protected work.⁴⁶⁴ This section, therefore, criminalises the circumvention of electronic protection measures such as dongles,⁴⁶⁵ encryption, digital rights management,⁴⁶⁶ etc. This section is known as the "basic provision".⁴⁶⁷

The Act provides for two exceptions to this prohibition, namely reverse engineering and *bona fide* research.⁴⁶⁸ With regard to the reverse engineering exemption, the Act provides that "a person who has lawfully obtained the right to use a copy of a computer program may circumvent a technological measure that effectively controls access to a particular portion of that program for the *sole* purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability [which means the ability of computer programs to exchange information, and of such programs mutually to use the information which has been exchanged⁴⁶⁹] of an independently created computer program with other programs, and that have not previously been readily available to the person engaging in the circumvention, to the extent that any such acts of identification and analysis do not constitute [copyright] infringement".⁴⁷⁰ The information so acquired may be made available to others if the person provides such information *solely* for the purpose of enabling interoperability of an independently created computer program with other programs, and to the extent

these digital walls (the 'anti-circumvention provisions,' ... but also anyone who would *traffic* in a technology primarily designed to circumvent a digital wall (the 'anti-trafficking provisions,')". A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/November01/00-9185.html.

⁴⁶³ See Radcliffe 1999.

⁴⁶⁴ S 1201(a)(1)(A).

⁴⁶⁵ See paragraph 2.4 of this chapter for an explanation of the term "dongle".

⁴⁶⁶ See paragraph 2.2 of this chapter for an explanation of the term "digital rights management".

⁴⁶⁷ In *Universal City Studios et al v Reimerdes et al* 111 F.Supp.2d 194 (S.D.N.Y. 2000) the court maintained that this provision "aims against those who engage in unauthorized circumvention of technological measures ... It focuses directly on wrongful conduct, rather than on those who facilitate wrongful conduct". A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/NY/trial/op.html>.

⁴⁶⁸ S 1201(f).

⁴⁶⁹ S 1201(f)(4).

⁴⁷⁰ S 1201(f)(1). Own emphasis.

that doing so does not constitute infringement under the Act.⁴⁷¹

In respect of the encryption research⁴⁷² exemption, the Act provides that a person may circumvent a technological measure as applied to a copy, phonorecord, performance, or display of a published work in the course of an act of good faith encryption research if (a) the person lawfully obtained the encrypted copy, phonorecord, performance, or display of the published work; (b) such act is necessary to conduct such an encryption research; (c) the person made a good faith effort to obtain authorisation before the circumvention and such research is done to advance the state of knowledge in the field of encryption technology or to assist in the development of encryption products.⁴⁷³ For purposes of such *bona fide* encryption research, a person may even develop and employ technological means to circumvent a technological measure.⁴⁷⁴ Moreover, he is allowed to provide such circumventing technological means to another person with whom he is working collaboratively for the purpose of conducting the acts of good faith encryption research or for the purpose of having that other person verify his acts of good faith encryption research.⁴⁷⁵

In determining whether one is engaged in good faith encryption research, the court is instructed to consider factors including whether the results of the putative encryption research are disseminated in a manner designed to advance the state of knowledge of encryption technology versus facilitation of copyright infringement, whether the person in question is engaged in legitimate study of or work in encryption, and whether the results of the research are communicated in a timely fashion to the copyright owner.⁴⁷⁶

The Librarian of Congress has promulgated an exemption to section 1201(a) namely that when the protection measure malfunctions or is damaged or becomes obsolete and does not consequently allow an authorised user access, the user is allowed to circumvent the protection method.⁴⁷⁷

⁴⁷¹ S 1201(f)(3).

⁴⁷² According to the Act "encryption research" means "activities necessary to identify and analyze flaws and vulnerabilities of encryption technologies applied to copyrighted works, if these activities are conducted to advance the state of knowledge in the field of encryption technology or to assist in the development of encryption products." S 1201(g)(3).

⁴⁷³ S 1201(g)(1) & (2).

⁴⁷⁴ S 1201(g)(4)(A).

⁴⁷⁵ S 1201(g)(4)(B).

⁴⁷⁶ S 1201(g)(3).

⁴⁷⁷ Library of Congress 2000:64565. However, this exemption is only effective for three years, beginning 27 October 2000.

Sections 1201(a)(2) and 1201(b)(1), on the other hand, prohibit anyone from manufacturing, importing, offering to the public, providing, or otherwise trafficking in any technology, product, service, device, component, or part thereof, that -

- (1) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a protected work⁴⁷⁸ or protects a right of a copyright owner;⁴⁷⁹ or
- (2) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a protected work⁴⁸⁰ or effectively protects a right of a copyright owner;⁴⁸¹ or
- (3) is marketed for use in circumventing a technological measure that effectively controls access to a protected work⁴⁸² or effectively protects a right of a copyright owner.⁴⁸³

Therefore, these anti-trafficking provisions ban the offering and providing of technology that can be used to circumvent technological means, controlling access to and/or copying of copyright protected works.⁴⁸⁴ The Act also provides for two exemptions to this prohibition: Firstly "a person may develop and employ technological means to circumvent a technological measure, or to circumvent protection afforded by a technological measure, in order to enable the identification and analysis of those elements of the program that are necessary to achieve interoperability of an independently created computer program with other programs if such means are necessary to achieve such interoperability, to the extent that doing so does not constitute [copyright] infringement".⁴⁸⁵

⁴⁷⁸ S 1201(a)(2)(A).

⁴⁷⁹ S 1291(a)(3)(A). In *Universal Studios et al v Corley (supra)* the court explained the difference between the two phrases "a technological measure that effectively controls access to a protected work" and "a technological measure that protects a right of a copyright owner": "In other words, although both subsections prohibit trafficking in a circumvention technology, the focus of [the first] subsection ... is circumvention of technologies designed to *prevent access* to a work, and the focus of [the second] subsection ... is circumvention of technologies designed to *permit access* to a work but *prevent copying* of the work or some other act that infringes a copyright." See also Library of Congress 2000:64557.

⁴⁸⁰ S 1201(a)(2)(B).

⁴⁸¹ S 1201(a)(3)(B).

⁴⁸² S 1201(a)(2)(C).

⁴⁸³ S 1201(a)(3)(C).

⁴⁸⁴ *Universal City Studios et al v Reimerdes et al (supra)*.

⁴⁸⁵ S 1201(f)(2).

These technological means may be made available to others if the person referred to above provides such means *solely* for the purpose of enabling interoperability of an independently created computer program with other programs, and to the extent that doing so does not constitute infringement in terms of the Act.⁴⁸⁶ Therefore, where A developed the technological means, legitimately, only he is allowed to make it available on the Internet. B is not allowed to copy this technological means and post it on his web site because he did not develop it.⁴⁸⁷ Furthermore, the court in *Universal City Studios et al v Reimerdes et al*⁴⁸⁸ noted that “[t]he right to make the information available extends only to dissemination ‘solely for the purpose’ of achieving interoperability as defined in the statute. It does not apply to public dissemination of means of circumvention”.

The Act defines the phrase “to circumvent a technological measure” as to “descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.”⁴⁸⁹ The Act also declares that a technological measure “effectively controls access to a work” “if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.”⁴⁹⁰

With regard to the second exemption, the Act stipulates that it is lawful for a person to engage in an act of security testing [accessing a computer, computer system, or computer network, solely for the purpose of good faith testing, investigating, or correcting, a security flaw or vulnerability, with the authorisation of the owner or operator of such computer, computer system, or computer network⁴⁹¹] where such act does not a) constitute copyright infringement in terms of the Act or b) a violation of applicable law, such as section 1030 of Title 18 of the *USC* (namely the *Computer Fraud and Abuse Act*).⁴⁹² For the purpose of such security testing, a person may even develop and employ technological means to circumvent a technological measure.⁴⁹³

⁴⁸⁶ S 1201(f)(3).

⁴⁸⁷ *Universal City Studios et al v Reimerdes et al (supra)*.

⁴⁸⁸ *Supra*.

⁴⁸⁹ S 1201(a)(3)(A).

⁴⁹⁰ S 1201(a)(3)(B).

⁴⁹¹ S 1201(j)(1).

⁴⁹² S 1201(j)(2). The Act also enunciates certain factors that a court has to take into consideration to determine whether the defendant/accused qualifies for this exemption. See s 1201(j)(3).

⁴⁹³ S 1201(j)(4).

Lawfully authorised investigative and intelligence activities by the US government are also exempted.⁴⁹⁴

The Act, in addition, prohibits the provision or distribution of erroneous information, knowingly and with the intent to induce, enable, facilitate, or conceal infringement, concerning the title and other information identifying the work, the name of, and other identifying information about, the author of a work, the name of, and other identifying information about, the copyright owner of the work, etc.⁴⁹⁵ These bits of information are referred to in the Act as “copyright management information”. Moreover, the Act prohibits anyone from intentionally removing or altering any copyright management information or distributing copies of works knowing that copyright management information has been removed or altered (a) without the authority of the copyright owner or the law; and (b) knowing or having reasonable grounds to know, that it will induce, enable, facilitate, or conceal an infringement of any protected copyright.⁴⁹⁶

In *Kelly et al v Arriba Soft Corp et al*⁴⁹⁷ the court noted that this specific provision only applies to instances where the copyright management information is removed from the plaintiff’s product and not to instances where the images, on a web page, do not contain such management information, but instead the surrounding web pages.

Therefore, the Act penalises the removal of digital watermarks and also criminalises instances where someone puts his own digital watermark or copyright notice on a third party’s copyright protected work so as to deceive the public into thinking that he is the lawful proprietor or distributor of the work.

Lawfully authorised investigative and intelligence activities by the US government are exempted.⁴⁹⁸ The Act stipulates further that any person injured by a violation of sections 1201 or 1202 may bring a civil action and the courts are empowered to:⁴⁹⁹

- a) Grant interdicts;
- b) Order impounding of any device or product that is in the custody or control of the alleged violator and that the court has reasonable cause to believe was involved in

⁴⁹⁴ S 1201(e).

⁴⁹⁵ S 1202(a) & (c).

⁴⁹⁶ S 1202(b).

⁴⁹⁷ 77 F.Supp.2d 1116 (C.D. Cal. 1999). A copy of this judgment can be obtained from <http://eon.law.harvard.edu/h2o/property/metatags/ARRIBA.html>.

⁴⁹⁸ S 1202(d).

⁴⁹⁹ S 1203(a), (b) & (c).

a violation;

- c) Award damages, either actual damages, statutory damages or punitive damages; and/or
- d) Order the remedial modification or the destruction of any device or product involved in the violation that is in the custody or control of the violator or has been impounded.

Moreover, the Act stipulates that violations of sections 1201 and 1202, wilfully and for purposes of commercial advantage or private financial gain, constitute criminal offences, punishable -

- by a fine not more than \$500 000 or imprisonment of not more than 5 years, or both, for the first offence; or
- by a fine not more than \$1 000 000 or imprisonment of not more than 10 years, or both, for any subsequent offence.⁵⁰⁰

Finally, the Act stipulates that “[n]othing in this section shall affect rights, remedies, limitations or defenses to copyright infringement, including fair use, under this title”.⁵⁰¹

The Second Circuit of Appeal has stated that this section “clearly and simply clarifies that the DMCA targets the *circumvention* of digital walls guarding copyrighted material (and trafficking in circumvention tools), but does not concern itself with the *use* of those materials after circumvention has occurred ... [it] ensures that the DMCA is not read to prohibit the ‘fair use’ of information just because that information was obtained in a manner made illegal by the DMCA.”⁵⁰²

3.4.2. Cases dealing with contravention of the DMCA

The cases discussed next illustrate how US courts interpreted the phrase “technological measure” and how they applied it to practical Internet scenarios.

In *Sony Computer Entertainment America Inc v Gamemasters et al*⁵⁰³ the court dealt with a specific video game device, namely the “Game Enhancer”. Some Sony Playstation games are manufactured to only function in other countries than the US. A

⁵⁰⁰ S 1204.

⁵⁰¹ S 1201(c)(1).

⁵⁰² See *Universal Studios et al v Corley (supra)*.

⁵⁰³ 87 F.Supp.2d 976 (N.D. Cal. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/cases/sonyvgamemasters.html>.

US Playstation console will "reject" a foreign CD-game. This was ensured by encrypted data on the CD. The Game Enhancer, manufactured by defendants, was designed to allow consumers to play such imported (foreign) video games on US Sony Playstation consoles. The court held that "the Game Enhancer appears to be a device whose primary function is to circumvent 'a technological measure (or a protection afforded by a technological measure) that effectively controls access to a system protected by a registered copyright'."⁵⁰⁴ Consequently, the court held that the Game Enhancer violated the DMCA⁵⁰⁵ and issued an interdict enjoining the defendant from advertising and/or selling this device.

Therefore, where someone distributes a computer program by means of the Internet that allows computer users to play CD-ROM computer games or video games, not supposed to be played in the US, such conduct constitutes a violation of the DMCA.

Similar considerations arose in *Realnetworks Inc v Streambox Inc*.⁵⁰⁶ The facts were that the many copyright proprietors, of audio and video content, wanted to make their content available online, without the possibility of unauthorised distribution of such e-content. Therefore, normal downloading was not an option. These proprietors made use of a technique called "streaming", which the court explained as follows: "When an audio or video clip is 'streamed' to a consumer, no trace of the clip is left on the consumer's computer, unless the content owner has permitted the consumer to download the file ... [it enables] owners of audio and video content to make their content available for consumers to listen to or view, while at the same time securing the content against unauthorized access or copying."

A large majority of all Internet web pages that deliver streaming music or video use the RealNetworks' format. The copyright owner makes the "streaming" content available by means of a "RealServer", which is simply a computer program. The computer user (the end-user) uses a "RealPlayer" to listen or to view the content. A "RealPlayer" is also a computer program, freely available on the Internet, that resides on the user's computer and must be used to access and play a streaming "RealMedia file", sent from

⁵⁰⁴ Earlier in the judgment, the court stated that "[t]he Game Enhancer circumvents the mechanism on the PlayStation console that ensures the console operates only when encrypted data is read from an authorized CD-ROM."

⁵⁰⁵ I.e. chapter 12 of the *Copyright Act*.

⁵⁰⁶ 2000 WL 127011 (W.D. Wash. 2000). A copy of this judgment can be downloaded from www.law.uh.edu/faculty/cjoyce/copyright/release10/Real.html.

a "RealServer".

The defendant created a computer program, called the "Streambox VCR", that mimicked a RealPlayer and circumvented the authentication procedure that a RealServer program requires before it streams content to a RealPlayer. The program further allowed the recording (i.e. downloading) of such streamed content. The court explained this program as follows: "In this way, the Streambox VCR acts like a 'black box' which descrambles cable or satellite broadcasts so that viewers can watch pay programming for free."⁵⁰⁷

The court maintained that the Streambox VCR posed "a threat to RealNetworks' relationships with existing and potential customers who wish to secure their content for transmission over the Internet and must decide whether to purchase and use RealNetworks' technology. If the Streambox VCR remains available, these customers may opt not to utilize RealNetworks' technology, believing that it would not protect their content against unauthorized copying."

The court further maintained that the techniques or measures used by the RealServer and RealPlayer software (to control access to such content and to copy such content) constituted a "technological measure", as defined in the DMCA. The court was further of the opinion that the Streambox VCR was primarily designed to circumvent the technological measures (access control and copy protection) plaintiff afforded to copyright owners, which defendants did for a commercial purpose. Consequently, the court enjoined the defendant from distributing the Streambox VCR to any third parties.

The court in *Universal City Studios et al v Reimerdes et al*⁵⁰⁸ was required to address both the question whether the defendant's computer programs constituted

⁵⁰⁷ The court compared this program with cable services as follows: "Like the cable and satellite companies that scramble their video signals to control access to their programs, RealNetworks has employed technological measures to ensure that only users of the RealPlayer can access RealMedia content placed on a RealServer. RealNetworks has gone one step further than the cable and satellite companies, not only controlling access, but also allowing copyright owners to specify whether or not their works can be copied by end-users, even if access is permitted. The Streambox VCR circumvents both the access control and copy protection measures."

⁵⁰⁸ 111 F.Supp.2d 194 (S.D.N.Y. 2000), as amended on 17/08/2000. A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/NY/trial/op.html>. This judgment was unanimously confirmed on appeal. See *Universal Studios et al v Corley* 273 F.3d 429 (2nd Cir. 2001). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/November01/00-9185.html.

technological circumventing measures as well as the question when such technology is offered, provided or trafficked in, for the purposes of the DMCA. The facts were that the plaintiffs distributed many of their copyright protected motion pictures on DVDs. They protected their motion pictures from illegal copying by employing an encryption system called CSS.⁵⁰⁹ This ensured that DVDs could only be played by DVD-players and computer drives equipped with licensed technology that permitted the devices to decrypt and play the films. The software (CSS) also prevented a user from copying the content. In 1999 hackers devised a computer program called DeCSS that circumvented the CSS protection system and allowed CSS-protected motion pictures to be copied and played on devices lacking the licensed decryption technology.⁵¹⁰ When a computer user employed DeCSS, he could copy the entire DVD movie to his computer's hard disk and then, for instance, copy the file onto another DVD disk or by compressing (zipping) the file, he could transmit a manageable size file over the Internet.⁵¹¹

The defendants posted the DeCSS software on their Internet web site (www.2600.com), making it readily available to the world. They also included hyperlinks on their web site that linked Internet surfers to third party web sites where the DeCSS program could also be downloaded from. The court maintained, with regard to the question whether the defendants provided a program that could circumvent a technological measure, that -

"[t]he inescapable facts are that (1) CSS is a technological means that effectively controls access to plaintiffs' copyrighted works, (2) the one and only function of DeCSS is to circumvent CSS, and (3) defendants offered and provided DeCSS by posting it on

⁵⁰⁹ An acronym for "Contents Scramble System". For an understanding of how CSS works, see *Universal Studios et al v Corley (supra)*.

⁵¹⁰ In *Universal Studios et al v Corley (supra)* the Second Circuit of Appeal explained CSS and DeCSS as follows: "Our case concerns a security device, CSS computer code, that prevents access by unauthorized persons to DVD movies. The CSS code is embedded in the DVD movie. Access to the movie cannot be obtained unless a person has a device, a licensed DVD player, equipped with computer code capable of decrypting the CSS encryption code. In its basic function, CSS is like a lock on a homeowner's door, a combination of a safe, or a security device attached to a store's products. DeCSS is computer code that can decrypt CSS. In its basic function, it is like a skeleton key that can open a locked door, a combination that can open a safe, or a device that can neutralize the security device attached to a store's products. DeCSS enables anyone to gain access to a DVD movie without using a DVD player."

⁵¹¹ This compression software, called DivX, can be downloaded from the Internet, at no cost. See *Universal Studios et al v Corley (supra)*.

their web site. Whether defendants did so in order to infringe, or to permit or encourage others to infringe, copyrighted works in violation of other provisions of the Copyright Act simply does not matter for purposes of Section 1201(a)(2). The offering or provision of the program is the prohibited conduct - and it is prohibited irrespective of why the program was written, except to whatever extent motive may be germane to determining whether their conduct falls within one of the statutory exceptions."

Consequently, the court held that DeCCS contravened the DMCA. With regard to the linking aspect, the court observed that:

"The statute makes it unlawful to offer, provide or otherwise traffic in described technology. To 'traffic' in something is to engage in dealings in it, conduct that necessarily involves awareness of the nature of the subject of the trafficking. To 'provide' something, in the sense used in the statute, is to make it available or furnish it. To 'offer' is to present or hold it out for consideration. The phrase 'or otherwise traffic in' modifies and gives meaning to the words 'offer' and 'provide.' In consequence, the anti-trafficking provision of the DMCA is implicated where one presents, holds out or makes a circumvention technology or device available, knowing its nature, for the purpose of allowing others to acquire it."

The defendants included three types of links on their web pages:

A) Some links transferred the user to a third party's web page that contained various types of information, which did not itself contain the DeCSS program, but, in turn, linked, either directly or *via* a series of other pages, to an internal page of the same web site, from where the program could be downloaded. It was up to the user to follow the link or series of links on the linked-to web site in order to arrive at the page with the DeCSS program and commence the downloading of the software.

B) Other links took the user to a page on a third party's web site, from which the DeCSS program could directly be downloaded. Such web page may or may not have contained other text or links.

C) Other links worked as follows: When the user clicked on the link, provided by the defendants, the user's computer automatically commenced downloading the DeCSS program, without further user intervention.

The court maintained that:

"To the extent that defendants have linked to sites that automatically commence the process of downloading DeCSS upon a user being transferred by defendants'

hyperlinks, there can be no serious question. Defendants are engaged in the functional equivalent of transferring the DeCSS code to the user themselves. Substantially the same is true of defendants' hyperlinks to web pages that display nothing more than the DeCSS code or present the user only with the choice of commencing a download of DeCSS and no other content. The only distinction is that the entity extending to the user the option of downloading the program is the transferee site rather than defendants, a distinction without a difference. Potentially more troublesome might be links to pages that offer a good deal of content other than DeCSS but that offer a hyperlink for downloading, or transferring to a page for downloading, DeCSS. If one assumed, for the purposes of argument, that the *Los Angeles Times* web site somewhere contained the DeCSS code, it would be wrong to say that anyone who linked to the *Los Angeles Times* web site, regardless of purpose or the manner in which the link was described, thereby offered, provided or otherwise trafficked in DeCSS merely because DeCSS happened to be available on a site to which one linked. But that is not this case. Defendants urged others to post DeCSS in an effort to disseminate DeCSS and to inform defendants that they were doing so. Defendants then linked their site to those 'mirror' sites, after first checking to ensure that the mirror sites in fact were posting DeCSS or something that looked like it, and proclaimed on their own site that DeCSS could be had by clicking on the hyperlinks on defendants' site. By doing so, they offered, provided or otherwise trafficked in DeCSS, and they continue to do so to this day."

The defendants contended that the above statement of the court meant that when someone linked to a web page that contained infringing material, he would be liable. The court responded by stating that -

"[t]he other concern - that a liability based on a link to another site simply because the other site happened to contain DeCSS or some other circumvention technology in the midst of other perfectly appropriate content could be overkill - also is readily dealt with. The offense under the DMCA is offering, providing or otherwise trafficking in circumvention technology. An essential ingredient, as explained above, is a desire to bring about the dissemination. Hence, a strong requirement of that forbidden purpose is an essential prerequisite to any liability for linking. Accordingly, there may be no injunction against, nor liability for, linking to a site containing circumvention technology, the offering of which is unlawful under the DMCA, absent clear and convincing evidence that those responsible for the link (a) know at the relevant time that the offending material is on the linked-to site, (b) know that it is circumvention technology that may not lawfully be offered, and (c) create or maintain the link for the purpose of disseminating that technology. Such a standard will limit the fear of liability on the part

of web site operators ... And it will not subject web site operators to liability for linking to a site containing proscribed technology where the link exists for purposes other than dissemination of that technology.⁵¹² In evaluating purpose, courts will look at all relevant circumstances. Sites that advertise their links as means of getting DeCSS presumably will be found to have created the links for the purpose of disseminating the program. Similarly, a site that deep links to a page containing only DeCSS located on a site that contains a broad range of other content, all other things being equal, would more likely be found to have linked for the purpose of disseminating DeCSS than if it merely links to the home page of the linked-to site. In this case, plaintiffs have established by clear and convincing evidence that these defendants linked to sites posting DeCSS, knowing that it was a circumvention device. Indeed, they initially touted it as a way to get free movies, and they later maintained the links to promote the dissemination of the program in an effort to defeat effective judicial relief.”

The Second Circuit of Appeal stated, on appeal, that the DMCA does not impose an unconstitutional limitation on the fair use provision in the *Copyright Act*, which defence is protected by the constitutional right to freedom of expression. The court maintained that one could still e.g. comment on the content of a particular DVD, “quoting excerpts from [its] screenplays, and even recording portions of the video images and sounds on film or tape by pointing a camera, a camcorder, or a microphone at a monitor as it displays the DVD movie. The fact that the resulting copy will not be as perfect or as manipulable as a digital copy obtained by having direct access to the DVD movie in its digital form, provides no basis for a claim of unconstitutional limitation of fair use. A film critic making fair use of a movie by quoting selected lines of dialogue has no constitutionally valid claim that the review (in print or on television) would be technologically superior if the reviewer had not been prevented from using a movie camera in the theater, nor has an art student a valid constitutional claim to fair use of a painting by photographing it in a museum. Fair use has never been held to be a guarantee of access to copyrighted material in order to copy it by the fair user’s preferred technique or in the format of the original.”⁵¹³

⁵¹² On appeal, the Second Circuit stated that “[we] reject the Appellants’ contention that an intent to cause harm is required ... Appellants ignore the reality of the functional capacity of decryption computer code and hyperlinks to facilitate instantaneous unauthorized access to copyrighted materials by anyone anywhere in the world.”

⁵¹³ *Universal Studios et al v Corley (supra)*.

However, in *DVD Copy Control Association Inc v McLaughlin et al*⁵¹⁴ the court held an opposite view to the one expressed by the court in the *Remeirdes* case. The plaintiff instituted action against the defendants, seeking a preliminary injunction barring them from posting DeCSS on their web sites and from linking to other sites that posted this program. Although this case was based on misappropriation of trade secrets, the court refused to prohibit linking to third party web sites, maintaining that "the Court refuses to issue an injunction against linking to other websites which contain the protected materials as such an order is overbroad and extremely burdensome. Links to other websites are the mainstay of the Internet and indispensable to its convenient access to the vast world of information. A website owner cannot be held responsible for all of the content of the sites to which it provides links." The court failed to elaborate whether the web sites to which the defendant linked contained other non-infringing material.

3.5. Protection of computer games and computer software

Next, this study ascertains the extent of copyright protection granted to computer games and computer software by US copyright law. First, a few definitions and general doctrines of US copyright law are outlined. Thereafter, the protection of computer games is discussed. This is followed by a discussion of computer software protection.

3.5.1. General

A "computer program" is defined as "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result".⁵¹⁵ US courts have maintained that computer programs classify as literary works.⁵¹⁶

⁵¹⁴ 2000 WL 48512 (Cal. Sup. Ct. 2000). A copy of this judgment can be downloaded from www.eff.org/Intellectual_property/DVDCCA_case/20000120-pi-order.html.

⁵¹⁵ S 101 of Title 17 of the USC.

⁵¹⁶ *Lotus Development Corp v Borland International Inc* 49 F.3d 807 (1st Cir. 1995):813, fn 5 [a copy of this judgment was obtained from Westlaw]; *Gates Rubber Co v Bando Chemical Industries* 9 F.3d 823 (10th Cir. 1993):839 [a copy of this judgment was obtained from Westlaw]; *Computer Associates International Inc v Altai Inc* 982 F.2d 693 (2nd Cir. 1992):702; *Digital Communications Associates Inc v Softklone Distributing Corp* 659 F.Supp. 449 (N.D. Ga. 1987):454 [a copy of this judgment was obtained from Westlaw]; *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al* 797 F.2d 1222 (3rd Cir. 1986):1234. See also the definition of "literary works" in section 101 of Title 17 of the USC: " 'Literary works' are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied."

“Audiovisual works”, in turn, are defined as “works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied”.⁵¹⁷

As explained above,⁵¹⁸ all these works must be original. Consequently, unoriginal elements of a computer program, including those elements that are found in the public domain, are not afforded copyright protection.⁵¹⁹

Three US copyright doctrines warrant special mentioning here. Firstly, copyright law prescribes that ideas are not copyright protected; only the expression of those ideas. This doctrine is statutorily regulated by section 102(b), which declares that “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”⁵²⁰ The second doctrine is that of “merger” which deals with the scenario where there is practically only one way to express an idea. Therefore the idea and the expression of that idea have merged.⁵²¹ The courts only prohibit a *verbatim* copying⁵²² or virtual identical copying⁵²³ of that expression.⁵²⁴ Under given circumstances, US courts have granted no protection to these expressions.⁵²⁵

The third and final doctrine is the *scenes a faire* doctrine, which stipulates that the

⁵¹⁷ S 101.

⁵¹⁸ See paragraph 3.1.2 of this chapter.

⁵¹⁹ *Gates Rubber Co v Bando Chemical Industries (supra)*:837.

⁵²⁰ In *Gates Rubber Co v Bando Chemical Industries (supra)* the Tenth Circuit of Appeal noted that “the main purpose or function of a program will always be an unprotectable idea.” (At 836)

⁵²¹ *Gates Rubber Co v Bando Chemical Industries (supra)*:838.

⁵²² *Data East USA Inc v Epyx Inc* 862 F.2d 204 (9th Cir. 1988):209.

⁵²³ *Apple Computer Inc v Microsoft Corp et al* 35 F.3d 1435 (9th Cir. 1994):1444 [a copy of this judgment was obtained from Westlaw]; *Apple Computer Inc v Microsoft Corp* 799 F.Supp. 1006 (N.D. Cal. 1992):1021 [a copy of this judgment was obtained from Westlaw]; *Atari Inc et al v North American Philips Consumer Electronics Corp et al* 672 F.2d 607 (7th Cir. 1982):617.

⁵²⁴ *Johnson Controls Inc v Phoenix Control Systems Inc et al* 886 F.2d 1173 (9th Cir. 1989):1175.

⁵²⁵ See *Lotus Development Corp v Paperback Software* 740 F.Supp 37 (D. Mass. 1990):59 [a copy of this judgment was obtained from Westlaw]; *Digital Communications Associates Inc v Softklone Distributing Corp (supra)*:457; *Broderbund Software Inc v Unison World Inc* 648 F.Supp. 1127 (N.D. Cal. 1986):1131 [a copy of this judgment was obtained from Westlaw].

following aspects are denied copyright protection:⁵²⁶ (1) Those expressions that are standard or common to a particular topic, idea, process or discovery or that necessarily follow from a common theme or setting; and (2) Those elements that are dictated by external factors.⁵²⁷

3.5.2. Computer games

Although no reported US judgment has addressed the question how the law protects computer games from pirating, numerous courts have addressed this question with regard to video games. US copyright law, with regard to the protection of video games, which applies equally to computer games, can be summarised as follows:

- (1) The underlying computer program, consisting of both object code and source code,⁵²⁸ is protected as a "computer program", as defined above.⁵²⁹ A program that is an identical copy of, or which is substantially similar to, the protected computer program, bearing the above-mentioned doctrines in mind, constitutes an infringing copy.
- (2) The game's visual display, including the accompanying sound effects, is protected as an audiovisual work.⁵³⁰ Of necessity, the copyright protection that these displays

⁵²⁶ *Gates Rubber Co v Bando Chemical Industries (supra)*:838.

⁵²⁷ With regard to computer programs, these "external factors" may include hardware standards, mechanical specifications, software standards, compatibility requirements, computer manufacturer design standards, target industry practices and demands, and computer industry programming practices. See *Gates Rubber Co v Bando Chemical Industries (supra)*:838.

⁵²⁸ "Object code" constitutes instructions represented by the values of "1" and "0" and is therefore incomprehensible to ordinary humans, except highly trained computer specialists. "Source code", on the other hand, is a translation of the object code into human readable instructions. Both codes are protected as computer programs. See *Midway Mfg Co v Strohon* 564 F.Supp. 741 (D.C. ILL. 1983):750-751.

⁵²⁹ See paragraph 3.4.1 of this chapter.

⁵³⁰ *Computer Associates International Inc v Altai Inc* 982 F.2d 693 (2nd Cir. 1992):703; *M Kramer Mfg Co Inc v Andrews* 783 F.2d 421 (4th Cir. 1986):436; *Midway Mfg Co v Strohon (supra)*:746; *Midway Mfg Co v Artic International Inc* 704 F.2d 1009 (7th Cir. 1983):1011-1012; *Stern Electronics v Kaufmann* 523 F.Supp. 635 (D.C.N.Y. 1981):639; *Midway Manufacturing Co v Dirkschneider* 543 F.Supp. 466 (D. Neb. 1981):479 [a copy of this judgment was obtained from Westlaw]. In *Stern Electronics Inc v Kaufman et al* 699 F.2d 852 (2nd Cir. 1982) the Second Circuit of Appeal confirmed that a video game qualifies as an audiovisual work: "No doubt the entire sequence of all the sights and sounds of the game are different each time the game is played, depending upon the route and speed the player selects for his spaceship ... Nevertheless, many aspects of the sights and the sequence of their appearance remain constant during each play of the game. These include the appearance (shape, colour and size) of the

enjoy extends only so far as their expression is protectable.⁵³¹ These screen displays are protected from identical expressions as well as expressions that are substantially similar, keeping the above-mentioned doctrines in mind.⁵³²

(3) Consequently, the audiovisual screen display of a computer game is separately copyrightable from its underlying computer program.⁵³³ The fact that both the audiovisual work and the computer program are embodied in the same data is irrelevant.⁵³⁴ US courts have unanimously maintained that merely affording protection to the underlying computer program is insufficient: This would allow competitors and pirates to create identical or virtually identical screen displays, without copying the underlying computer program, e.g. by means of reverse engineering.⁵³⁵

player's spaceship, the enemy craft ... as well as the sequence in which the missile bases, fuel depots, and terrain appears. Also constant are the sounds heard whenever the player successfully destroys an enemy craft ... The repetitive sequence of a substantial portion of the sights and sounds of the game qualifies for copyright protection as an audiovisual work." (At 856). See also *Williams Electronics Inc v Artic International Inc* 685 F.2d 870 (3rd Cir. 1982) where the Third Circuit of Appeal held (at 874) that "[a]lthough there is player interaction with the machine during the play mode which causes audiovisual presentation to change in some response to the player's varying participation, there is always a repetitive sequence of a substantial portion of the sights and sounds of the game, and many aspects of the display remain constant from game to game regardless of how the player operates the controls."

⁵³¹ *Computer Associates International Inc v Altai Inc* (*supra*):703.

⁵³² *Midway Mfg Co v Strohon* (*supra*):747; *Atari Inc et al v North American Philips Consumer Electronics Corp et al* 672 F.2d 607 (7th Cir. 1982):618; *Stern Electronics v Kaufmann* (*supra*):639. One specific comment by the court in *M Kramer Mfg Co Inc v Andrews* (*supra*) warrants mentioning here. At p 445 the court stated that "[b]ecause the audiovisual is fixed in the computer program, the computer program underlying the audiovisual constitutes a copy of the audiovisual. It necessarily follows from that holding that the audiovisual copyright may be infringed in one of two ways: The infringer may copy the audiovisuals themselves or the infringer may copy the underlying computer program."

⁵³³ *Digital Communications Associates Inc v Softklone Distributing Corp* 659 F.Supp. 449 (N.D. Ga. 1987):455 [a copy of this judgment was obtained from Westlaw]; *Stern Electronics Inc v Kaufman et al* (*supra*):856; *Stern Electronics v Kaufmann* (*supra*):639.

⁵³⁴ See *Stern Electronics Inc v Kaufman et al* (*supra*) where the court held (at 856) that "[n]or is copyright defeated because the audiovisual work and the computer program are both embodied in the same components of the game. The same thing occurs when an audio tape embodies both a musical composition and a sound recording."

⁵³⁵ In *Stern Electronics Inc v Kaufman et al* (*supra*) the court noted (at 855) that "[while mere protection of the underlying computer program] would have afforded some degree of protection, it would not have prevented a determined competitor from manufacturing a 'knock-off' ... that replicates precisely the sights and sounds of the game's audiovisual display. This could be done by writing a new computer program that would ... produce on the screen the same images ... accompanied by the same sounds. Such replication is possible because many different computer programs can produce the same 'results'

(4) The idea underlying of the computer game is not afforded copyright protection.⁵³⁶

Therefore, US courts protect both the underlying computer program as well as the audiovisual effects brought about by the aforementioned program.⁵³⁷

3.5.3. Computer software

The US copyright law with regard to the protection of computer software can be summarised as follows:

(1) The underlying computer program, consisting of both object code and source code, is protected as a "computer program",⁵³⁸ as defined above.⁵³⁹ Specifically, the courts have maintained that the computer program's protection may extend beyond its literal code to encompass its structure and organisation, where the latter complies with the requirements enumerated in paragraph 3.4.1.⁵⁴⁰ Therefore the structure and organisation of the computer program must not form part of the ideas behind the program, dictated by market factors.⁵⁴¹ Note that the computer program is protected from identical copying and substantial similarity. Consequently, where the copying of the plaintiff's copyright protected work is minimal or trivial, the plaintiff has no action seeing that the law requires appropriation of substantial

⁵³⁶ See also *Atari Games Corp v Registrar of Copyrights* 888 F.2d 878 (D.C. Cir. 1989):885-886; *Midway Mfg Co v Strohon* (*supra*):749; *Stern Electronics v Kaufmann* (*supra*):639.

⁵³⁷ *M Kramer Mfg Co Inc v Andrews* (*supra*):435; *Atari Inc et al v North American Philips Consumer Electronics Corp et al* (*supra*):617.

⁵³⁸ *Midway Mfg Co v Strohon* (*supra*):749.

⁵³⁹ See *Computer Associates International Inc v Altai Inc* 982 F.2d 693 (2nd Cir. 1992):702; *Johnson Controls Inc v Phoenix Control Systems Inc et al* 886 F.2d 1173 (9th Cir. 1989):1175; *Apple Computer Inc v Franklin Computer Corp* 714 F.2d 1240 (3rd Cir. 1983):1253; *Williams Electronics Inc v Artic International Inc* 685 F.2d 870 (3rd Cir. 1982):877.

⁵⁴⁰ See paragraph 3.4.1 of this chapter. The object code and source code are known as the literal elements of a computer program. The structure, sequence and organisation of a computer program and its user-interface are collectively known as the non-literal elements of a computer program. See *Johnson Controls Inc v Phoenix Control Systems Inc et al* (*supra*):1175.

⁵⁴¹ *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al* 797 F.2d 1222 (3rd Cir. 1986):1234, 1240 & 1248. This was confirmed by the Tenth Circuit of Appeal in *Gates Rubber Co v Bando Chemical Industries* 9 F.3d 823 (10th Cir. 1993):840. A copy of this judgment was obtained from Westlaw. It was also tacitly acknowledged in *Autoskill Inc v National Educational Support Systems Inc* 994 F.2d 1476 (10th Cir. 1993).

⁵⁴¹ *Plains Cotton Cooperative Association of Lubbock v Goodpasture Computer Services Inc et al* 807 F.2d 1256 (5th Cir. 1987):1262.

elements of the plaintiff's work (i.e. the computer program).⁵⁴² In such instances there is no substantial similarity.

- (2) The user-interface, i.e. the screen display of the computer program, is protected as an audiovisual work.⁵⁴³ Specifically, the structure, sequence and arrangement of the screen displays are copyright protected.⁵⁴⁴ Such user-interface is protected against identical copying or visual expressions that are substantially similar, keeping the above-mentioned doctrines in mind.⁵⁴⁵ Furthermore, a particular screen display, i.e. a particular window, does not constitute an audiovisual work, but a compilation and therefore a literary work.⁵⁴⁶
- (3) The courts have specifically maintained that the expression of the structure, sequence and organisation of the menu system (i.e. the menu command hierarchy consisting of a combination and sub-grouping of commands) of a computer program is not protected by copyright law in that it merely constitutes a method of

⁵⁴² *MiTek Holdings Inc et al v Arce Engineering Co* 89 F.3d 1548 (11th Cir. 1996). A copy of this judgment can be downloaded from www.law.emory.edu/11circuit/aug96/94-5262.opa.html.

⁵⁴³ See *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al (supra)* where the Third Circuit of Appeal noted (at 1244) that "[i]t is true that screen outputs are considered audio-visual works under the copyright code ... and are thus covered by a different copyright than are programs, which are literary works." See *Digital Communications Associates Inc v Softklone Distributing Corp* 659 F.Supp. 449 (N.D. Ga. 1987) where the court held (at 463) that "[t]he status screen's arrangement and design of the parameter/command terms is fixed in the computer program."

⁵⁴⁴ In *Broderbund Software Inc v Unison World Inc* 648 F.Supp. 1127 (N.D. Cal. 1986) the court stated (at 1135) that "[t]he overall structure, sequence and arrangement of the screens, text, and artwork (i.e., the audiovisual displays in general) are protected under the copyright laws". A copy of this judgment was obtained from Westlaw. See also *Manufacturers Technologies Inc v Cams Inc et al* 706 F.Supp. 984 (D. Conn. 1989):1001. A copy of this judgment was obtained from Westlaw.

⁵⁴⁵ *Telemarketing Resources v Symantec Corp* 12 USPQ.2d 1991 (N.D. Cal. 1989):1996 [a copy of this judgment was obtained from Westlaw]; *Broderbund Software Inc v Unison World Inc (supra)*:1136-1137.

⁵⁴⁶ In *Digital Communications Associates Inc v Softklone Distributing Corp (supra)* the court entertained doubts whether a particular screen display constituted an audiovisual work and concluded that it rather constituted a literary work, namely a compilation. At 462 the court stated that "[i]t is uncertain, however, whether the status screen, a 'literary work' if it is written on a piece of paper as opposed to appearing on a computer display screen, should be copyrightable as an 'audiovisual work.' The 1976 Copyright Act provides that 'audiovisual works' are works consisting 'of a series of related images.' ... While the status screen can change its appearance when the values of the parameters/commands are changed or when different lists or textual elements appear in the status screen's 'window,' the court is of the opinion that the status screen is essentially a 'literary work' and is copyrightable as such ... In this court's opinion, the status screen is a 'compilation' of parameter/command terms. As indicated by the statutory definition, a compilation is the 'assembling' of 'data' or information 'arranged' in such a way as to constitute 'an original work of authorship.' The status screen fits this definition."

operation,⁵⁴⁷ comparable to the buttons on a VCR.^{548 549} Note, further, that certain features of a user-interface, such as pull-down menus, overlapping windows, and

⁵⁴⁷ In *Lotus Development Corp v Borland International Inc* 49 F.3d 807 (1st Cir. 1995) the First Circuit of Appeal held that the " 'method of operation,' as that term is used in § 102(b), refers to the means by which a person operates something, whether it be a car, a food processor, or a computer. Thus a text describing how to operate something would not extend copyright protection to the method of operation itself ... We hold that the Lotus menu command hierarchy is an uncopyrightable 'method of operation.' The Lotus menu command hierarchy provides the means by which users control and operate Lotus 1-2-3. If users wish to copy material, for example, they use the 'Copy' command. If users wish to print material, they use the 'Print' command. Users must use the command terms to tell the computer what to do. Without the menu command hierarchy, users would not be able to access and control, or indeed make use of, Lotus 1-2-3's functional capabilities. The Lotus menu command hierarchy does not merely explain and present Lotus 1- 2-3's functional capabilities to the user; it also serves as the method by which the program is operated and controlled ... If specific words are essential to operating something, then they are part of a 'method of operation' and, as such, are unprotectable. This is so whether they must be highlighted, typed in, or even spoken, as computer programs no doubt will soon be controlled by spoken words ... The fact that Lotus developers could have designed the Lotus menu command hierarchy differently is immaterial to the question of whether it is a 'method of operation.' In other words, our initial inquiry is not whether the Lotus menu command hierarchy incorporates any expression. Rather, our initial inquiry is whether the Lotus menu command hierarchy is a 'method of operation.' " (At 815-816). A copy of this judgment was obtained from Westlaw. See also *MiTek Holdings Inc et al v Arce Engineering Co (supra)*.

⁵⁴⁸ In *Lotus Development Corp v Borland International Inc (supra)* the court noted that "[i]n many ways, the Lotus menu command hierarchy is like the buttons used to control, say, a video cassette recorder ('VCR') ... Users operate VCRs by pressing a series of buttons that are typically labelled 'Record, Play, Reverse, Fast Forward, Pause, Stop/Eject.' That the buttons are arranged and labeled does not make them a 'literary work,' nor does it make them an 'expression' of the abstract 'method of operating' a VCR via a set of labeled buttons. Instead, the buttons are themselves the 'method of operating' the VCR. When a Lotus 1-2-3 user chooses a command, either by highlighting it on the screen or by typing its first letter, he or she effectively pushes a button. Highlighting the 'Print' command on the screen, or typing the letter 'P,' is analogous to pressing a VCR button labeled 'Play.' " (At 817)

⁵⁴⁹ The courts in *Lotus Development Corp v Borland Intern Inc* 799 F.Supp. 203 (D. Mass. 1992):209 [a copy of this judgment was obtained from Westlaw] and *Lotus Development Corp v Paperback Software* 740 F.Supp 37 (D. Mass. 1990):67 [a copy of this judgment was obtained from Westlaw] held that these menu structures were protected by copyright law. These judgments were overruled by the First Circuit of Appeal in *Lotus Development Corp v Borland International Inc (supra)*. Note, however, that in *Engineering Dynamics Inc v Structural Software Inc* 26 F.3d 1335 (5th Cir 1994) the Fifth Circuit of Appeal observed that "[a]nother proposition to bear in mind is that the scope of protection afforded by a copyright is not constant across all literary works. Infringement is far more likely to have occurred where a defendant has copied a memorable phrase from a short poem than where the defendant has copied an explanatory phrase from a voluminous textbook on biochemistry, because the law is more protective of highly original and highly expressive works than it is of functional and nonfiction works. This distinction is recognized in *Feist*, where, because the allegedly infringed work was a collection of facts, the Court noted that any copyright was 'thin.' ... The same cautious approach to protection is

the use of icons to direct a computer and to make the user-interface more user-friendly, are not protected in that they are commonplace in the computer software industry.⁵⁵⁰ Stated differently, they lack originality.⁵⁵¹ Furthermore, these concepts are purely functional and therefore not protected by the law.⁵⁵² However, their unique artistic features are protected by copyright law.⁵⁵³ Furthermore, a particular user-interface can be protected from copying, even where it consists of unprotected elements, namely where it constitutes an original selection and arrangement of unprotected elements.⁵⁵⁴ However, such a compilation will only be protected against virtual identical copying.⁵⁵⁵

(4) Consequently, the audiovisual screen display of a computer game is separately

appropriate for computer user interfaces. To the extent that they are highly functional, or, like the output formats in this case, to the extent that they contain highly standardized technical information, they may lie very near the line of uncopyrightability." A copy of judgment was obtained from Westlaw.

⁵⁵⁰ *Telemarketing Resources v Symantec Corp (supra)*:1995.

⁵⁵¹ See *Apple Computer Inc v Microsoft Corp et al* 35 F.3d 1435 (9th Cir. 1994):1444 [a copy of this judgment was obtained from Westlaw]; *Brown Bag Software v Symantec Corp et al* 960 F.2d 1465 (9th Cir. 1992):1473 & 1475; *Telemarketing Resources v Symantec Corp (supra)*. See also *Apple Computer Inc v Microsoft Corp* 799 F.Supp. 1006 (N.D. Cal. 1992) where the court stated (at 1026) that the following concepts are not copyright protectable: "(1) use of windows to display multiple images on a computer screen and facilitate interaction with the information contained in the windows; (2) use of icons to represent familiar objects from the office environment and facilitate organization of information stored in the computer's memory; (3) manipulation of icons to convey instructions and to control operation of the computer; (4) use of menus to store information or functions of the computers in a place that is convenient to reach, but saves screen space for other images; and (5) opening and closing of objects as a means of retrieving, transferring or storing information. For the reasons which follow in detail, these are common to all the works in suit, and must be deemed 'ideas' and thus placed beyond the lone province of Apple or any other programmer."

⁵⁵² See *Apple Computer Inc v Microsoft Corp (supra)* where the court stated (at 1023) that "[t]he elements of such an arrangement serve a purely functional purpose in the same way that the visual displays and user commands of the dashboard, steering wheel, gear shift, brakes, clutch and accelerator serve as the user interface of an automobile ... Purely functional items or an arrangement of them for functional purposes are wholly beyond the realm of copyright as are other common examples of user interfaces or arrangements of their individual elements - the dials, knobs and remote control devices of a television or VCR, or the buttons and clocks of an oven or stove. Of course, the elements of these everyday user interfaces are seldom conflated into metaphoric images, but that does not mean that the user interface of a computer is less functional."

⁵⁵³ *Apple Computer Inc v Microsoft Corp et al (supra)*:1444; *Apple Computer Inc v Microsoft Corp (supra)*:1023.

⁵⁵⁴ *MiTek Holdings Inc et al v Arce Engineering Co (supra)*; *Apple Computer Inc v Microsoft Corp et al (supra)*:1446; *Digital Communications Associates Inc v Softklone Distributing Corp (supra)*:463.

⁵⁵⁵ *MiTek Holdings Inc et al v Arce Engineering Co (supra)*.

copyrightable from its underlying computer program.⁵⁵⁶

(5) The underlying idea embodied in the computer software is not protected.⁵⁵⁷

Therefore, US courts protect both the underlying computer program as well as the audiovisual effects of a computer software product, provided that such audiovisual effects and underlying program are original.

3.6. Interaction between copyright laws and the First Amendment

US courts have maintained that copyright legislation is not a restriction on speech seeing that the former protects only the form of expression and not the idea expressed.⁵⁵⁸ In particular the Supreme Court has noted that the -

“copyright’s idea/expression dichotomy ‘strikes a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author’s expression ... the First Amendment’s protections [are] embodied in the [Copyright] Act’s distinction between copyrightable expression and uncopyrightable facts and ideas, and the latitude for scholarship and comment traditionally afforded by fair use’ ”.⁵⁵⁹

⁵⁵⁶ *Whelan Associates Inc v Jaslow Dental Laboratory Inc et al (supra)*:1244.

⁵⁵⁷ See e.g. *Telemarketing Resources v Symantec Corp (supra)* where the court noted (at 1996) that the mere fact that the defendant’s program performs the same general functions as the plaintiff’s program and that their programs share the same underlying idea is insufficient to render the defendant liable for copyright infringement provided that the defendant’s visual expressions are different. See also p 1995. A copy of this judgment was obtained from Westlaw. In *Johnson Controls Inc v Phoenix Control Systems Inc et al (supra)* the court put it aptly: “A computer program is made up of several different components, including the source and object code, the structure, sequence and/or organization of the program, the user interface, and the function, or purpose, of the program. Whether a particular component of the program is protected by a copyright depends on whether it qualifies as an ‘expression’ of an idea, rather than the idea itself.” (At 1175)

⁵⁵⁸ See *Video Pipeline Inc v Buena Vista Home Entertainment Inc et al* 192 F.Supp.2d 321 (D.N.J. 2002). A copy of this judgment can be downloaded from <http://lawlibrary.rutgers.edu/fed/html/ca00-5236-1.html>.

⁵⁵⁹ *Harper & Row Publishers Inc et al v Nation Enterprises et al* 471 US 539 (1985). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=471&invol=539>. See also *Religious Technology Center et al v Netcom On-line Communication Services Inc et al* 923 F.Supp. 1231 (N.D. Cal. 1995) where the court held that “[t]he copyright concepts of the idea/expression dichotomy and the fair use defense balance the important First Amendment rights with the constitutional authority for ‘promot[ing] the progress of science and useful arts,’ ”. A copy of this judgment can be downloaded from www.loundy.com/CASES/RTC_v_Netcom.html.

3.7. Conclusion

The US position can, therefore, be summarised as follows:

- a) Where A downloads, copies or installs copyright protected content without the copyright proprietor's consent, he is guilty of copyright infringement in that he reproduces the work.
- b) Where A uploads copyright protected work to a web site (including a BBS), without the copyright proprietor's consent, he is guilty of copyright infringement in that he both reproduces as well as distributes the work. Where such content is e.g. a photograph, A also infringes the proprietor's exclusive right to display the work publicly.
- c) Where A copies (uploads) copyright protected content onto a network server, A is guilty of copyright infringement in that he reproduces the said content. However, where such uploading is done for the purpose of review or research, such copying is protected by the fair use defence.
- d) File-sharing services, such as Napster, are vicariously and contributorily liable for copyright infringements by their subscribers.
- e) Where A digitises copyright protected work for commercial purposes, he is guilty of copyright infringement in that he reproduces the work.
- f) Where A lawfully obtains a copy of audio copyright protected work, he is permitted to space-shift the content to any other medium for private use.
- g) Where A obtains electronic copyright protected material, without paying for it, and subsequently makes a printout, he infringes the copyright proprietor's rights.⁵⁶⁰
- h) The copying of software occurs whenever the software is installed on the computer's hard disk or whenever the software is merely loaded into the computer's memory, without installing it.
- i) When A views (browses) a web site/page, his computer makes an electronic copy, stored in the computer's RAM. Consequently, when he views a web page on which unauthorised copies of copyright protected works are displayed, knowing that such copies infringe a third party's copyright, he (A) is guilty of copyright infringement.
- j) Where A digitally streams B's copyrighted content over the Internet, be it MP3 music or motion pictures, without the latter's consent, A is guilty of copyright infringement in that he public performs or displays the said content.

⁵⁶⁰ *Intellectual Reserve Inc v Utah Lighthouse Ministry Inc* 75 F.Supp.2d 1290 (C.D. Utah 1999). A copy can be downloaded from <http://eon.law.harvard.edu/h2o/property/metatags/ULM.html>.

- k) Where A, without authorisation, digitally records B's TV broadcast and subsequently re-broadcasts it over the Internet, A commits copyright infringement in that he publicly performs and displays B's copyrighted work.
- l) Where a web site or BBS operator permits Internet users or subscribers to post material or comments on his web site or BBS and the said users or subscribers post copyright infringing material, the said operator is not liable for direct copyright infringement in that he did not actively participate in such posting.⁵⁶¹ However, where the aforementioned operator encourages third parties to post infringing content, he is guilty of contributory copyright infringement. Furthermore, where the said operator knows or has reason to suspect that infringing content is posted on his web site or BBS and he subsequently fails to remove the said content, he is guilty of vicarious copyright infringement in that he has the ability to control and supervise the content on his web site or BBS and further has a direct financial interest in such postings: Such infringing content means more hits and consequently he can ask more for the posting of advertisements on his web site.
- m) Whenever A inserts a notice on his web page indicating where unauthorised copies of copyrighted works can be downloaded or viewed, A is guilty of contributory copyright infringement.
- n) When A frames a third party's web page or content (such a photograph), he commits copyright infringement in that (1) he causes a derivative work to be made and (2) he publicly displays the third party's copyrighted content.
- o) When a virtual search engine produces thumbnail images, such images constitute a reproduction, which is protected by the fair use defence. However, when such search engine frames the original image, such framing constitutes copyright infringement.
- p) When A merely links to a third party's web site or deep-links to a particular web page within the latter's web site, he does not commit copyright infringement.
- q) When A copies factual data from B's web site, and expresses those same facts in a different way, A does not commit copyright infringement.
- r) ISPs were prior to the enactment of the DMCA not directly liable for copyright

⁵⁶¹ See also *Perfect 10 Inc v Cybernet Ventures Inc et al* 2002 US Dist Lexis 7333 (C.D. Cal. 2002) where the court held that this principle also applies to scenarios where A supervises the content of B's web site, in order to ensure that complies with certain principles and/or guidelines, and B then infringes a third party's copyright. A is not directly liable for B's copyright infringement: "[T]here is no evidence that [A] owns any of these websites or otherwise engages in directly infringing activity in the classic sense". A copy of this judgment was obtained from Westlaw.

infringements by their subscribers in that they (the ISPs) did not actively participate in the infringing activities. Furthermore, they were, in addition, not contributorily liable for copyright infringements by their subscribers, unless they had knowledge that a subscriber was infringing a third party's copyrights and subsequently failed to suspend the infringing web site.

- s) The following conduct constitutes a circumvention of a technological measure: (1) Where A provides a program that allows a computer to play or run software that is programmed to run only on designated computers; (2) When A creates a program which ensures that data can be copied or recorded, when the copyright proprietor programmed the said data in such a way that a user is unable to copy or record the data; and (3) When A deep-links to a web page containing circumventing technology, with the intent to enable Internet users to find the said technology.
- t) US courts protect computer software and computer games as follows: (1) The underlying code in the computer software and computer game, that instructs the computer to perform a certain activity, is protected as the "computer program", which according to US law, is a form of literary work; and (2) The graphic interface of both the software program and the computer game is protected as an audiovisual work, which is also a *specie* of literary works, provided that the said graphic features (i) are not common to the computer and Internet industry and (ii) do not constitute a method of operation.

4. INTERNATIONAL CONVENTIONS AND REGIONAL TREATIES

Before assessing whether the South African copyright law adequately protects copyright holders' rights and penalises cyber-infringers of these rights, a few international developments must first be observed in order to ascertain the possible influence thereof on the South African copyright law.

4.1. International conventions

Two international treaties are of prime importance for South Africa, namely the *WIPO Copyright Treaty* and the *TRIPS* agreement. These documents are studied in turn.

4.1.1. WIPO Copyright Treaty⁵⁶²

4.1.1.1. General

In 1996 the *World Intellectual Property Copyright Treaty* (also known as the *WIPO Copyright Treaty* or just the *WCT*) was promulgated⁵⁶³ after the *Diplomatic Conference on Certain Copyright and Neighboring Rights Questions* was held at Geneva in 1996. The *WCT* entered into force on 6 March 2002.⁵⁶⁴ South Africa has signed this treaty, but has neither ratified nor implemented its provisions.⁵⁶⁵

It should be mentioned here that when one scrutinises the *WCT*, one should read it in conjunction with the *Agreed Statements concerning the WCT*⁵⁶⁶ (hereafter the "Agreed Statements"), as adopted by the *Diplomatic Conference on Certain Copyright and Neighboring Rights Questions* on 20 December 1996.⁵⁶⁷ ⁵⁶⁸ The *Agreed Statements* determine the minimum scope of the rights enunciated in the *WCT*.

The *WCT* commences by providing that copyright protection extends only to expressions and not to ideas, procedures and methods of operation.⁵⁶⁹ Article 4 deals with computer program protection. It confirms, similar to the *TRIPS* agreement, that computer programs are protected as literary works by the *Berne Convention*: "Such protection applies to computer programs, whatever may be the mode or form of their expression."

One of the *Agreed Statements* to the *WCT* declares that the reproduction right as set

⁵⁶² A copy of this document can be downloaded from www.wipo.org/eng/diplconf/distrib/94dc.htm.

⁵⁶³ Verardi 1999(b):148.

⁵⁶⁴ See www.ifpi.org/site-content/press/20011206.html.

⁵⁶⁵ Green Paper 2000:54.

⁵⁶⁶ A copy of this document can be downloaded from www.wipo.int/treaties/ip/wct/statements.html.

⁵⁶⁷ Article 31.2 of the 1969 *Vienna Convention on the Law of Treaties* provides that an agreement forms part of the context for the purpose of the interpretation of the convention to which it relates. It stipulates that "[t]he context for the purpose of the interpretation of a treaty shall comprise, in addition to the text, including its preamble and annexes: (a) any agreement relating to the treaty which was made between all the parties in connection with the conclusion of the treaty; (b) any instrument which was made by one or more parties in connection with the conclusion of the treaty and accepted by the other parties as an instrument related to the treaty." A copy of this document can be downloaded from <http://archive.greenpeace.org/~intlaw/vien-tr.html>.

⁵⁶⁸ All the documents preceding the approval of the *WCT* and *Agreed Statements* can be downloaded from www.wipo.org/eng/diplconf/.

⁵⁶⁹ Article 2. This is virtually a *verbatim* restatement of article 9(2) of the *TRIPS* agreement.

out in article 9 of the *Berne Convention*, together with the exceptions permitted by article 9, fully apply to the digital environment.⁵⁷⁰ Article 9 of the *Berne Convention* declares that authors of literary and artistic works, which are protected by the *Berne Convention*,⁵⁷¹ enjoy the exclusive right of authorising the reproduction of these works, in any manner or form. The *Agreed Statement* further states that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the *Berne Convention*.⁵⁷² Both the *WCT* as well as the *Agreed Statements* are silent on the issue whether temporary reproductions in a computer's memory constitute reproduction and therefore copyright infringement.⁵⁷³

Article 6 of the *WCT* declares that authors of literary and artistic works, and therefore also authors of computer programs, enjoy an exclusive right to authorise the making available to the public of originals and copies of works through *sale or other transfer of ownership*, subject to the right of each member-state to determine conditions under which the exhaustion of this right applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorisation of the author.⁵⁷⁴ This is known as the right to distribution.⁵⁷⁵

Article 7(1) provides for a right to rental. It grants authors of computer programs, cinematographic works and "works embodied in phonograms", the exclusive right of authorising commercial rental to the public of the originals or copies of their works.⁵⁷⁶ However, such right of rental is only granted to authors of cinematograph works where "such commercial rental has led to widespread copying of such works materially

⁵⁷⁰ See the statement concerning article 1(4) of the *WCT*.

⁵⁷¹ Article 2(1) provides that the expression "literary and artistic works" includes "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatic-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science."

⁵⁷² See the statement concerning article 1(4) of the *WCT*.

⁵⁷³ See www.vonerlach.ch/articles/wipo.htm#2E.

⁵⁷⁴ Article 6(1) read with article 6(2).

⁵⁷⁵ See the heading of article 6.

⁵⁷⁶ Article 7(1).

impairing the exclusive right of reproduction.”⁵⁷⁷ Therefore this exception, in effect, means that the author/copyright proprietor of a cinematograph work only enjoys a right to rental when third parties have abused his performance to such an extent that he suffers financial prejudice. The wording of this article closely follows the wording of article 11 of the *TRIPS* agreement, also dealing with a right to rental.

Note that one of the *Agreed Statements* provides that the expressions “copies” and “original copies” in articles 6 and 7(1) of the *WCT* refer “exclusively to fixed copies that can be put into circulation as tangible objects.”⁵⁷⁸ As noted above, the *Agreed Statements* only determine the minimum scope of application of the rights set forth in the *WCT*. They do not create an obstacle for member-states to exceed that minimum and therefore do not exclude the possibility of applying the right to distribution as well as the right to rental to transmissions of electronic works over the Internet.

Article 8 of the *WCT* provides for a right of communication to the public.⁵⁷⁹ It stipulates that authors of literary and artistic works, therefore including authors of computer programs,

“enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.”⁵⁸⁰

Therefore, the *WCT* grants these authors the right to make their works available to the public by any means or process other than by distributing copies. In particular, it “explicitly covers interactive on-demand acts such as viewing works on a webpage or downloading files from a server.”⁵⁸¹

Article 11 (known as the *anti-circumvention provision*⁵⁸²) obliges member-states to provide for effective legal remedies as well as protection against the circumvention of

⁵⁷⁷ Article 7(2)(ii).

⁵⁷⁸ See the statement concerning articles 6 and 7 of the *WCT*.

⁵⁷⁹ See the heading of article 8.

⁵⁸⁰ One of the *Agreed Statements* noted that “It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention. It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11*bis*(2).” See the *Agreed Statement* concerning article 8.

⁵⁸¹ See www.vonerlach.ch/articles/wipo.htm#2E.

⁵⁸² *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 124.

effective technological measures used by copyright proprietors in connection with the exercise of their rights under the *WCT* or the *Berne Convention*. Article 12(1) continues this line of thinking by stipulating that contracting members are obliged to provide -

“adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the *Berne Convention*:

- (i) to remove or alter any electronic ‘rights management information’ [i.e. *information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public*⁵⁸³] without authority;
- (ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic ‘rights management information’ has been removed or altered without authority.”⁵⁸⁴

In other words, all member-states, including South Africa, are obliged to penalise both the unauthorised removal and alteration of digital rights management information as well as the distribution of copyright protected work from which such digital rights management information has been removed or altered. One of the *Agreed Statements* notes that the phrase “an infringement of any right covered by this Treaty or the *Berne Convention*” includes both exclusive rights and rights of remuneration.⁵⁸⁵ The *WIPO* maintains that the purpose of article 12 is to enhance the ability of rightsholders to exploit their property on the Internet and to allow consumers to rely on the accuracy of the information they receive.⁵⁸⁶

The *WCT* also deals with electronic databases. It provides that compilations “of data or other material, in any form, which by reason of the selection or arrangement of their contents constitute intellectual creations, are protected as such.”⁵⁸⁷ The *WCT* proceeds to confirm the general rule that this aforementioned protection does not extend to the data or the material itself, and is further “without prejudice to any

⁵⁸³ Article 12(2).

⁵⁸⁴ Own emphasis.

⁵⁸⁵ See the *Agreed Statement* concerning article 12.

⁵⁸⁶ *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 125.

⁵⁸⁷ Article 5.

copyright subsisting in the data or material contained in the compilation.”⁵⁸⁸ Both these provisions are virtually a *verbatim* copy of article 10(2) of the *TRIPS* agreement.

4.1.1.2. Summary

It can therefore be concluded that the *WCT* grants copyright owners of literary and artistic works, as well as computer programs, the exclusive right to control reproduction, distribution and communication of their works on the Internet. More importantly, the *WCT* compels member-states to criminalise, and to provide civil remedies such as interdicts, damage rewards, seizure of computers, confiscation of infringing materials, etc, against individuals who or businesses that -

- make electronic means and techniques available online which can be used to circumvent and thwart digital rights management;
- make digital content available, of which the digital rights management protection mechanisms have been removed or altered; and
- induce other cyber-surfers to remove or alter such digital rights management information.

The *WCT* is an important step in updating the international protection of intellectual property,⁵⁸⁹ so as to encompass non-physical copies.⁵⁹⁰

4.1.2. TRIPS⁵⁹¹

4.1.2.1. General

South Africa is bound to *TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights)* as a member of the World Trade Organisation (WTO).⁵⁹² Article 10 provides that computer programs are protected as literary works under the *Berne*

⁵⁸⁸ Article 5.

⁵⁸⁹ As the *Explanatory Report to the Convention on Cybercrime* correctly states (at par 111): The *WCT* “significantly update[s] the international protection for intellectual property (especially with regard to the new right of ‘making available’ of protected material ‘on demand’ over the Internet) and improve[s] the means to fight violations of intellectual property rights worldwide.” See also Verardi 1999(b):149.

⁵⁹⁰ www.mbendi.co.za/werksmns/net_law/guide03.htm.

⁵⁹¹ A copy of this document can be downloaded from www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.

⁵⁹² Dean 1999:1-91; Wendland 1997:307.

Convention.⁵⁹³ However, it fails to define a “computer program”. As noted earlier,⁵⁹⁴ *TRIPS* also protects compilations of data or other material in whatever form⁵⁹⁵ and further confers a right of rental on authors of computer programs, cinematographic works and phonograms (i.e. sound recordings). However, the right of rental in respect of cinematographic works is subjected to the same conditions enumerated in the *WCT*.⁵⁹⁶

Article 14 provides that producers of phonograms, who normally own the relevant copyright, enjoy the right to authorise or prohibit the direct *or indirect* reproduction of their phonograms.⁵⁹⁷ Therefore producers enjoy the exclusive right to reproduce their sound recordings on the Internet as well as to prohibit others from distributing their music as MP3 files on the Internet.

Article 14 further provides that broadcasting organisations enjoy the right to prohibit the unauthorised fixation and reproduction of fixations of their broadcasts.⁵⁹⁸ In addition, they enjoy the right to prohibit “the rebroadcasting by *wireless* means” of their broadcasts.⁵⁹⁹ This provision clearly does not apply to the Internet in that the broadcast must be by wireless means.⁶⁰⁰

TRIPS further provides for civil remedies, by stating that courts are empowered to make the following orders: Prohibitory interdicts, an award of damages as compensation, and the destruction or disposal of infringing goods.⁶⁰¹

Finally, it mandates member-states to “provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or *copyright piracy on a*

⁵⁹³ Article 10(1).

⁵⁹⁴ See paragraph 4.1.1 of this chapter.

⁵⁹⁵ Article 10(2).

⁵⁹⁶ Article 11 read with article 14(4). Note, however, that the right to rental in respect of cinematographic works are subject to an exception: “A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title”.

⁵⁹⁷ Article 14(2).

⁵⁹⁸ Article 14(1).

⁵⁹⁹ Article 14(3). The article continues to provide that “[w]here Members do not grant such rights to broadcasting organisations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts”.

⁶⁰⁰ This submission is supported by Wendland 1997:315.

⁶⁰¹ Article 44 read with articles 45 & 59.

commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.⁶⁰²

4.1.2.2. Summary

TRIPS therefore grants music producers the exclusive right to prohibit third parties from distributing their sound recordings, including MP3 files, online and off-line. In addition, it mandates member-states to criminalise intentional copyright infringements on a commercial scale and to provide for certain remedies such as forfeiture and destruction of equipment used to infringe the relevant copyrights. Finally, a right of rental is bestowed upon copyright proprietors of computer programs, cinematographic works and sound recordings.

4.1.3. Berne Convention for the Protection of Literary and Artistic Works⁶⁰³

Seeing that South Africa is a member to the *Berne Convention*,⁶⁰⁴ it is necessary to ascertain whether this convention applies to the Internet, and if so, what kind of protection it offers to copyright proprietors of electronic works.

4.1.3.1. Application of the Convention

The protection of this Convention applies (1) to any author who is a national or resident of one of the member-states to this Convention,⁶⁰⁵ as well as (2) to any author who is not a national or resident of one of the member-countries, but whose work was first published in one of those countries or simultaneously in a country outside the Convention and in a member-state of the Convention.⁶⁰⁶

⁶⁰² Article 61.

⁶⁰³ A copy of this treaty can be downloaded from www.law.cornell.edu/treaties/berne/overview.html.

⁶⁰⁴ Dean 1999:1-91; Wendland 1997:305.

⁶⁰⁵ Article 3(1).

⁶⁰⁶ Article 3(2).

It is submitted that where someone, who is neither a national nor a resident of a member-state, posts his work on the Internet, which has hitherto been unpublished in a member-state, such work is not protected by the *Berne Convention* in that it was not published in a member-state. It is submitted that where work is posted on the Internet, it is published on the Internet, but not in any country. The Internet cannot be pinpointed to a specific country. The Internet is everywhere, yet nowhere specific.

Where the author is either a national or a resident of a member-state, his Internet work qualifies for protection in terms of this Convention, provided that his work does not constitute news of the day or consists of miscellaneous facts having the character of mere items of press information.⁶⁰⁷ Where the Internet work is also physically published in a member-state, no problem arises.

4.1.3.2. Works protected

The Convention provides that it protects "literary and artistic works", which is defined to include writings, music, movies, photographs, drawings, etc, whatever may be their mode or form of expression.⁶⁰⁸ Therefore both online and off-line works are protected. The Convention further provides that "collections of literary or artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations" are protected as such, "without prejudice to the copyright in each of the works forming part of such collections."⁶⁰⁹ Therefore, this provision can be interpreted to protect electronic multimedia products.⁶¹⁰

The Convention continues to declare that the above-mentioned works enjoy protection

⁶⁰⁷ Article 2(8).

⁶⁰⁸ Article 2(1) provides that the expression "literary and artistic works" includes "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science."

⁶⁰⁹ Article 2(5).

⁶¹⁰ See Dellebeke 1997:31. Paragraph 5.3.1.4 of this chapter explains what a "multimedia product" is.

in all member states.⁶¹¹ This aspect is examined below.

4.1.3.3. Protection offered

With regard to the countries where protection is granted to the author's work, article 5(1) provides that "[a]uthors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention." Therefore, where one's Internet work enjoys protection in one member-state, the work is also protected by the copyright laws of all the other member-states.

Article 5(2) continues to provide that "the *extent of protection*, as well as the *means of redress* afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed."⁶¹² It follows that both the extent of protection as well as the means of redress are determined by the country where the copyright proprietor institutes proceedings.⁶¹³ Keeping jurisdictional issues in mind, this simply means that where a South African citizen's Internet work is infringed by a US citizen, the former must institute proceedings in the US. A South African court does not entertain jurisdiction over foreigners not residing in South Africa. Accordingly, US law will govern the copyright claim. Seeing that jurisdictional issues are beyond the scope of this study, this aspect will not be scrutinised further.

4.1.3.4. Moral rights

The Convention stipulates that the author enjoys the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation.⁶¹⁴

It is submitted that this article is relevant where A deletes B's copyright notice from the latter's work. B has the right to claim authorship of such works. Likewise, where A inserts his copyright notice on B's work, B can claim authorship.

⁶¹¹ Article 2(6).

⁶¹² Own emphasis.

⁶¹³ See Visser 1999(b):277.

⁶¹⁴ Article 6bis.

4.1.3.5. Exclusive rights (restricted acts)

The Convention grants certain exclusive rights to an author of protected literary and artistic works. These are:

- The right to make a translation of the literary or artistic work.⁶¹⁵
- The right to authorise the reproduction of the literary or artistic work, *in any manner or form*.⁶¹⁶ As noted above,⁶¹⁷ the parties to the *WCT* understood this right to include the storage of a protected work in digital form in an electronic medium.
- The right to authorise the public performance of a dramatic, dramatico-musical and musical work “including such public performance by any means or process” as well as the right to authorise the communication of their performances to the public.⁶¹⁸ Therefore where someone e.g. streams “musical works” over the Internet without the proprietor’s consent, he violates this exclusive right in that he performs the work publicly.
- The right to authorise the broadcasting of literary and artistic works as well as the right to authorise the “communication thereof to the *public by any other means of wireless diffusion of signs, sounds or images*”.⁶¹⁹ It is fairly obvious that the phrase “wireless diffusion of signs, sounds or images” cannot be applied to the Internet. Whether this right can be applied to the Internet context will depend on how the term “broadcasting” is interpreted. Dictionaries, generally speaking, define this term as either the sending of pictures or sound by means of airwaves⁶²⁰ and/or as the dissemination of information widely.⁶²¹
- The right to authorise the broadcasting of cinematographic works as well as the right to authorise the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images.⁶²² Similar considerations to those expressed above, with regard to the aforementioned right of communication, apply

⁶¹⁵ Article 8.

⁶¹⁶ Article 9(1).

⁶¹⁷ See paragraph 4.1.1.1 of this chapter.

⁶¹⁸ Article 11(1).

⁶¹⁹ Article 11bis(1). Own emphasis.

⁶²⁰ See e.g. the *Cambridge International Dictionary of English* and the 9th Edition of *The Concise Oxford Dictionary*.

⁶²¹ See e.g. the 9th Edition of *The Concise Oxford Dictionary* and *Webster’s Third New International Dictionary*.

⁶²² Article 14bis(1) read with article 11bis(1).

to this exclusive right.

- The right of authorising adaptations, arrangements and other alterations of his work.⁶²³

In addition, authors of musical works enjoy the exclusive right of authorising any communication to the public of the performance of their works.⁶²⁴ This right can certainly be interpreted to include instances where third parties convert CD music into MP3 files and then post it on their or third parties' web sites. Streaming of music over the Internet is also included.

4.1.3.6. Fair use

Article 10 provides that it is permissible to make quotations from any work that has already been *made lawfully available to the public* (and thus made available on the Internet), provided that (a) their making is compatible with fair practice; (b) their extent does not exceed that justified by the purpose; and (c) mention is made of the source, and of the name of the author, if it appears thereon.⁶²⁵

Note, specifically, that the fair use defence is not limited to any specific work. It applies to all works that have been made legally available. However, the above article imposes a limitation in the sense that it only allows *quotations* to be made. Therefore, the reproduction of a photograph or a piece of it is not sanctioned by this article. The same applies to (online) movies and video clips. It follows that this article only permits the verbal or written reproduction of text or words.

4.1.3.7. Remedies

The Convention provides that infringing copies of a work may be seized in any member-state where the work enjoys legal protection.⁶²⁶ This also applies to unauthorised reproductions coming from a country where the work is not protected, or has ceased to be protected.⁶²⁷

The question arises how this provision should be interpreted in the context of the

⁶²³ Article 12.

⁶²⁴ Article 11(1).

⁶²⁵ Article 10(1) & (3).

⁶²⁶ Article 16(1).

⁶²⁷ Article 16(2).

Internet. Assuming that a specific Internet work enjoys protection in South Africa, the question arises whether a South African court can order the seizure of the relevant work. Where the computer server, on which the relevant work is stored, is located in South Africa, no problem arises. The court can simply order that the computer or its hard drive be seized. It is further submitted that the court can order seizure of the electronic file on the said server, referring to the transfer thereof onto another storage medium.

However, where the computer, on which the relevant electronic work is stored, is not located in South Africa, a South African court cannot order the seizure of the work and/or computer in that it enjoys no jurisdiction over other countries. In such instances, the copyright proprietor will have to institute proceedings in the country where the relevant computer is located.

4.1.3.8. Summary

As can be seen from the above discussion, the *Berne Convention* is a minefield when one endeavours to apply it to the Internet, for the simple reason that it was drafted long before the idea of a global network emerged. However, the provisions of the *Berne Convention* can be summarised as follows.

Where the author qualifies for protection in terms of this Convention, his electronic work, where it constitutes one of the protected works in terms of this Convention, enjoys copyright protection in all the member-states. Generally speaking, he enjoys the exclusive rights (1) to reproduce his work in any manner or form and (2) to distribute his artistic, literary or cinematographic work to the public. The extent of protection enjoyed will be determined by the member-state's copyright law where he institutes proceedings for the infringement of his copyright. Furthermore, the Convention permits third parties to make either verbal or written quotations from literary works made lawfully available on the Internet.

4.2. European Directives

The study next turns to European directives dealing with electronic copyright protection and infringements.

4.2.1. Convention on Cybercrime

In November 2001 the Council of Europe promulgated the *Convention on Cybercrime*.⁶²⁸ It addresses computer-related crimes, such as hacking and virus instances, as well as offences relating to infringements of copyright. The *Explanatory Report*,⁶²⁹ also published in November 2001, explains the provisions of the Convention.⁶³⁰ When this thesis was written, the treaty had not entered into force.⁶³¹ South Africa is a signatory, as non-member of the EU, to this treaty,⁶³² but has not yet ratified its provisions.

The parties to this Convention are obliged to criminalise the intentional infringement of copyright, as defined in terms of a) the *Berne Convention*, b) the *TRIPS* agreement, and c) the *WCT*, where such acts are committed on a commercial scale and by means of a computer system.⁶³³ The infringement of moral rights is excluded from this provision.⁶³⁴ It is immediately observed that this provision is, for instance, aimed at penalising businesses such as Napster and MP3.com or any person or business selling or distributing copyright protected content over the Internet. Note, however, that this provision does not encompass individuals downloading the infringing content. Furthermore this provision does not criminalise "traditional copyright infringement"; copyright must be infringed by means of a computer. The requirement of infringements "on a commercial sale" is in line with the obligations imposed by article 61 of the *TRIPS* agreement,⁶³⁵ which stipulates that piracy on a commercial scale must be criminalised.⁶³⁶

In addition, the intentional aiding and/or abetting of these offences constitutes an

⁶²⁸ A copy of this document can be downloaded from <http://conventions.coe.int/treaty/EN/projets/FinalCybercrime.htm>. The first version of the *Draft Convention on Cybercrime* was released in April 2000. The final version in June 2001.

⁶²⁹ A copy can be downloaded from <http://conventions.coe.int/treaty/EN/projets/FinalCyberRapex.htm>.

⁶³⁰ The *Explanatory Report* maintains (at par II) that "[t]he text of this explanatory report does not constitute an instrument providing an authoritative interpretation of the Convention, although it might be of such a nature as to facilitate the application of the provisions contained therein."

⁶³¹ Only one country, namely Albania, has ratified the provisions of this treaty. The convention will only enter into force when at least 5 signatories have ratified its provisions, of which 3 must be EU members.

⁶³² See <http://conventions.coe.int/Treaty/EN/searchsig.asp?NT=185&CM=&DF=>.

⁶³³ Article 10(1).

⁶³⁴ Article 10(1).

⁶³⁵ Discussed above in paragraph 4.1.2.1 of this chapter.

⁶³⁶ Explanatory Report: par 114.

offence.⁶³⁷

4.2.2. EU Copyright Directive

4.2.2.1. General

In May 2001 the *Copyright Directive* (formally known as the *Directive on the harmonisation of certain aspects of copyright and related rights in the information society*) was promulgated by the EU Council.⁶³⁸ The purpose of this Directive is to harmonise the laws of EU countries concerning copyright aspects in order to ensure an environment that “will foster substantial investment in creativity and innovation, including network infrastructure, and lead in turn to growth and increased competitiveness of European industry, both in the area of content provision and information technology and more generally across a wide range of industrial and cultural sectors. This will safeguard employment and encourage new job creation.”⁶³⁹

The Directive provides for three exclusive rights for the copyright owners. Article 2 provides for a reproduction right:

“Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part:

- (a) for authors, of their works;
- (b) for performers, of fixations of their performances;
- (c) for phonogram producers, of their phonograms;
- (d) for the producers of the first fixations of films, in respect of the original and copies of their films;
- (e) for broadcasting organisations, of fixations of their broadcasts, whether those broadcasts are transmitted by wire or over the air, including by cable or satellite.”

It will be noticed that article 2 mentions the right to make temporary reproductions. This refers to reproductions in a computer’s memory (RAM).

Article 3 provides for a right of communication to the public as well as a right to make

⁶³⁷ Article 11(1).

⁶³⁸ Directive 2001/29/EC. The final version of this directive was issued on 22/5/2001. A copy of this directive can be downloaded from http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=32001L0029&lg=EN.

⁶³⁹ Preamble to the directive, paragraph 4. See also Hugenholtz 2000.

the works available to the public:

"1. Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.⁶⁴⁰

2. Member States shall provide for the exclusive right to authorise or prohibit the making available to the public, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them:

- (a) for performers, of fixations of their performances;
- (b) for phonogram producers, of their phonograms;
- (c) for the producers of the first fixations of films, of the original and copies of their films;
- (d) for broadcasting organisations, of fixations of their broadcasts, whether these broadcasts are transmitted by wire or over the air, including by cable or satellite.

3. The rights referred to in paragraphs 1 and 2 shall not be exhausted by any act of communication to the public or making available to the public as set out in this Article."

Article 4 provides for a distribution right:

"1. Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.⁶⁴¹

2. The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent."

The Directive also provides for exclusions to the above-mentioned restricted acts. Briefly, these exclusions are the following:⁶⁴²

- Temporary acts of reproduction, which are transient or incidental and an integral and essential part of a technological process and whose sole purpose is to enable (a) a transmission in a network between third parties by an intermediary, or (b) a lawful use of a work or other subject-matter to be made, and which have no independent economic significance, are exempted from the reproduction right.⁶⁴³

Therefore, merely browsing web pages does not violate the reproduction right even

⁶⁴⁰ In par 23 the Directive states that this provision should include the right to broadcast his work.

⁶⁴¹ In par 28 the Directive stipulates that copyright, in terms of this Directive, includes the exclusive right to control distribution of the work incorporated in a tangible article.

⁶⁴² Article 5.

⁶⁴³ Article 5(1). This exception allows browsing. See par 33.

though a temporary copy of the web page content is made in the computer's memory.

- Member-states may provide for the following exceptions or limitations to the reproduction right:
 - ⇒ Reproductions for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation;⁶⁴⁴
 - ⇒ Reproductions made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage.⁶⁴⁵
- Member-states may provide for the following exceptions or limitations to the reproduction right as well as the right to make work publicly available or to communicate the work to the public:
 - ⇒ “[U]se for the sole purpose of illustration for teaching or scientific research, as long as the source, including the author’s name, is indicated, unless this turns out to be impossible and to the extent justified by the non-commercial purpose to be achieved”,⁶⁴⁶
 - ⇒ “[R]eproduction by the press, communication to the public or making available of published articles on current economic, political or religious topics or of broadcast works or other subject-matter of the same character, in cases where such use is not expressly reserved, and as long as the source, including the author’s name, is indicated, or use of works or other subject-matter in connection with the reporting of current events, to the extent justified by the informatory purpose and as long as the source, including the author’s name, is indicated, unless this turns out to be impossible”,⁶⁴⁷
 - ⇒ Quotations for purposes such as criticism or review, provided that (1) they relate to a work or other subject-matter which has already been lawfully made available to the public, that (2) the source, including the author’s name, is indicated unless it turns out to be impossible, and (3) that their use is in accordance with fair practice and to the extent required by the specific purpose;⁶⁴⁸
 - ⇒ Use for the purposes of public security or to ensure the proper performance or

⁶⁴⁴ Article 5(2)(b).

⁶⁴⁵ Article 5(2)(c).

⁶⁴⁶ Article 5(3)(a).

⁶⁴⁷ Article 5(3)(c).

⁶⁴⁸ Article 5(3)(d).

reporting of administrative, parliamentary or judicial proceedings;⁶⁴⁹

⇒ “[U]se of political speeches as well as extracts of public lectures or similar works or subject-matter to the extent justified by the informatory purpose and provided that the source, including the author’s name, is indicated, except where this turns out to be impossible”;⁶⁵⁰

⇒ [U]se for the purpose of advertising the public exhibition or sale of artistic works, to the extent necessary to promote the event, excluding any other commercial use;⁶⁵¹

⇒ [U]se for the purpose of caricature, parody or pastiche;⁶⁵² and

⇒ [U]se in connection with the demonstration or repair of equipment.⁶⁵³ This exemption, therefore, ensures that computer technicians servicing and/or repairing computers cannot be held liable for copyright infringement when diagnosing their clients’ computers.⁶⁵⁴

- Member-states may also provide for the above exceptions and/or limitations to the right of reproduction, to the extent justified by the purpose of the authorised act of reproduction.⁶⁵⁵
- The above exceptions and limitations only apply where they do not unreasonably prejudice the legitimate interests of the rightsholder as well as the normal exploitation of the said work.⁶⁵⁶

The Directive also provides that the circumvention of technological measures must be curtailed: “Member States shall provide adequate legal protection against the circumvention of any effective technological measures, which the person concerned carries out in the knowledge, or with reasonable grounds to know, that he or she is pursuing that objective”.⁶⁵⁷

Furthermore, the rendering available of circumventing measures must be penalised: “Member States shall provide adequate legal protection against the manufacture, import, distribution, sale, rental, advertisement for sale or rental, or possession for

⁶⁴⁹ Article 5(3)(e).

⁶⁵⁰ Article 5(3)(f).

⁶⁵¹ Article 5(3)(j).

⁶⁵² Article 5(3)(k).

⁶⁵³ Article 5(3)(l).

⁶⁵⁴ See in this regard paragraph 3.2.7 where the position in the US is discussed.

⁶⁵⁵ Article 5(4).

⁶⁵⁶ Article 5(5).

commercial purposes of devices, products or components or the provision of services which:

- (a) are promoted, advertised or marketed for the purpose of circumvention of, or
- (b) have only a limited commercially significant purpose or use other than to circumvent, or
- (c) are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of, any effective technological measures."⁶⁵⁸

According to the Directive, the term "technological measure" means "any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law".⁶⁵⁹ Furthermore, the Directive deems such a technological measure to be "effective" where the "use of a protected work or other subject-matter is controlled by the rightholders through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject-matter or a copy control mechanism, which achieves the protection objective."⁶⁶⁰

The Directive also protects rights-management information, which is defined as "any information provided by rightholders which identifies the work or other subject-matter referred to in this Directive or covered by the sui generis right provided for in Chapter III of Directive 96/9/EC,⁶⁶¹ the author or any other rightholder, or information about the terms and conditions of use of the work or other subject-matter, and any numbers or codes that represent such information."⁶⁶²

Article 7 provides that member-states are obliged to provide for adequate legal protection against any person knowingly performing, without authority, any of the following acts:

- (a) The removal or alteration of any electronic rights-management information;
- (b) The distribution, importation for distribution, broadcasting, communication or

⁶⁵⁷ Article 6(1).

⁶⁵⁸ Article 6(2).

⁶⁵⁹ Article 6(3).

⁶⁶⁰ Article 6(3).

⁶⁶¹ Directive 96/9/EC deals with the protection of databases.

⁶⁶² Article 7(2).

making available to the public of works or other subject-matter protected under this Directive or under Chapter III of Directive 96/9/EC⁶⁶³ from which electronic rights-management information has been removed or altered without authority, if such person knows, or has reasonable grounds to know, that by so doing he is inducing, enabling, facilitating or concealing an infringement of any copyright or any rights related to copyright as provided by law, or of the sui generis right provided for in Chapter III of Directive 96/9/EC.⁶⁶⁴

With regard to sanctions and remedies, the Directive mandates member-states to provide appropriate sanctions and remedies in respect of infringements of the rights and obligations set out in this Directive and to take all the measures necessary to ensure that those sanctions and remedies are applied. These sanctions must be effective, proportionate and dissuasive.⁶⁶⁵ In addition, member-states must take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can bring an action for damages and/or apply for an interdict and, where appropriate, for the seizure of infringing material as well as of circumventing devices, products or components.⁶⁶⁶ Member-states must also ensure that copyright holders are in a position to apply for an interdict against intermediaries whose services are used by a third party to infringe their copyrights or related rights.⁶⁶⁷

4.2.2.2. Conclusion

It can, therefore, be gauged from the above that the *Copyright Directive* is the most comprehensive document on Internet and electronic infringements, providing for -

- (1) exclusive rights tailored for the Internet context, such as the right to distribute one's work, the right to communicate one's work to the Internet community, and the right to make one's work available 24x7;
- (2) the protection of technological measures against circumvention as well as prohibiting the manufacture, distribution and possession for commercial purposes of technology that circumvents these protective measures; and

⁶⁶³ See footnote 661.

⁶⁶⁴ Article 7(1).

⁶⁶⁵ Article 8(1).

⁶⁶⁶ Article 8(2).

⁶⁶⁷ Article 8(3).

(3) the protection of digital rights management information, specifically the protection thereof against removal and alteration as well as prohibiting the distribution of works from which such information was removed or altered in order to perpetuate a fraud.

5. SOUTH AFRICAN LAW

Next, this study addresses the following two questions: a) What does the South African copyright law at present state; and b) If the current law is applied to Internet-related issues, as outlined in paragraph three of this chapter, what is the position in South Africa? However, before the study turns to these questions, notice is first taken of the defence of acquiescence which applies to copyright infringements, trade mark infringements as well as the common law violations. This is an extremely important defence when one deals with the Internet.

5.1. The doctrine of acquiescence

The doctrine of delay and acquiescence (also known as *waiver*), recognised by South African courts, applies to copyright infringement, trade mark infringement and common law proceedings. This doctrine entails that where the plaintiff discovers that a third party is infringing his rights and the former fails, for a considerable time, to institute proceedings in a court for such infringing activities, he (the plaintiff) abandons his right to object to the defendant's activities.⁶⁶⁸ The difficulty is determining, under the special circumstances of a particular case, whether the delay has been sufficiently long to deprive the plaintiff of his right to prevent further infringements by the defendant.⁶⁶⁹ The court must be able to infer, from all the circumstances, an unequivocal intention or indication by the plaintiff to abandon his rights.⁶⁷⁰ This is always a question of fact.⁶⁷¹

⁶⁶⁸ *Policansky Bros v Hermann & Canard* 1910 TPD 1265:1279-1280.

⁶⁶⁹ *Policansky Bros v Hermann & Canard (supra):1279-1280*. In this case the court considered a five year delay as a considerable period of time. (At 1280). Similarly, the court held in *Crossfield & Son Ltd v Crystallizers Ltd* 1925 WLD 216 that where the applicant had known for more than two and a half years that the respondent was using a get-up similar to former's get-up, without objecting to such conduct, the applicant consequently waived his right to object. (At 222-223). In *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd* 1974 2 SA 125 C the applicant waited 5 months, with full knowledge of the respondent's conduct, before instituting action for passing-off. The court held that this delay did not constitute acquiescence. (At 137D)

⁶⁷⁰ *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd (supra):137D-F; Policansky Bros v Hermann & Canard (supra):1280*. Acquiescence is a form of tacit consent. See *Safari Surf Shop*

The plaintiff must have had full knowledge of his rights and of the infringement of those rights.⁶⁷² The *onus* rests on the defendant to establish this special defence.⁶⁷³

Therefore, where the plaintiff is aware of the fact that the defendant is infringing his rights by means of the Internet, be it rights granted by copyright law, trade mark law or the common law, and he subsequently delays instituting proceedings for a considerable period of time, the plaintiff abandons his right to complain against the defendant's conduct.

5.2. Copyright Act of 1978

Next, the general principles of the South African *Copyright Act* are discussed.

5.2.1. Underlying philosophy and purpose of copyright law

The Supreme Court of Appeal has remarked that the *Copyright Act* is intended not to stifle, but rather to promote human ingenuity and industry.⁶⁷⁴ In the same vein other courts have stated that the principal purpose of copyright law is to advance public welfare by rewarding the talent of authors of original artistic or literary works with a limited monopoly over their works by enabling them to prevent others from copying and exploiting their work without their consent.⁶⁷⁵

5.2.2. General

Copyright is regulated locally by means of the *Copyright Act* 98 of 1978 (hereafter the

CC v Heavywater & others 1996 1 ALL SA 316 D:323j; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd (supra)*:137D-F.

⁶⁷¹ *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd (supra)*:137B.

⁶⁷² *Safari Surf Shop CC v Heavywater & others (supra)*:323l; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd (supra)*:137H. Where the respondent raises the defence of acquiescence, and the applicant is a juristic person, the respondent must allege and prove that the person who is alleged to have acquiesced his conduct on behalf of the applicant, had authority to acquiesce on behalf of the latter or that there were grounds present upon which the former could have believed that such person was acquiescing on behalf of the latter. See *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd* 1975 2 SA 189 C:199A-C.

⁶⁷³ *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others* 1990 3 SA 897 C:923F-G.

⁶⁷⁴ *Golden China TV Games Centre v Nintendo Co Ltd* 1996 4 ALL SA 667 A:672c.

⁶⁷⁵ See e.g. *Frank & Hirsch (Pty) Ltd v Roopchand Brothers (Pty) Ltd* 1991 3 SA 240 D:245B-C.

“Act”).⁶⁷⁶ The Act provides expressly that no copyright subsists otherwise than by virtue of this Act.⁶⁷⁷ This means that a particular work only qualifies for copyright protection where such protection is found within the four corners of the Act.⁶⁷⁸

Ownership of copyright exists in the author of the work, except where the work was created in the course of employment.⁶⁷⁹ However, contractual provisions can amend the effect of these provisions.⁶⁸⁰ The Act confers, generally speaking, a fifty year term of copyright protection upon the protected categories of works enunciated below.⁶⁸¹

The legal object of copyright is not the physical property but, generally speaking, the work embodied in the physical object.⁶⁸² Finally, two underlying principles of copyright law should be mentioned here, namely that (1) only the expression of an idea is protected and not the idea itself,⁶⁸³ and (b) facts, *per se*, are never protected.⁶⁸⁴

5.2.3. Protected works

The Act protects the following categories of work: Literary, music, artistic works, cinematograph films, sound recordings, broadcasts, programme-carrying signals, published editions and computer programs.⁶⁸⁵

According to the Act, a “literary work” includes, irrespective of literary quality⁶⁸⁶ and in

⁶⁷⁶ As recently amended by the *Copyright Amendment Act 9 of 2002*, which came into operation on 18 June 2002.

⁶⁷⁷ S 41(4).

⁶⁷⁸ See *Nintendo Co Ltd v Golden China TV Game Centre and Others* 1995 1 SA 229 T:235H; LAWSA 1994:vol 5(2), par 1.

⁶⁷⁹ S 21(1)(a), (b) & (c). See LAWSA 1994:vol 5(2), par 5.

⁶⁸⁰ S 21(1)(e); LAWSA 1994:vol 5(2), par 5.

⁶⁸¹ S 3(2).

⁶⁸² Stated differently, the product of man’s mind. See *Kinekor Films (Pty) Ltd v Movie Time* 1976 1 SA 649 D:657E.

⁶⁸³ *Galago Publishers (Pty) Ltd & Another v Erasmus* 1989 1 SA 276 A:283H; LAWSA 1994:vol 5(2), par 25; Copeling 1969:67.

⁶⁸⁴ *Galago Publishers (Pty) Ltd & Another v Erasmus (supra)*:283H.

⁶⁸⁵ S 2(1).

⁶⁸⁶ One court has interpreted the phrase “irrespective of literary quality” as follows: “Thus, a literary work need not be of literary quality. Indeed, even so prosaic a work as an index of railway stations in a railway guide, or a list of stock-exchange quotations, qualifies as a literary work, if sufficient effort has been expended on compiling it, to” make it an original work. See *Northern Office Micro Computers (Pty) Ltd & Others v Rosenstein* 1981 4 SA 123 C:129C-D.

whatever mode or form expressed, (a) novels, stories and poetical works; (b) dramatic works, stage directions, cinematograph film scenarios and broadcasting scripts; (c) textbooks, treatises, histories, biographies, essays and articles; (d) encyclopaedias and dictionaries; (e) letters, reports and memoranda; (f) lectures, speeches and sermons; and (g) tables and compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer.⁶⁸⁷

The Act defines a "cinematograph film" as "any fixation or storage by any means whatsoever on film or any other material of data, signals or a sequence of images capable, when used in conjunction with any other mechanical, electronic or other device, of being seen as a moving picture and of reproduction, and includes the sounds embodied in a sound-track associated with the film"⁶⁸⁸

An "artistic work", in turn, is defined to refer, irrespective of artistic quality, to photographs and drawings.⁶⁸⁹ A "musical work" refers to a work consisting of music, exclusive of any words or action intended to be sung, spoken or performed with the music.⁶⁹⁰ A "sound recording", on the other hand, refers to any fixation or storage of sounds, or data or signals representing sounds, capable of being reproduced, but does not include a sound-track associated with a cinematograph film.⁶⁹¹ A "broadcast" is defined to mean a telecommunication service consisting of sounds, images, signs or signals, transmitted in space.⁶⁹² A "programme-carrying signal" is, in turn, defined as a signal embodying a program which is emitted and passes through a satellite.⁶⁹³ A "published edition" means "the first print of whatever process of a particular typographical arrangement of a literary or musical work".⁶⁹⁴ In short it refers to a published book and to an album.

Finally, a "computer program" is defined as a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation

⁶⁸⁷ S 1.

⁶⁸⁸ S 1.

⁶⁸⁹ According to the s 1 "artistic work" means "irrespective of the artistic quality thereof (a) paintings, sculptures, drawings, engravings and photographs; (b) works of architecture, being either buildings or models of buildings; or (c) works of craftsmanship not falling within either paragraph (a) or (b)."

⁶⁹⁰ S 1.

⁶⁹¹ S 1.

⁶⁹² S 1. The full definition of the term "broadcast" is quoted in paragraph 5.3.1.7 of this chapter.

⁶⁹³ S 1.

⁶⁹⁴ S 1.

to bring about a result.⁶⁹⁵

In light of the above definitions, it is necessary to distinguish between musical works and sound recordings, by means of the following example. A recorded song on a CD embodies two distinct expressions that are protected by two copyrights. The first copyright protects the musical work ("*musiekwerk*"),⁶⁹⁶ i.e. the music *per se*, without the actual words sung. The second copyright protects the sound recording ("*klankopname*"),⁶⁹⁷ which refers to the actual fixation of the music, including the actual words sung, in or on some physical object.⁶⁹⁸ Whenever an unauthorised copy of, for example, a CD track is made, both copyrights are infringed.

Before, moving on, it is also necessary to explain the protection granted to compilations (also known as *databases*). As noted above, compilations are protected as literary works. Therefore, all compilations are required to adhere to the originality requirement imposed by the Act. Furthermore, as noted, the law does not protect facts *per se*. Local courts, similar to US courts, have maintained that copyright law only protects the selection, arrangement and lay-out of a compilation, where such selection, arrangement or lay-out is the result of the exercise of skill, judgment and/or labour.⁶⁹⁹

5.2.4. Criteria for copyright protection

An author's work is automatically protected when the three criteria for the subsistence of copyright in a work are met, namely the work is⁷⁰⁰ (a) original,⁷⁰¹ and (b) reduced to

⁶⁹⁵ S 1.

⁶⁹⁶ The term used by the Afrikaans text.

⁶⁹⁷ The term used by the Afrikaans text.

⁶⁹⁸ See Wittenstein & Ford 1999.

⁶⁹⁹ See *Biotech Laboratories (Pty) Ltd v Beecham Group plc and Another* 2002 SCA (Case no 494/2000):par 8 [a copy of this judgment can be downloaded from www.uovs.ac.za/faculties/law/appeals/in021/2503026.htm]; *Accesso CC v Allforms (Pty) Ltd & Another* 1998 4 ALL SA 655 T:668g & 669c-d; *Payen Components SA Ltd v Bovis CC & Others* 1995 4 SA 441 A:448B-C; *Galago Publishers (Pty) Ltd & Another v Erasmus* 1989 1 SA 276 A:293G-H; *Kalamazoo Division (Pty) Ltd v Gay and Others* 1978 2 SA 184 C:190H-191A; *Braby v Donaldson* 1926 AD 337:343; *Donaldson v Braby* 1925 CPD 398:402-403. See also Visser & Pistorius 1992:352; www.mbendi.co.za/werksmns/net_law/guide03.htm.

⁷⁰⁰ See Verardi 1999(b):146-147; Webster 1998:3; Krige 1998:131-132; Pistorius 1998:134; Dean 1995(a):88.

⁷⁰¹ S 2(1).

either material form, digital data or signals,⁷⁰² and (c) either first published⁷⁰³ or made in South Africa or a *Berne Convention* country⁷⁰⁴ or made by a "qualified person",⁷⁰⁵ which concept refers to (a) someone who is either a South African citizen or a citizen of a *Berne Convention* country or is domiciled or resident in South Africa or a *Berne Convention* country or (b) to a body corporate incorporated under the laws of South Africa or a *Berne Convention* country.⁷⁰⁶ The courts have explained the requirement of originality as follows:

- The author must have expended some original skill, labour or judgment in the creation of the work. This is a question of both fact and degree and remains a value judgment.⁷⁰⁷ The courts have further stated that the standard of originality required by the Act is a low one.⁷⁰⁸ Finally, one should always keep in mind that it is this skill and labour that copyright protects.⁷⁰⁹
- The work must emanate from the author himself and not be slavishly copied from another work.⁷¹⁰ This requirement can also be posed as follows: It must be an original expression of thoughts, in the sense that it was not copied from another work, but originated from the author.⁷¹¹ However, one is permitted to use existing

⁷⁰² S 2(2). This criteria does not apply to broadcasts and programme-carrying signals. See s 2(2).

⁷⁰³ "Published" is defined in the s 1(5) to mean "(a) ... if copies of such work have been issued to the public with the consent of the owner of the copyright in the work in sufficient quantities to reasonably meet the needs of the public, having regard to the nature of the work. (b) Publication of a cinematograph film or sound recording is the sale, letting, hire or offer for sale or hire, of copies thereof".

⁷⁰⁴ S 4. The *Berne Convention* refers to the *Berne Convention for the Protection of Literary and Artistic Works*. This convention is discussed in paragraph 4.1.3 of this chapter.

⁷⁰⁵ S 3(1).

⁷⁰⁶ S 3(1)(a) & (b) read with the regulations published by the Minister of Economic Affairs and Technology. See Dean 1999:1-88 – 1-89.

⁷⁰⁷ See *Appleton and Another v Harnischfeger Corporation and Another* 1995 2 SA 247 A:262D; *Waylite Diary CC v First National Bank Ltd* 1995 1 SA 645 A:649I-J; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:465C; *Galago Publishers (Pty) Ltd & Another v Erasmus* 1989 1 SA 276 A:279F-G; *Saunders Valve Co Ltd v Klep Valves (Pty) Ltd* 1985 1 SA 646 T:649G-H; *Kalamazoo Division (Pty) Ltd v Gay and Others* 1978 2 SA 184 C:190A-C. See further Verardi 1999(a):146; Webster 1998:3; Dean 1995(a):88; LAWSA 1994:vol 5(2), para 2 & 18.

⁷⁰⁸ *Accesso CC v Allforms (Pty) Ltd & Another* 1998 4 ALL SA 655 T:669J.

⁷⁰⁹ *Galago Publishers (Pty) Ltd & Another v Erasmus (supra)*:294F.

⁷¹⁰ *Appleton and Another v Harnischfeger Corporation and Another (supra)*:262D; *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1993 4 SA 279 A:288G; *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 2 SA 1 A:22I; *Kalamazoo Division (Pty) Ltd v Gay and Others (supra)*:190A. See also LAWSA 1994:vol 5(2), par 18.

⁷¹¹ *Pan African Engineers (Pty) Ltd v Hydro Tube (Pty) Ltd and Another* 1972 1 SA 470 W:472E.

copyright protected material in the construction of one's own work. Copyright protection will be conferred upon such work provided that sufficient skill or labour was expended in order to impart to the said work some quality or character which the source material does not possess and which substantially distinguishes the said work from that source material.⁷¹²

- Originality does not essentially refer to *original* thought or expression of thought, nor does it essentially refer to novelty, uniqueness or inventiveness.⁷¹³

Therefore, it can be stated that one should look to the author's knowledge, skill, labour and judgment that went into evolving the work.⁷¹⁴

It must be kept in mind that copyright protection is not conferred on all works. Section 12(8)(a) of the Act provides that copyright does not subsist in official texts of legislative, administrative or legal nature, or in official translations of such texts, or in speeches of a political nature or in speeches delivered in the course of judicial proceedings, or in news of the day that are mere items of press information. Therefore, no copyright exists in the official copies of statutes and court judgments.⁷¹⁵ However, the state enjoys copyright protection with regard to other work that has been made by or under its direction.⁷¹⁶

One final issue must be addressed here, namely when does something constitute a "work", which can qualify for copyright protection? The courts have set three criteria which must be present before something constitutes a "work":⁷¹⁷

a) The court has to exercise a value judgment on whether the material in which

⁷¹² *Accesso CC v Allforms (Pty) Ltd & Another (supra):669I-670B; Appleton and Another v Harnischfeger Corporation and Another (supra):262D-E; Klep Valves (Pty) Ltd v Saunders Valve Co Ltd (supra):36D.* See also LAWSA 1994:vol 5(2), par 18.

⁷¹³ *Appleton and Another v Harnischfeger Corporation and Another (supra):262C-D; Waylite Diary CC v First National Bank Ltd 1993 2 SA 128 W:133B-C; Klep Valves (Pty) Ltd v Saunders Valve Co Ltd (supra):22I; Saunders Valve Co Ltd v Klep Valves (Pty) Ltd (supra):649G-H; Northern Office Micro Computers (Pty) Ltd & Others v Rosenstein 1981 4 SA 123 C:129F-G; Kalamazoo Division (Pty) Ltd v Gay and Others (supra):190A-C.*

⁷¹⁴ *Waylite Diary CC v First National Bank Ltd (supra):133B-C; Bosal Afrika (Pty) Ltd v Grapnel (Pty) Ltd and Another 1985 4 SA 882 C:891E-F.*

⁷¹⁵ See Van der Merwe 2000:63.

⁷¹⁶ S 5.

⁷¹⁷ *Accesso CC v Allforms (Pty) Ltd & Another (supra):668a-c; Waylite Diary CC v First National Bank Ltd (supra):650D-E read with 652D-E & 655C.*

copyright is claimed constitutes a 'work' or whether it is too trivial to merit protection. It must, for instance, not be commonplace.

- b) The court must also consider what the consequences would be of awarding copyright protection to a particular work;⁷¹⁸ and
- c) The court should direct its attention to the question whether a particular work falls within the definition of the alleged category (such as literary work) and should not approach the question by considering the similarities and differences between the alleged work and the definition of the alleged category and come to a conclusion on that basis.⁷¹⁹

5.2.5. Restricted acts

The Act⁷²⁰ provides that copyright protection entails that the proprietor of a copyrighted work enjoys the right to exploit the work commercially as well as to prevent the unauthorised reproduction thereof,⁷²¹ in its entirety or a substantial part thereof.⁷²² These activities are referred to as the "restricted acts"⁷²³ which no other person is allowed to do, without the copyright owner's consent (i.e. license).⁷²⁴ Generally speaking, the copyright holder enjoys the sole and exclusive right to -

- reproduce, which means to copy,⁷²⁵ the work in any manner or form; and
- publish⁷²⁶ the work if it has not been published yet; and
- make an adaptation (e.g. a translation) of the work.⁷²⁷ One court has interpreted the word "adaptation" ("*aanwending*")⁷²⁸ as "to use".⁷²⁹ Therefore, the question is

⁷¹⁸ For example, the court will not grant copyright protection to works that are *contra bonos mores*. See LAWSA 1994:vol 5(2), par 17; Copeling 1969:47-48.

⁷¹⁹ *Golden China TV Games Centre v Nintendo Co Ltd* 1996 4 ALL SA 667 A:672a-b.

⁷²⁰ Sections 6 to 11B.

⁷²¹ See Dreier 2000; Verardi 1999(b):147; Webster 1998:3; Isenberg 1998(c); LAWSA 1994:vol 5(2); www.mbendi.co.za/werksmans/net_law/guide03.htm; par 2.

⁷²² S 1(2A).

⁷²³ See Buys 2000:46; Dean 1999:1-33; Dean 1995(a):91; Copeling 1969:64.

⁷²⁴ S 23(1). See also *Natal Picture Framing Co Ltd v Levin* 1920 TPD 35:38.

⁷²⁵ *Galago Publishers (Pty) Ltd & Another v Erasmus* 1989 1 SA 276 A:280B.

⁷²⁶ "To publish" has generally been interpreted, in the context of newspapers, magazines and radios as "to make publicly or generally known". See *S v Du Plessis* 1981 3 SA 382 A:403; *S v Laurence* 1975 4 SA 825 A:828F-G; *S v Kiley* 1962 3 SA 318 T:322D-H.

⁷²⁷ The Act does not really define the concept "adaptation". It mere gives examples of adaptations, stating expressly that these examples do not constitute a *numerus clausus*. S 1 declares that the

whether the defendant used the plaintiff's copyrighted work in creating his work. Note that this exclusive right is not granted to proprietors of sound recordings, broadcasts and published editions,⁷³⁰ and

- cause the work to be transmitted in a "diffusion service",⁷³¹ which is of no relevance to this study;⁷³² and
- authorise (i.e. license) someone to do the above.

In addition to these exclusive rights, the Act also grants copyright owners of specific works additional rights:

⇒ Copyright proprietors of films, computer programs, musical and literary works enjoy the sole right to broadcast their work by means of a "telecommunication service of transmissions consisting of sounds, images, signs or signals which (a) takes place by means of electromagnetic waves of frequencies of lower than 3 000 GHz transmitted in space without an artificial conductor and (b) is intended for reception by the public or

"adaptation" "in relation to (a) literary work, includes (i) in the case of non-dramatic works, a version of the work in which it is converted into a dramatic work; (ii) in the case of a dramatic work, a version of the work in which it is converted into a non-dramatic work; (iii) a translation of the work; (iv) a version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book or in a newspaper, magazine or similar periodical; (b) a musical work, includes any arrangement or transcription of the work, if such arrangement has an original creative character; (c) an artistic work, includes a transformation of the work in such a manner that the original or substantial features thereof remain recognizable; (d) a computer program includes (i) a version of the program in a programming language, code or notation different from that of the program, or (ii) a fixation of the program in or on a medium different from the medium of fixation of the program".

⁷²⁸ The term the Afrikaans text uses.

⁷²⁹ *Bosal Afrika (Pty) Ltd v Grapnel (Pty) Ltd and Another* 1985 4 SA 882 C:892A-B.

⁷³⁰ Sections 9, 10 & 11A.

⁷³¹ S 1 defines a diffusion service to mean: "a telecommunication service of transmissions consisting of sounds, images, signs or signals, which takes place over wires or other paths provided by material substance and intended for reception by specific members of the public. In *Southern African Music Rights Organisation Ltd v Svenmill Fabrics (Pty) Ltd* 1983 1 SA 608 C the court defined (at 610H) a diffusion service as follows: It "is something of an amenity such as is provided to a hotel guest or to a hospital patient in his room; he presses one of a series of buttons or turns one of a series of knobs and thereby selects the programme of one or another of the services provided by the South African Broadcasting Corporation, or that of an in-house service, ie a series of musical items being played on the record-player of the hotel or hospital."

⁷³² As indicated in the previous footnote, the Act defines a diffusion service as a telecommunication "intended for reception by specific members of the public". This characteristic of a diffusion service differs vastly from the characteristics of the Internet, where, generally speaking, all Internet users can access a particular web site, unless a subscription fee is required.

sections of the public".⁷³³ Therefore, transmission over a telephone line, including the Internet, is not included.

⇒ Copyright owners of films, sound recordings and computer programs enjoy the exclusive right to let, offer and expose for hire by way of trade, directly or indirectly, their work.⁷³⁴

⇒ Copyright owners of sound recordings have the exclusive right to make, directly or indirectly, a record (which refers to "any disc, tape, perforated role or other device in or on which sounds, or data or signals representing sounds, are embodied or represented so as to be capable of being automatically reproduced or performed therefrom"⁷³⁵) embodying the sound recording.⁷³⁶ These proprietors also enjoy the following three rights: (1) The right to communicate their sound recordings to the public;⁷³⁷ (2) The right to broadcast their sound recordings;⁷³⁸ and (3) The right to cause their sound recordings to be transmitted in a diffusion service.⁷³⁹

⇒ Copyright owners of broadcasts enjoy the sole right to rebroadcast their broadcasts which means "the simultaneous or subsequent broadcasting by one broadcaster of the broadcast of another broadcaster".⁷⁴⁰

⇒ Copyright proprietors of computer programs, literary and musical works have the exclusive right to perform their work (or their programs) in public. According to the Act "performance" includes "any mode of visual or acoustic presentation of a work, including any such presentation by the operation of a loudspeaker, a radio, television or diffusion receiver or by the exhibition of a cinematograph film or by the use of a record or by any other means, and in relation to lectures, speeches and sermons, includes delivery thereof ... Provided that 'performance' shall not include broadcasting or rebroadcasting or transmitting a work in a diffusion service".⁷⁴¹ In *Southern African*

⁷³³ S 8(1)(c), s 11B(d) & s 6(d) read with the definition of "broadcast" in s 1.

⁷³⁴ S 8(g) read with s 9 (b) & s 11B(h).

⁷³⁵ See the definition of "record" in s 1.

⁷³⁶ S 9(a) read with the definition of "record" in s 1.

⁷³⁷ S 9(e)

⁷³⁸ S 9(c).

⁷³⁹ S 9(d).

⁷⁴⁰ S 10(b) read with definition of "rebroadcasting" in s 1.

⁷⁴¹ See the definition of "performance" in s 1.

*Music Rights Organisation Ltd v Svenmill Fabrics (Pty) Ltd*⁷⁴² the court set the following three criteria for determining whether a specific performance is or was public:

- a) One must look at the character of the audience; and
- b) One must ascertain the relationship between the copyright proprietor and the audience; and
- c) The effect of the performance on the value of the owner's copyright must be determined.⁷⁴³

Copyright proprietors of cinematograph films enjoy the exclusive right to cause their films to be seen in public.⁷⁴⁴

5.2.6. Copyright infringement and substantial copying

Section 23 of the Act stipulates the various ways in which copyright is infringed. Section 23(1), dealing with direct (also known as *primary*) copyright infringement,⁷⁴⁵ provides that copyright is infringed by any person, not being the owner of the copyright, who, without the permission (licence) of such owner, does in South Africa any restricted act which the owner has the exclusive right to do or to authorise. As can be seen from the aforementioned, lack of knowledge or intention on the part of the infringer constitutes no defence,⁷⁴⁶ not even an honest belief that his acts did not constitute infringement.⁷⁴⁷

⁷⁴² 1983 1 SA 608 C.

⁷⁴³ The court stated (at 611D-612C): "[T]he true criterion is the character of the audience listening to the music and in every case, when one has to decide whether or not a performance is being given 'in public', it is thus the character of the audience which must be ascertained. In deciding in any particular case what the character of the audience is ... the meaning of the word 'public' must be considered in the light of the relationship between the audience and the owner of the copyright and not in the light of the relationship between the audience and the performer, viz in this case defendant ... the real difference between a performance in private and one in public is that in the former case the entertainment forms part of the domestic or home life of the person who provides it; in the latter case the entertainment forms part of the nondomestic or outside life of the audience, and is in no sense part of their domestic life ... in considering whether a performance is in public its effect upon the value to the owner of the copyright of the statutory monopoly is ... a consideration to which at any rate great importance should be given."

⁷⁴⁴ S 8(1)(b).

⁷⁴⁵ *Nintendo Co Ltd v Golden China TV Game Centre and Others* 1995 1 SA 229 T:247F; *CCP Record Co (Pty) Ltd v Avalon Record Centre* 1989 1 SA 445 C:446E; *Twentieth Century Fox Film Corporation and Another v Anthony Black Films (Pty) Ltd* 1982 3 SA 582 W:588F-G.

⁷⁴⁶ Dean 1995(a):91.

⁷⁴⁷ Webster 1998:4.

The courts have maintained that in order to constitute a "reproduction", within the meaning of the Act, there must be (a) a sufficient degree of objective similarity between the alleged infringing work and the original work or a substantial part thereof, for the former to be properly described as a reproduction or copy of the latter;⁷⁴⁸ and (b) some causal connection between the plaintiff's and the defendant's work - stated differently, the original work was the source from which the alleged infringing work was derived.⁷⁴⁹ The inference that there is such a causal connection between the works in question can be drawn from the very similarity of the two works.⁷⁵⁰ This latter requirement entails that although the alleged infringing work and the original work bear a close resemblance, this resemblance may be explained by the fact that they both incorporate common material or statements,⁷⁵¹ and consequently the latter product does not constitute a reproduction of the former product.

With regard to the question whether a substantial part of the plaintiff's original work was copied, the courts have laid down that:

- The test is both qualitative and quantitative, with the main emphasis on the first factor;⁷⁵²
- Reproduction does not mean exact replication. A substantial reproduction occurs where the defendant steals the essential features and substance of the plaintiff's work and retains them with minor and inconsequential alterations in his own work;⁷⁵³
- Attention must primarily be directed to the part which is said to have been

⁷⁴⁸ In *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* 1998 1 ALL SA 123 A the Supreme Court of Appeal maintained (at 130h-i) that when a court determines whether A is a reproduction of B, a court looks not only at the similarities, but also at the dissimilarities (differences).

⁷⁴⁹ *Dexion Europe Ltd v Universal Storage Systems (Pty) Ltd* (Case No 500/2000) 2002 SCA [a copy of this judgment can be downloaded from www.uovs.ac.za/faculties/law/appeals/in023/0609022.htm]; *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* 1998 2 SA 965 A:972B-C; *Juta & Co Ltd and Others v De Koker and Others* 1994 3 SA 499 T:506A-B; *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T:437D-E; *Galago Publishers (Pty) Ltd & Another v Erasmus* 1989 1 SA 276 A:280B-D; *Bosal Afrika (Pty) Ltd v Grapnel (Pty) Ltd and Another* 1985 4 SA 882 C:889B-C.

⁷⁵⁰ See *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* (*supra*):450H-I.

⁷⁵¹ *Bosal Afrika (Pty) Ltd v Grapnel (Pty) Ltd and Another* (*supra*):889D.

⁷⁵² *Biotech Laboratories (Pty) Ltd v Beecham Group plc and Another* 2002 SCA (Case no 494/2000):par 9; *Payen Components SA Ltd v Bovic CC & Others* 1995 4 SA 441 A:451J; *Juta & Co Ltd and Others v De Koker and Others* (*supra*):505A; *Fax Directories (Pty) Ltd v SA Fax Listing CC* 1990 2 SA 164 D:178F; *Galago Publishers (Pty) Ltd & Another v Erasmus* (*supra*):288C. See also Copeling 1969:67.

⁷⁵³ *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* (*supra*):129c-f.

reproduced, and not to those parts which have not been reproduced;⁷⁵⁴

- One must ask the question whether so much has been taken that the value of the original is sensibly diminished, or that the labours of the original author are substantially, and to an injurious extent, appropriated by another. One must further consider the degree to which the use may prejudice the sale, or diminish the plaintiff profits, directly or indirectly, or supersede the objects of the original work;⁷⁵⁵
- One test may be whether the part which he has taken is novel or striking, or is merely a common-place arrangement of ordinary words or well-known data.⁷⁵⁶ The courts have further stated that as "long as what is taken has substance in the original work (and is not *de minimis*) or has sufficient pith to constitute the embodiment of original intellectual activity in a material form, for instance a paragraph in a book or perhaps even a sentence or sequence of sentences, copyright infringement could arise. Support for this contention can be found for instance in s 12(3) of the Act which postulates that the taking of an ordinary quotation from a work can constitute copyright infringement if the stated formal conditions are not met. When determining whether the taking of a paragraph or sentences constitutes copyright infringement one must have regard to the degree of similarity between the original material and the derivative material."⁷⁵⁷
- The question of substantiality is a matter of degree in each case and will be considered in light of all the circumstances.⁷⁵⁸

Section 23(2), on the other hand, deals with secondary copyright infringement.⁷⁵⁹ It provides that copyright is infringed when one or more of the following instances occur, without the copyright proprietor's permission (licence): Where someone -

- imports an article into South Africa for a purpose other than for his private and domestic use;⁷⁶⁰
- sells, lets, or by way of trade offers or exposes for sale or hire in South Africa any

⁷⁵⁴ *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* (*supra*):972G-J.

⁷⁵⁵ *Payen Components SA Ltd v Bovic CC & Others* (*supra*):452A-C.

⁷⁵⁶ *Biotech Laboratories (Pty) Ltd v Beecham Group plc and Another* 2002 SCA (Case no 494/2000):par 9; *Galago Publishers (Pty) Ltd & Another v Erasmus* (*supra*):288C-D.

⁷⁵⁷ *Juta & Co Ltd and Others v De Koker and Others* (*supra*): 504J-505C

⁷⁵⁸ *Payen Components SA Ltd v Bovic CC & Others* (*supra*):452C.

⁷⁵⁹ *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1993 4 SA 279 A:285A-B; *CCP Record Co (Pty) Ltd v Avalon Record Centre* (*supra*):446E-F; *Twentieth Century Fox Film Corporation and Another v Anthony Black Films (Pty) Ltd* (*supra*):588G-H. See Webster 1998:5.

⁷⁶⁰ S 23(2)(a).

article;⁷⁶¹

- distributes *in South Africa* any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected;⁷⁶²
- acquires an article relating to a computer program in South Africa,⁷⁶³

if to his knowledge the making and thus "copying" of the said article constituted copyright infringement or would have constituted such an infringement if the article had been made locally.⁷⁶⁴

It can be observed from the above that *dolus* is required for secondary infringement.⁷⁶⁵ For this reason, the courts have stated that mere notice to the infringer, that he is infringing a third party's copyright, is insufficient. A reasonable opportunity must be afforded to enable the infringer to ascertain whether there has in fact been an infringement of copyright.⁷⁶⁶ The "knowledge" to which the Act refers has been interpreted to refer to facts that would suggest to a reasonable man that copyright infringement had been committed, either at the time of sale or offer or at the latest, at the commencement of the relevant proceedings.⁷⁶⁷ Knowledge of who the copyright owner is, is not required.⁷⁶⁸

These types of infringements should be distinguished from a third type of infringement, namely indirect infringement which occurs where a reproduction (copy)⁷⁶⁹ is made from

⁷⁶¹ S 23(2)(b).

⁷⁶² S 23(2)(c).

⁷⁶³ S 23(2)(d).

⁷⁶⁴ The courts have interpreted the words "would have constituted such an infringement if the article had been made" locally as: What "the Court is required to make in terms of these words is that the imported article was made in South Africa by the person who made it in fact; and ... that if that person could lawfully have made it in South Africa, there is no infringement of copyright ... It follows, as a logical corollary, that, if the person who made the article could not lawfully (ie without infringing copyright) have made it in South Africa, a person who, with the requisite knowledge and without licence, either imports the article into South Africa or sells or distributes it here commits an infringement of copyright in terms of s 23(2)". See *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd (supra)*:286C-E.

⁷⁶⁵ *Video Rent (Pty) Ltd and Another v Flamingo Film Hire* 1981 3 SA 42 C:51C-D; Webster 1998:5.

⁷⁶⁶ *Gramophone Co Ltd v Music Machine (Pty) Ltd and Others* 1973 3 SA 188 W:198F.

⁷⁶⁷ *Video Rent (Pty) Ltd and Another v Flamingo Film Hire (supra)*:51C-D; *Gramophone Co Ltd v Music Machine (Pty) Ltd and Others (supra)*:207E-G & 298F.

⁷⁶⁸ *Gramophone Co Ltd v Music Machine (Pty) Ltd and Others (supra)*:207G.

⁷⁶⁹ S 1 defines "copy" as "a reproduction of a work, and, in the case of a literary, musical or artistic work, a cinematograph film or a computer program, also an adaptation thereof".

a reproduction (copy) of the original copyrighted work.⁷⁷⁰

5.2.7. Instituting copyright infringement proceedings

In all copyright infringement proceedings, the plaintiff must prove four requirements, namely:⁷⁷¹ (a) Who the author of a particular work is; (b) That the "work" in question is entitled to copyright protection in terms of the Act – normally this entails, in turn, two requisites namely (i) that the work in question falls within one of the categories of protected works and (ii) that the work is original or that the part of the work for which the plaintiff claims copyright protection is original; (c) That the plaintiff is entitled to enforce his copyright (for instance, even though the plaintiff was not the author of the work, the copyright in question was assigned to him); and Finally (d) that the defendant infringed his (the plaintiff's) copyright or threatens to do so.

5.2.8. Fair use

The Act permits third parties to use copyright protected works, without the copyright owner's consent, in certain circumstances. For instance, the Act permits the use of literary and musical works, artistic works and published editions for the purpose of research, study, private and personal use, criticism, review, reporting current events provided that (a) the use must be compatible with fair practice; *and* (b) the extent of the use must be justifiable; *and* (c) proper acknowledgement is given to the author as well as the source, except in the case of private or personal use.⁷⁷²

The Act further permits the use of films, sound recordings, broadcasts and computer programs for the purpose of criticism, review of that work or of another work as well as for the purposes of teaching, provided that the above-mentioned three requirements are met.⁷⁷³ Note that private use and demonstrations of equipment are not included.

⁷⁷⁰ *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 2 SA 1 A:35D; LAWSA 1994:vol 5(2), par 25.

⁷⁷¹ *Video Rent (Pty) Ltd and Another v Flamingo Film Hire* 1981 3 SA 42 C:46E-F & 49D-H; *Avin Film Distributors (Pty) Ltd t/a Avalon International Films v Adelphi Cinema and others* 1979 1 SA 752 N:754E-F; *Insamcor (Pty) Ltd v Maschiene-fabriek Sidler Stalder AG t/a Sistag* 1987 4 SA 660 W:663E; *Waylite Diary CC v First National Bank Ltd* 1995 1 SA 645 A:649F-G.

⁷⁷² Sections 12(1)(b), 12(3), 12(4) & (12) read with s 19A & s 15(4). The requirement that the said use must be in accordance with fair practice is derived from the s 12(1) which stipulates that "Copyright shall not be infringed by any fair dealing". See also Dean 1995(a):93-94; Webster 1998:6; www.mbendi.co.za/werksmns/net_law/guide03.htm.

⁷⁷³ S 16(1) read with s 17, s 18 & 19B(1).

Therefore, the general rule is that copyright is not infringed by "fair use" (also known as "fair dealing"⁷⁷⁴) of that particular work.⁷⁷⁵ The *Copyright Regulations*⁷⁷⁶ elaborate on what "fair practice" constitutes:

- a) A reproduction of a work is allowed "if not more than one copy of a reasonable portion of the work is made, having regard to the totality and meaning of the work";⁷⁷⁷ and
- b) The cumulative effect of the reproductions should not "conflict with the normal exploitation of the work to the unreasonable prejudice of the legal interest and residuary rights of the author."⁷⁷⁸

The Act further provides that the copyright in an article published in a newspaper or periodical on any current economic, political or religious topic is not infringed by reproducing it in the press or broadcasting it, if such reproduction or broadcast has not been expressly reserved and the source is clearly mentioned.⁷⁷⁹

5.2.9. Moral rights

Section 20 of the Act deals with an author's moral rights. It provides that the author of a literary, musical or artistic work, film or computer program, retains his right to claim authorship of the work in question as well as to object to any distortion, mutilation or other modification of the work where such conduct is or would be prejudicial to his honour or reputation, notwithstanding any transfer of copyright. Therefore, it constitutes a right to integrity as well as a right to paternity.⁷⁸⁰ An infringement of moral rights is treated as an infringement of copyright and the author is deemed to be the owner of the copyright in question.⁷⁸¹ However, the author of a computer program or a

⁷⁷⁴ LAWSA 1994:vol 5(2), par 35.

⁷⁷⁵ Pistorius 1998:132; Van der Merwe 2000:37.

⁷⁷⁶ GN R2530 published in GG 6262 – 22 December 1978: Section 2(a) of Chapter 1. These regulations were made in terms of s 13 of the *Copyright Act*. See Dean 1999:4-152.

⁷⁷⁷ See Van der Merwe 2000:37.

⁷⁷⁸ S 2(b).

⁷⁷⁹ S 12(7).

⁷⁸⁰ Dean 1999:1-61; Dean 1995(b):76. The right to paternity means that the author has the right to claim authorship of the copyrighted work and the right to integrity means that the author has the right to prevent modification of the copyrighted work. See Buys 2000:45-46.

⁷⁸¹ S 20(2).

work associated with a computer program, for example a manual,⁷⁸² may not prevent or object to modifications that are absolutely necessary on technical grounds or for the purpose of commercial exploitation of the work.⁷⁸³

Therefore, the author's moral rights are separate and distinct from the copyright subsisting in the work. Such moral rights attach invariably to the author throughout his lifetime.⁷⁸⁴ It follows that it is possible for circumstances to arise where abuse of a work can constitute both copyright infringement as well as an infringement of the author's moral rights.⁷⁸⁵ For instance, where A copies B's work and sells it under his (A's) name, A's conduct infringes not only B's copyright, but also his moral rights.⁷⁸⁶ It follows that if the work in question does not qualify for copyright protection, moral rights cannot subsist in the work.⁷⁸⁷

Section 20 expressly identifies the categories of work in which moral rights can subsist. Therefore, moral rights do not subsist in other categories such as sound recordings and broadcasts.⁷⁸⁸ Furthermore, Dean correctly notes that this section does not distinguish between published and unpublished works and accordingly moral rights subsist in both works.⁷⁸⁹

Finally, it can be noted that where an author's moral rights are infringed, he has the same remedies available as in the case of copyright infringement, namely an interdict, a claim for damages, and delivery of the infringing copies.⁷⁹⁰

5.2.10. Civil remedies where copyright infringement occurs

5.2.10.1. General remedies

In the event of copyright infringement, the copyright owner is entitled, in terms of the Act, to the following relief:

⁷⁸² See Dean 1995(b):79.

⁷⁸³ S 20(1).

⁷⁸⁴ Dean 1999:1-61; Dean 1995(b):74.

⁷⁸⁵ Dean 1999:1-62; Dean 1995(b):74.

⁷⁸⁶ See Dean 1999:1-62; Dean 1995(b):74.

⁷⁸⁷ See Dean 1995(b):76.

⁷⁸⁸ Dean 1995(b):75.

⁷⁸⁹ Dean 1995(b):76.

⁷⁹⁰ See LAWSA 1994:vol 5(2), par 54. For a discussion of these remedies, see paragraph 5.2.10.1 of this chapter.

- A) Damages.⁷⁹¹ The courts have interpreted this to refer to ordinary common law delictual damages,⁷⁹² therefore, in turn, referring to the patrimonial loss, actual or prospective, suffered by the plaintiff through the infringement.⁷⁹³ Note, that in *South African Music Rights Organisation Ltd v Trust Butchers (Pty) Ltd*⁷⁹⁴ the court was of the opinion that expenses incurred by the plaintiff in establishing whether the defendant infringed, or was infringing his copyright, fell within the scope of damages.⁷⁹⁵ Damages will, however, not be awarded where the defendant can show that he was unaware, and had no reasonable grounds for suspecting, that copyright subsists in the work;⁷⁹⁶ or
- B) The plaintiff has the option to claim, instead of patrimonial damages, reasonable royalties which would have been payable by a licensee, under the circumstances, in respect of the work or type of work concerned.⁷⁹⁷ Note that this substantive remedy does not require proof of damages;⁷⁹⁸ and
- C) The court is also empowered to award additional damages where it, after having regard to all material considerations, including (a) the flagrancy of the infringement

⁷⁹¹ S 24(1).

⁷⁹² *Morris v Benson and Hedges* 2000 3 SA 1092 W:1096A-B; *Priority Records (Pty) Ltd v Ban-Nab Radio and TV; Gramophone Record Co (Pty) Ltd v Ban-Nab Radio and TV* 1988 2 SA 281 D:292B-C.

⁷⁹³ See Dean 1995(b):80; LAWSA 1994:vol 5(2), par 50.

⁷⁹⁴ 1978 1 SA 1052 E.

⁷⁹⁵ The court stated (at 1057C-H): "It seems to me that, if a person is persistently infringing such rights, he cannot complain if the plaintiff claims from him the reasonable and necessary costs of establishing that such an infringement has occurred. The position would in my view be different in regard to investigations which take place after a clear infringement has been detected and which are then done solely for the purpose of proving the infringement in Court. In the present case, however, the plaintiff's ability to enforce and protect its copyright depended on discovery that such copyright was being infringed and that could only be done by the investigations in question. Moreover it must be borne in mind that the defendant failed to respond satisfactorily to written complaints that he was infringing the copyright. The plaintiff was therefore obliged to incur expenses, not in proving the infringement, but establishing whether there was such an infringement in order to take steps to protect its rights. Such expenses do not seem to me to be too remote from the defendant's wrongful conduct to disqualify them from being regarded as damages flowing from that conduct ... those expenses were reasonably incurred by the plaintiff in determining whether an infringement of copyright was taking place, the extent of such infringement and whether action could and should be brought to protect the copyright."

⁷⁹⁶ S 24(2). See Dean 1999:1-73; Dean 1995(a):92.

⁷⁹⁷ S 24(1A). When a court determines the said royalties it exercises a value judgement. See *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another* 1996 1 ALL SA 584 SE:604d.

⁷⁹⁸ *Morris v Benson and Hedges (supra)*:1096E.

and (b) any benefit shown to have accrued to the defendant by reason of the infringement, is satisfied that effective relief would not otherwise be available to the plaintiff.⁷⁹⁹ Local courts have made the following comments regarding this remedy:

- (i) The plaintiff can claim compensation for expenses incurred by him in respect of investigations undertaken to ascertain whether the defendant had, in fact, infringed his copyright;⁸⁰⁰
- (ii) The “flagrancy” refers to deceitful and scandalously dishonest conduct;⁸⁰¹
- (iii) A court is only allowed to award additional damages when it is of the view that the remedies afforded by the Act (section 24(1)) or any other provision of the law are insufficient to recompense the plaintiff adequately for all the losses occasioned by the infringement.⁸⁰²
- (iv) The purpose of this remedy is not to penalise the defendant for the type of infringement that he committed.⁸⁰³ The court should not use this remedy to fine the defendant.⁸⁰⁴
- (v) Additional damages are damages of a kind which would not, but for the provisions of section 24(3), be recoverable at all, either because they are

⁷⁹⁹ S 24(3).

⁸⁰⁰ *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another (supra)*:612e.

⁸⁰¹ *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another (supra)*:613a-b.

⁸⁰² *CCP Record Co (Pty) Ltd v Avalon Record Centre 1989 1 SA 445 C:450G-H; Priority Records (Pty) Ltd v Ban-Nab Radio and TV; Gramophone Record Co (Pty) Ltd v Ban-Nab Radio and TV (supra)*:293B-C.

⁸⁰³ In *Priority Records (Pty) Ltd v Ban-Nab Radio and TV; Gramophone Record Co (Pty) Ltd v Ban-Nab Radio and TV (supra)* the respondent made unlawful copies of the plaintiff's sound recordings. The applicant could only prove that the respondent sold two illegal copies of these works to one of the applicant's employees. The plaintiff attempted to invoke the provisions of section 24(3), seeking additional damages: “It was submitted by counsel for the plaintiffs that the prevalence of this type of infringement, the ease with which it can be committed, the difficulty experienced in detecting it, the enormous cumulative damage which it inflicts upon the industry and the virtual impossibility of proving and recovering the damages suffered, all constituted circumstances which justified the Court in making an exemplary or punitive award of damages so as to deter not only the defendant but also other potential infringers from such conduct.” (At 294F-H). The court rejected this submission: “I do not, however, consider it justifiable to visit the sins of other infringers upon the head of this defendant because he has been unfortunate enough to be caught whilst others have not. Furthermore, the Act makes provision for criminal sanctions which could have been invoked against the defendant and which make provision for substantial penalties which should in themselves prove an adequate deterrent.” (At 294H-I). This was approved by the court in *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another (supra)* at 611j-612b, which simply added that this remedy should not be used to prevent the defendant and other copyright infringers from infringing copyright. (At 611i)

unprovable or because, other than in section 24(3), no cause of action for their recovery exists.⁸⁰⁵

(vi) Where an interdict would be ineffective, an award of additional damages may serve to deter repetition of the infringement by the offender or by others.⁸⁰⁶

(vii) In *CCP Record Co (Pty) Ltd v Avalon Record Centre*⁸⁰⁷ the defendant, a trader in song recordings, made unlawful copies of the plaintiff's copyright protected songs for the purpose of sale. The court noted that -

"the invasion of copyright was scandalously dishonest. The defendant was a trader in records, including the plaintiff's records. The scope for infringement by such a trader is huge, and the harm, not only to the plaintiff, but to the artists with whom it contracts, and ultimately to the recording industry, may be great ... A copyright infringement of this kind is easy to perpetrate and difficult to detect. A single work may be reproduced almost endlessly and at insignificant cost to the reproducer. The profits of the unlawful conduct are enormous ... In deciding whether to award additional damages on the ground of flagrancy alone, I have had regard to the fact that the infringement, although flagrant, was not shown to have been repeated ... The plaintiff was, of course, put to considerable trouble and expense. It complained to the Association of the South African Phonographic Industry. Its work schedule was disrupted when its officers had to consult, consider papers and attend Court. It incurred costs which it will not recover under the tariff. I am sure that the plaintiff would not have bothered about the infringement if it had not been so flagrant, if it had not been an infringement by a dealer under circumstances where the potential harm was significant. The flagrancy of the infringement was the direct result of the actions taken to stop it. I accordingly consider that an award of additional damages ought to be made."⁸⁰⁸

(viii) The fact that there is no yardstick according to which the additional damages are to be assessed is no bar to the award of such damages.⁸⁰⁹

D) An interdict restraining the unlawful activity.⁸¹⁰

E) Delivery of infringing copies (goods).⁸¹¹

⁸⁰⁴ *CCP Record Co (Pty) Ltd v Avalon Record Centre (supra)*:450C.

⁸⁰⁵ *CCP Record Co (Pty) Ltd v Avalon Record Centre (supra)*:450A-B.

⁸⁰⁶ *CCP Record Co (Pty) Ltd v Avalon Record Centre (supra)*:450G-H.

⁸⁰⁷ *Supra*.

⁸⁰⁸ 1989 1 SA 445 C:452B-453A.

⁸⁰⁹ *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another (supra)*:612b-c.

⁸¹⁰ S 24(1).

5.2.10.2. Ordering defendant to divulge names and particulars of infringers

In some instances the plaintiff claimed from the wrongdoer-defendant the names of other infringers of his copyrights, such as the names of those individuals who supplied the infringing works to the defendant. The courts have maintained that under given circumstances a plaintiff is entitled to seek an order enjoining the defendant to divulge such particulars. The following four requirements must be present:⁸¹²

- (1) The plaintiff *bona fide* intends to institute civil proceedings against the third parties whose names he seeks,⁸¹³
- (2) The defendant is able to supply such information;
- (3) The plaintiff has no other way to discover the identities of the third party infringers,⁸¹⁴ and
- (4) Although courts enjoy "very large powers of ordering a disclosure of facts where justice would be defeated without such a disclosure",⁸¹⁵ such discretion should be sparingly exercised "so as not to make unnecessary inroads on that confidentiality which businessmen are at liberty to impose on their dealings".⁸¹⁶

⁸¹¹ S 24(1). According to s 1, an "infringing copy" in relation to "(a) a literary, musical or artistic work or a published edition, means a copy thereof; (b) a sound recording, means a record embodying that recording; (c) a cinematograph film, means a copy of the film or a still photograph made therefrom; (d) ... (e) a computer program, means a copy of such computer program, being in any such case an article the making of which constituted an infringement of the copyright in the work, recording, cinematograph film ... or computer program".

⁸¹² *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* 1980 2 SA 254 W:281H-282E; *Kinekor Films (Pty) Ltd v BA Adami Films (Pty) Ltd* 1976 4 SA:939G-H; *Stuart v Ismail* 1942 AD 327:332; *Colonial Government v W H Tatham* 1902 NLR 153:159.

⁸¹³ This requirement has also been stated as follows: "That he [the applicant] has a *bona fide* belief in his right of action against the party whose name he seeks to be disclosed ... and that he has reasonable grounds for believing that he has such a claim against such party". See *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct* (*supra*):282A-B. See also *Colonial Government v W H Tatham* (*supra*):159.

⁸¹⁴ Stated differently, he has no other complete remedy: "Another appropriate remedy may consist either of an adequate claim against a party who is known to him in respect of the same damages which the applicant claims to have suffered, or in another procedural remedy to establish the same information which he seeks from the respondent". See *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* (*supra*):282B-C.

⁸¹⁵ *Stuart v Ismail* (*supra*):332.

⁸¹⁶ *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* (*supra*):282D;

This claim for the divulgement of names is supported by section 32(1)(b) of the *Constitution* which declares that "everyone has the right of access to any information that is held by another person and that is required for the exercise or protection of any right".

5.2.10.3. Where no undertaking has been given by the defendant

The question arose whether a court should grant an interdict where the defendant infringed the plaintiff's copyrights and/or trade mark rights, but gave no undertaking that he would cease the infringe activity.

The courts have maintained that where the defendant infringed the plaintiff's rights and the former gave no undertaking that the conduct in question would not be repeated, an interdict against future infringing conduct is the normal and proper remedy.⁸¹⁷ Only when it can be said that no likelihood of a future infringement by the defendant exists, will a court refuse to grant an interdict.⁸¹⁸ The courts have further noted that where the defendant disregards the plaintiff's letters complaining of his conduct and only ceases his infringement activities when he is served with summons, there is no guarantee that the defendant will cease to infringe the applicant's rights in future.⁸¹⁹

Moreover, the courts have noted that where the defendant deliberately copies the plaintiff's trade mark, the plaintiff is entitled to seek an interdict notwithstanding the defendant's undertaking to cease such infringement. The act of deliberate copying casts doubt upon the *bona fides* of the defendant⁸²⁰ and accordingly the plaintiff can, in such instances, show a well-grounded apprehension of a continued infringement of his rights.⁸²¹

It further transpires from local judgments that a mere bold undertaking by the defendant not to infringe or to continue infringing the appellant's copyright in a specific work, without an admission that he (the defendant) infringed the latter's copyright, will

⁸¹⁷ *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another* 1996 1 ALL SA 584 SE:602f-g.

⁸¹⁸ *Metro Goldwyn-Mayer Incorporated & Others v Ackerman & Another (supra)*:602f-i.

⁸¹⁹ *South African Music Rights Organisation Ltd v Trust Butchers (Pty) Ltd* 1978 1 SA 1052 E:1058F-H.

⁸²⁰ *Peter Jackson (Overseas) Ltd v Rand Tobacco Co Ltd* 1938 TPD 450:453.

⁸²¹ *Stellenbosch Wine Trust Ltd and Another v Oude Meester Group Ltd; Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd and Another* 1972 3 SA 152 C:164G.

not bar the court from issuing an interdict.⁸²²

5.2.11. Prosecution where copyright infringement occurs

Copyright infringement also constitutes an offence under given circumstances. Only three offences are relevant to this study. Firstly, the Act provides that whenever someone, without the copyright proprietors' permission, (a) makes for sale or hire, (b) sells or lets for hire or by way of trade offers or exposes for sale or hire, (c) by way of trade exhibits in public, (d) imports into South Africa otherwise than for his private or domestic use, or (e) distributes for purposes of trade or for any other purposes to such an extent that the owner of the copyright is prejudicially affected, an article which he knows to be an infringing copy of a copyright protected work, he commits a crime.⁸²³ Therefore, the Act criminalises secondary copyright infringements.

The second offence relevant to this study is that anyone who at a time, when copyright subsists in a work, makes, or has in his possession, a *plate* ("*'n plaat*")⁸²⁴ knowing that it is to be used for making infringing copies of the work, commits an offence.⁸²⁵ A "plate" is defined to include "any stereotype, stone, block, mould, matrix, transfer, negative, record, disc, storage medium or any version of a work of whatsoever nature used to make copies".⁸²⁶

The third relevant offence established by the Act is that anyone who causes a literary or musical work to be performed in public, knowing that copyright subsists in the work and that performance constitutes an infringement of the copyright, commits an offence.⁸²⁷ As noted above,⁸²⁸ performance includes the visual as well as phonetic representation of a work.

The penalty for piracy is: (a) In the case of a first conviction a maximum fine of R5 000

⁸²² See *Juta & Co Ltd and Others v De Koker and Others* 1994 3 SA 499 T:503E-F; *Glenton & Mitchell v French Tea & Coffee Works Ltd* 1927 WLD 272:276. For a contrary opinion see *Peter Jackson (Overseas) Ltd v Rand Tobacco Co (1936) Ltd (supra)* where the court stated (at 454): "[I]t is not clear to me why a confession of guilt should be regarded as materially strengthening a full and unequivocal undertaking."

⁸²³ S 27(1).

⁸²⁴ The term used in the Afrikaans text.

⁸²⁵ S 27(2).

⁸²⁶ S 1(1).

⁸²⁷ S 27(3).

⁸²⁸ See paragraph 5.2.4 of this chapter.

or a maximum term of three years imprisonment or both such fine and such imprisonment, for each article to which the offence relates; and (b) In the case of a subsequent conviction a maximum fine of R10 000 or a maximum term of imprisonment of five years or both such fine and such imprisonment, for each article to which the offence relates.⁸²⁹

5.3. The constitutional right to freedom of expression and commercial speech

It is necessary to discuss the constitutional right to freedom of expression here, seeing that this study frequently refers to the interaction between the *Copyright Act* and the right to freedom of expression. In chapter four, the interaction between the South African *Trade Marks Act* and this constitutional right is also addressed. For this reason, a discussion and analysis of this right is required.

Section 16 of the *Constitution* provides that "(1) [e]veryone has the right to freedom of expression, which includes (a) freedom of the press and other media; (b) freedom to receive or impart information or ideas; (c) freedom of artistic creativity; and (d) academic freedom and freedom of scientific research. (2) The right in subsection (1) does not extend to (a) propaganda for war; (b) incitement of imminent violence; or (c) advocacy of hatred that is based on race, ethnicity, gender or religion, and that constitutes incitement to cause harm."

The courts have repeatedly emphasised the importance of the constitutional right to freedom of expression for the proper functioning of an open democratic society⁸³⁰ in that it enables people to hear, form and express opinions and views freely on a wide range of matters.⁸³¹ It has specifically been noted that there is a public interest in an open market-place of ideas⁸³² and a free flow of information.⁸³³

⁸²⁹ S 27(6).

⁸³⁰ *Holomisa v Khumalo v Others* 2002 3 SA 38 T:61C.

⁸³¹ See *South African National Defence Union v Minister of Defence and Another* 1999 4 SA 469 CC where the Constitutional Court noted (at 477C-D) that "[f]reedom of expression lies at the heart of a democracy. It is valuable for many reasons, including its instrumental function as a guarantor of democracy, its implicit recognition and protection of the moral agency of individuals in our society and its facilitation of the search for truth by individuals and society generally. The Constitution recognises that individuals in our society need to be able to hear, form and express opinions and views freely on a wide range of matters." At 477G-H the court continued to note that "[t]he corollary of the freedom of expression and its related rights is tolerance by society of different views. Tolerance, of course, does not require approbation of a particular view. In essence, it requires the acceptance of the public airing of disagreements and the refusal to silence unpopular views." Recently the High court stated in *SABC &*

However, the press cannot successfully invoke the constitutional right to freedom of expression where its expression constitutes unreasonable defamation.⁸³⁴ In such instances, the plaintiff's right to dignity supersedes the defendant's right to freedom of speech. The Constitutional Court has noted that false and inaccurate information may, under given circumstances, be protected. The fact that the information is false is taken into consideration in the balancing act, required by section 36(1) for determining whether the limitation on a fundamental right is reasonable and justifiable.

Others v Public Protector & Others 2002 4 BCLR 340 T that "[i]t is clear that, without a free and unfettered press and unfettered media generally, the place of ideas cannot function and no free and vigorous exchange of its merchandise, namely thought, information, communication, expression and formulation of facts and insights, can take place. It is for this reason that the media are expressly protected by section 16 of our Constitution." (At 348H-I)

⁸³² *S v Mamabolo (E TV and Others Intervening)* 2001 3 SA 409 CC:428J-429B.

⁸³³ *National Media Ltd and Others v Bogoshi* 1998 4 SA 1196 SCA:1210G-H.

⁸³⁴ In *Argus Printing and Publishing Co Ltd and Others v Esselen's Estate* 1994 2 SA 1 A the Supreme Court of Appeal held that "freedom of expression and of the press are potent and indispensable instruments for the creation and maintenance of a democratic society, but it is trite that such freedom is not, and cannot be permitted to be, totally unrestrained. The law does not allow the unjustified savaging of an individual's reputation. The right of free expression enjoyed by all persons, including the press, must yield to the individual's right, which is just as important, not to be unlawfully defamed. I emphasise the word 'unlawfully' for, in striving to achieve an equitable balance between the right to speak your mind and the right not to be harmed by what another says about you, the law has devised a number of defences, such as fair comment, justification (ie truth and public benefit) and privilege, which if successfully invoked render lawful the publication of matter which is *prima facie* defamatory." (At 25B-E). See also *National Media Ltd and Others v Bogoshi (supra)* where the Supreme Court of Appeal maintained (at 1207F-J) that the right to dignity and the right to freedom of expression are equally important. The court further held that "the publication in the press of false defamatory allegations of fact will not be regarded as unlawful if, upon a consideration of all the circumstances of the case, it is found to have been reasonable to publish the particular facts in the particular way and at the particular time. In considering the reasonableness of the publication account must obviously be taken of the nature, extent and tone of the allegations ... What will also figure prominently is the nature of the information on which the allegations were based and the reliability of their source, as well as the steps taken to verify the information. Ultimately there can be no justification for the publication of untruths, and members of the press should not be left with the impression that they have a licence to lower the standards of care which must be observed before defamatory matter is published in a newspaper. Professor Visser is correct in saying ... that a high degree of circumspection must be expected of editors and their editorial staff on account of the nature of their occupation; particularly, I would add, in light of the powerful position of the press and the credibility which it enjoys amongst large sections of the community ... others, such as the opportunity given to the person concerned to respond, and the need to publish before establishing the truth in a positive manner, also come to mind. The list is not intended to be exhaustive or definitive." (At 1212G-1213C)

Furthermore, this court has noted that deliberate false information or statements will most probably remain unprotected.⁸³⁵

Thus far, only one reported judgment has recognised that advertising constitutes "commercial speech which is an entrenched right in terms of the Constitution."⁸³⁶ Conflicting judgments pertain to the issue whether commercial speech deserves less protection than other types of speech.⁸³⁷

On the one hand, the court in *City of Cape Town v AD Outpost (Pty) Ltd and Others*⁸³⁸ noted that "[t]he tendency to conclude uncritically that commercial expression bears less constitutional recognition than political or artistic speech needs to be evaluated carefully. So much speech is by its very nature directed towards persuading the listener to act in a particular manner that artificially created divisions between the value of different forms of speech requires critical scrutiny ... To the extent that its value may count for less than other forms of expressions, account of this exercise in valuation can only be taken at the limitation enquiry as envisaged in s 36 of the Constitution".⁸³⁹

On the other hand, the court in *North Central Local Council and South Central Local Council v Roundabout Outdoor (Pty) Ltd and Others*,⁸⁴⁰ after referring to US authority, held: "It is therefore apparent that the value which is to be attached to the form of speech that is restricted plays an important role in the recognition which is afforded to

⁸³⁵ In *Hamata and Another v Chairperson, Peninsula Technikon Internal Disciplinary Committee, and Others* 2000 4 SA 621 CC the Constitutional Court held (at 632A-C) that "although it may be fair to say that even a totally inaccurate and false article does not fall outside the ambit of the right to freedom of expression, inaccuracy of the article must be a weighty consideration in the performance of the balancing act required by the constitutional Bill of Rights. Succinctly stated, our view is that untrue speech is more easily overridden by countervailing interests than true speech. Moreover, if the untrue statement is found to have been deliberately published well-knowing that it was untrue or misleading, it will even more easily be overridden by countervailing interests."

⁸³⁶ *North Central Local Council and South Central Local Council v Roundabout Outdoor (Pty) Ltd and Others* 2002 2 SA 625 D:633C-D. In *City of Cape Town v AD Outpost (Pty) Ltd and Others* 2000 2 SA 733 C the court simply noted (at 749E-F) that "it is clear that advertising falls within the nature of expression and hence stands to be protected in terms of s 16(1) of the Constitution".

⁸³⁷ Thus far, no South African court has defined the phrase "commercial speech". Chaskalson *et al* 1999 define commercial speech as relating "primarily to commercial advertising of goods and services for profit". (At 20-50). De Waal *et al* 1999 define commercial speech as "expression proposing a commercial transaction." (At 321)

⁸³⁸ *Supra*.

⁸³⁹ 2000 2 SA 733 C:750D-F.

⁸⁴⁰ *Supra*.

the particular type of speech. And further the value which society places on the particular form of speech is a factor of substantial importance in determining whether the right has been infringed. Furthermore, as it has been shown hereinbefore, commercial speech is considered to be entitled to lesser protection than that accorded to other constitutional guaranteed forms of expression.”⁸⁴¹ The court consequently concluded that commercial speech “occupies a subordinate position in the scale of constitutional rights values”.⁸⁴² The court also applied the criteria enumerated in the *Central Hudson* case,⁸⁴³ which is discussed in chapter four.⁸⁴⁴

It appears that the Constitutional Court is in favour of the approach enunciated in the *City of Cape Town* judgment. In *National Coalition for Gay and Lesbian Equality and Another v Minister of Justice and Others*⁸⁴⁵ the Constitutional Court noted that “[a]lthough s 36(1) does not expressly mention the importance of the right, this is a factor which must of necessity be taken into account in any proportionality evaluation.”⁸⁴⁶

⁸⁴¹ 2002 2 SA 625 D:635A-C.

⁸⁴² 2002 2 SA 625 D:635C.

⁸⁴³ See paragraph 2.1.7.1.

⁸⁴⁴ The respondents erected billboards without the applicants’ consent. The respondents alleged that the relevant by-laws, requiring authorisation from the applicants, were unconstitutional in that they infringed the respondents’ constitutional right to freedom of expression. The court held that the by-laws posed a justifiable limitation upon the respondents’ right to freedom of speech and concluded that: “Applicant has, in the circumstances, asserted a substantial interest to be achieved by the regulation of the location of the billboards. The measures therefore, contrary to respondents’ contentions, are rationally connected to a legitimate, substantial and pressing purpose of promoting public safety and welfare. They directly advance that purpose. They are the least restrictive measures that could have been employed by applicant to accomplish its purpose. It is my conclusion, therefore, that the limitation of respondents’ rights in terms of s 16(1)(b) is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom.” (At 635J-636B)

⁸⁴⁵ 1999 1 SA 6 CC.

⁸⁴⁶ 1999 1 SA 6 CC:31C. The court further noted that “[t]he balancing of different interests must still take place. On the one hand there is the right infringed; its nature; its importance of an open and democratic society based on human dignity, equality and freedom; and the nature and extent of the limitation. On the other hand there is the importance of the purpose of the limitation. In the balancing process and in the evaluation of proportionality one is enjoined to consider the relation between the limitation and its purpose as well as the existence of less restrictive means to achieve this purpose.” (At 31C-E, para 34-35.

5.4. The constitutional right to privacy

It is also necessary to discuss and analyse the constitutional right to freedom of expression here in that this chapter later on focuses on the interaction between the *Copyright Act* and this constitutional right.

Section 14 of the *Constitution* declares that “[e]veryone has the right to privacy, which includes the right not to have (a) their person or home searched; (b) their property searched; (c) their possessions seized; or (d) the privacy of their communications infringed.”⁸⁴⁷

Privacy rights are normally divided into two categories: (a) Substantive rights dealing with intrusions into one’s privacy and (b) informative rights dealing with the acquisition and disclosure of personal and/or private information.⁸⁴⁸ Neither the Constitutional Court, the Supreme Court of Appeal nor any other South African High Court has clearly defined or delineated the scope of the constitutional right to privacy.⁸⁴⁹ The current South African jurisprudence with regard to substantive privacy rights can generally be set out as follows:

(a) The scope of a person’s privacy extends only to those aspects in regard to which a legitimate expectation of privacy can be harboured.⁸⁵⁰ This entails that (1) the

⁸⁴⁷ The right to privacy is guaranteed by several human rights instruments. Article 12 of the *Universal Declaration of Human Rights* provides that “[n]o one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.” A copy of this document can be downloaded from www.un.org/Overview/rights.html. Article 17 of the *International Covenant on Civil and Political Rights* contains an identical provision. A copy of this document can be downloaded from www1.umn.edu/humanrts/instree/b3ccpr.htm. Article 8 of the *European Convention for the Protection of Human Rights and Fundamental Freedoms* has a similar provision, stipulating that “1 Everyone has the right to respect for his private and family life, his home and his correspondence. 2 There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.” A copy of this judgment can be downloaded from www.echr.coe.int/Convention/webConvenENG.pdf.

⁸⁴⁸ See Devenish 1999:146-147.

⁸⁴⁹ According to the common law one’s privacy is infringed where (a) one’s house or office is entered without permission, (b) where private documents are subjected to an unlawful search, (c) where private communications are recorded or intercepted or (d) where private facts are disclosed without authorisation. See Ebersöhn 2001:176-178.

⁸⁵⁰ *Bernstein and Others v Bester and Others NNO* 1996 2 SA 751 CC:792I.

person in question must have a subjective expectation of privacy, and (2) such expectation is one that society recognises as reasonable.⁸⁵¹

(b) The Constitutional Court, in particular, has maintained that “privacy” refers to “person’s domain of personal privacy”,⁸⁵² which, in turn, “relates only to the most personal aspects of a person’s existence, and not to every aspect within his/her personal knowledge and experience.”⁸⁵³ Stated differently, it deals with private intimacy, autonomy and self-realisation.⁸⁵⁴

(c) In *Case and Another v Minister of Safety and Security and Others*⁸⁵⁵ the Constitutional Court held, with regard to the question whether the legislature could legitimately prohibit the possession of pornographic material, that “[w]hat erotic material I may choose to keep within the privacy of my home, and only for my personal use there, is nobody’s business but mine. It is certainly not the business of society or the State. Any ban imposed on my possession of such material for that solitary purpose invades the personal privacy which s [14] of the [Constitution] guarantees that I shall enjoy”.⁸⁵⁶ However, the court continued to note that this right can be limited by means of the limitation clause, under given circumstances.^{857 858}

⁸⁵¹ See *Protea Technology Ltd & Another v Wainer & Others* 1997 3 ALL SA 594 W:608h-l. See also Ebersöhn 2001:177.

⁸⁵² *Bernstein and Others v Bester and Others NNO (supra)*:796F.

⁸⁵³ *Bernstein and Others v Bester and Others NNO (supra)*:795C-D.

⁸⁵⁴ *National Coalition for Gay and Lesbian Equality and Another v Minister of Justice and Others* 1999 1 SA 6 CC:30A-B & 60A-B. See also *Bernstein and Others v Bester and Others NNO (supra)* where the Constitutional Court noted (at 788A-J) that “rights, like the right to privacy, are not based on a notion of the unencumbered self, but on the notion of what is necessary to have one’s autonomous identity ... In the context of privacy this would mean that it is ... the inner sanctum of a person, such as his/her family life, sexual preference and home environment, which is shielded from erosion by conflicting rights of the community.” See also *National Media Ltd & Another v Jooste* 1996 3 SA 262 A where the Supreme Court of Appeal stated that the “right to privacy encompasses the competence to determine the destiny of private facts.” (At 271G)

⁸⁵⁵ 1996 3 SA 617 CC.

⁸⁵⁶ 1996 3 SA 617 CC:656F.

⁸⁵⁷ 1996 3 SA 617 CC:659E.

⁸⁵⁸ In *Stanley v Georgia* 394 US 557 (1969), which dealt with the question whether the mere private possession of obscene material in the privacy of one’s home could be criminalised, the US Supreme Court held that “[w]hatever may be the justifications for other statutes regulating obscenity, we do not think they reach into the privacy of one’s own home. If the First Amendment means anything, it means that a State has no business telling a man, sitting alone in his own house, what books he may read or what films he may watch. Our whole constitutional heritage rebels at the thought of giving government the power to control men’s minds.” A copy of this judgment can be downloaded from www.bc.edu/bc_org/avp/cas/comm/free_speech/stanley.html.

In *Holomisa v Khumalo v Others*⁸⁵⁹ the court posed the question of how one would go about determining whether a provision of the *Constitution* can be applied to a specific scenario and whether it ought to be applied.⁸⁶⁰ The court answered this question as follows: "The starting point has to be the wording of the Constitution itself ... But very often the wording of the Constitution will not provide an answer. Therefore one has to look at the nature of the right and of what would be expected from those bound by the right. This could be done by having regard to the nature of the right and its corresponding duty as this right is known and universally accepted and interpreted in the context of international human rights instruments, constitutions, and human rights and legal theory in general, but also presumably sometimes with due regard to the specific context in which a right may be relevant in a particular situation."⁸⁶¹

* 5.5. Applying South African copyright law to specific Internet issues

Next, the general principles of the South African copyright law are applied to specific Internet scenarios and aspects in order to ascertain whether the law achieves an appropriate balance between the interests of copyright proprietors, on the one hand, and the interests of (South African) Internet users, on the other hand.

5.5.1. Digital works are protected

This study now turns to various digital works in order to ascertain whether the Act protects these works, whenever they comply with the originality requirement.

5.5.1.1. Sound files

As noted above,⁸⁶² the Act defines a "sound recording" as "any fixation or storage of sounds, or data or signals representing sounds, capable of being reproduced".⁸⁶³ It, therefore, transpires from this definition that all digital sound files, including MP3 files, are protected as sound recordings in that they constitute fixations of data representing sounds.

⁸⁵⁹ 2002 3 SA 38 T

⁸⁶⁰ 2002 3 SA 38 T:57F-G.

⁸⁶¹ 2002 3 SA 38 T:57J-58B.

⁸⁶² See paragraph 5.2.3 of this chapter.

⁸⁶³ S 1. Own emphasis.

It is further submitted that digital sound files are also protected as musical works, defined in paragraph 5.2.3 of this chapter.

5.5.1.2. DVDs and other digital projections of images

As noted above,⁸⁶⁴ a "cinematograph film" is defined as "any fixation or storage by any means whatsoever on film *or any other material of data*, signals or a sequence of images capable, when used in conjunction with any other mechanical, electronic or other device, of being seen as a moving picture and of reproduction, and includes the sounds embodied in a sound-track associated with the film".⁸⁶⁵

It follows, from a perusal of this definition, that the Act protects the following works as cinematograph films: (a) DVDs; (b) Films recorded on normal CDs; and (c) Other electronic "video clips", either stored on a removable storage medium or on a hard drive, that can be viewed by means of a computer.⁸⁶⁶ In the case of (a) and (b) the sequence of images are digitally stored on the DVD or CD and the film stored (recorded) on these mediums can be viewed by means of a DVD-drive or a CD-ROM drive. In the case of (c), the "video clip" is either digitally recorded on a physical medium such as a purchased CD or on a web site operator's computer server and can be viewed by means of a computer, which constitutes an electronic device.

It should be kept in mind that where someone registered his cinematograph film (e.g. a DVD) in the South African Register of Copyright, established in terms of the *Registration of Copyright in Cinematograph Films Act*,⁸⁶⁷ such registration is *prima facie* evidence in both criminal and civil proceedings that a) the film is the subject of copyright protection and b) that the person registered as the owner or exclusive licensee of the copyright enjoys a valid title.⁸⁶⁸ Moreover, the *Copyright Act* provides that where a cinematograph film is registered in terms of the *Registration of Copyright in Cinematograph Films Act*, two presumptions arise: (1) That the defendant had knowledge of the particulars registered; and (2) That the defendant's conduct was

⁸⁶⁴ See paragraph 5.2.3 of this chapter.

⁸⁶⁵ S 1. Own emphasis.

⁸⁶⁶ See LAWSA 1994: vol 5(2), par 11 where it is stated that "the definition is wide enough to include not only the recording of visual images in the more conventional manner, that is to say on film, but also their recording on video tapes, compact discs, or other media, and possibly still from a computer disc."

⁸⁶⁷ Act 62/1977.

⁸⁶⁸ S 31. See also *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd* 1983 2 SA 251 T:255A-B.

without the required authority.⁸⁶⁹

5.5.1.3. Computer programs and computer games

5.5.1.3.1. General protection

As noted above,⁸⁷⁰ computer programs are protected as a *sui generis* type of work,⁸⁷¹ which is defined as “a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation to bring about a result”.⁸⁷² Due to this nebulous definition, the following questions arise: (1) Does a computer game⁸⁷³ constitute a “computer program”; (2) Does computer software, such as Microsoft Office xp and Microsoft Windows xp, constitute a “computer program”; and (3) Does a utility application, such as a screen saver, constitute a “computer program”? These questions are addressed in turn.

In *Golden China TV Games Centre v Nintendo Co Ltd*,⁸⁷⁴ decided in 1996, the Supreme Court of Appeal noted that a video game, and therefore also a computer game, was protected as a cinematograph film.⁸⁷⁵ The court was of the opinion that video games “are not computer programs although computer programs were used during their creation and although they may have been fixated by way of such programs.”⁸⁷⁶ In 1997 the definition of a “cinematograph film” was amended to exclude

⁸⁶⁹ S 26(9).

⁸⁷⁰ See paragraph 5.2.3 of this chapter.

⁸⁷¹ S 2.

⁸⁷² S 1.

⁸⁷³ In *Golden China TV Games Centre & Others v Nintendo Co Ltd* 1996 4 ALL SA 667 SCA the Supreme Court of Appeal described (at 669f-g) the various stages of development of video games, which description also applies to computer games: “The creation of a video game goes through several stages. After the determination of the basic concept and its evaluation, the game is designed and developed. This requires the drawing of the visual aspects of the game, namely game characters, backgrounds and other game items. The screen text and sound effects are prepared. So, too, the game’s play sequence - it defines, in an unencoded form, the content and story of each game and its play sequence by indicating how the various component works are to be integrated in a sequential progression to constitute a game. Once this stage is reached, the video game is programmed. That involves the writing of a computer program for the video game ... [which] controls the visual display and allows the player to manipulate the characters.”

⁸⁷⁴ *Supra*.

⁸⁷⁵ 1996 4 ALL SA 667 SCA:674g. See also *Nintendo Co Ltd v Golden China TV Game Centre and Others* 1995 1 SA 229 T.

⁸⁷⁶ 1996 4 ALL SA 667 SCA:674e-f.

a computer program.

Van der Merwe maintains that computer and video games are protected as computer programs. He explains his opinion as follows: "Computer programs are necessary to access the game all the time and the game would be unplayable without the underlying computer programs."⁸⁷⁷ Visser and Pistorius, on the other hand, remark that "copyright protection of the computer program generating the game display is not sufficient, because the same visual effigies may be attained by two completely different computer codes."⁸⁷⁸ This submission is identical to the line of reasoning maintained by the US courts.⁸⁷⁹

It is submitted that the position in South Africa with regard to the protection of computer games is as follows:

- The program generating both the visual displays as well as the accompanying sounds is protected as a computer program.⁸⁸⁰ However, Visser and Pistorius convincingly submit that such protection does not provide adequate protection for the visual displays seeing that different computer codes may generate identical displays;⁸⁸¹ and
- The visual display, i.e. the projection of images, is protected as a "cinematograph film". The underlying computer program, however, is not protected as a "cinematograph film" because the Act defines a "cinematograph film" as excluding a computer program.⁸⁸²

Next, this study addresses computer software, which includes both operating system software (such as Microsoft Windows) as well as word processors and spreadsheets. A perusal of the definition of a computer program indicates that software falls within the wording "a set of instructions ... which ... directs [a computer's] operation to bring about a result". Identical reasoning applies to the question whether a utility application, such as a screen saver or a zip program such as WINZIP, falls within definition of a "computer program": It, too, directs the computer to bring about a certain result.

⁸⁷⁷ Van der Merwe 2000:61.

⁸⁷⁸ Visser & Pistorius 1992:354.

⁸⁷⁹ See paragraph 3.4.2 of this chapter.

⁸⁸⁰ See Visser & Pistorius 1992:355.

⁸⁸¹ Visser & Pistorius 1992:355

⁸⁸² S 1. Visser & Pistorius, on the other hand, submit that the visual displays of computer games are protected as artistic or literary works. See Visser & Pistorius 1992:355

However, the same problem pertains to software and utility programs namely that protection of the underlying code may, under given circumstance, be insufficient in that an identical or closely imitating visual display can be brought about by a third party without copying the underlying code. It is submitted that US jurisprudence provides a valuable solution to this problem. As explained above,⁸⁸³ US courts protect, on the one hand, the underlying code as the "computer program" and, on the other hand, the visual displays created by the underlying code as "audiovisual works", provided that common features to the computer industry are not afforded protection. Similarly, it can be argued that the South African *Copyright Act* protects the underlying code as a "computer program" in that the code instructs the computer to do something and further protects the visual displays brought about by the code (i.e. the computer program) as a "cinematograph film".

5.5.1.3.2. Specific protection

The following four remarks concerning the protection of computer programs, therefore including computer software, computer games and utility applications, are necessary. Firstly, where X translates the computer code of Y's computer program without the latter's consent, X is guilty of copyright infringement in that he made an unlawful adaptation of Y's computer program.⁸⁸⁴ It will be remembered that the Act vests in the copyright holder the exclusive right to make an adaptation of the program,⁸⁸⁵ which is defined as "a version of the program in a programming language, code or notation different from that of the program".⁸⁸⁶

Secondly, it should be borne in mind that the sole instance when copying a computer program is allowed by the Act, is where a "back-up" copy is made. Four criteria must be met before such a "back-up" copy is legal: (a) The person making the back-up must be in lawful possession of the computer program; (b) He is only allowed to make a copy of the computer program to the extent reasonably necessary for back-up purposes; (c) The copy so made must be intended exclusively for the personal or private purposes; and (d) The back-up copy made must be destroyed when the possession of the computer program in question or authorised copy thereof, ceases to

⁸⁸³ See paragraphs 3.4.2 & 3.7 of this chapter.

⁸⁸⁴ See Van der Merwe 2000:84; Visser & Pistorius 1992:357.

⁸⁸⁵ S 11(B)(c).

⁸⁸⁶ S 1.

be lawful.⁸⁸⁷

Visser & Pistorius contend that the back-up right does not apply to CDs in that it would not be necessary for legitimate purposes.⁸⁸⁸ It is submitted that their argument is wrong: CDs are also exposed to certain “dangers”. For instance the surface of the CD can be scratched, rendering the CD useless to its owner. Furthermore such an interpretation simply cannot be read into the unambiguous provisions of section 19B. It is submitted that the law permits the purchaser to make, at least, one copy of the CD purchased as a back-up copy.

Thirdly, where someone copies a computer program onto another medium, he causes an adaptation to be made. This aspect is further discussed below.⁸⁸⁹

Finally, it should be noted that the (electronic) manual accompanying the computer program is protected as a literary work under the Act.⁸⁹⁰

5.5.1.4. Multimedia products

A multimedia product is, broadly speaking, something between an encyclopaedia work and a compilation. It is a compilation of components consisting of some or all of the following elements: Text, graphics, photographs, drawings, sounds, etc.⁸⁹¹ An example of such a product is a “program” recorded on a CD, teaching the listener e.g. to speak and write German. It also includes electronic encyclopaedias recorded on CDs. Such “programs” normally employ text, sounds and video clips.

It is submitted that a multimedia product, as a whole, does not fall into one of the protected categories listed in the Act. Therefore, it must be determined into which categories its individual components fall. It is submitted that:

- The texts are protected as literary works;
- The sound clips are protected as sound recordings and musical works;
- Images such as photographs are protected as artistic works;
- The video clips, forming part of the product, are protected as cinematograph films;

⁸⁸⁷ S 19B(2).

⁸⁸⁸ Visser & Pistorius 1992:358.

⁸⁸⁹ See paragraph 5.3.3.1.4 of this chapter.

⁸⁹⁰ Anonymous 1996:31.

⁸⁹¹ Moloney 1997:567. See also www.whatis.com

and

- The computer program directing the entire “program” is protected, separately, as a computer program.

Of necessity, these components are only protected as far as they are original.

5.5.1.5. Web page content

As explained in chapter one,⁸⁹² a web site consists of various web pages. The web page, in turn, consists of various works such as texts, background, images, video clips and audio clips. It is submitted that these works, whenever they comply with the originality requirement, are each protected as follows:

- The texts are protected as literary works;⁸⁹³
- The background, as far as it constitutes wallpaper, is protected as an artistic work;
- The images, such as photographs and *unique* buttons and bars, are protected as artistic works;⁸⁹⁴
- Trade marks (i.e. logos), written in a fancy manner, are protected as artistic works;⁸⁹⁵
- The audio files are protected as sound recordings and musical works;
- The video clips, such as animations, are protected as cinematograph films;
- The source code of the web page is protected as a computer program because it consists of a set of instructions directing the Internet user’s computer to display the

⁸⁹² See paragraph 7 of chapter one.

⁸⁹³ See Moy 1998(a):12.

⁸⁹⁴ See Moy 1998(a):12.

⁸⁹⁵ In *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T the court confirmed (at 437D & 449G) that copyright subsists in a logo as an artistic work. The logo in question was the applicant’s trade mark, and also its company’s name, written in a fancy manner. The court simply asked the question whether the evidence established copyright infringement, either a reproduction or an adaptation, on the part of first respondent in respect of applicant’s logo. (At 449H-I). The court noted (at 450B-H): “The logo Banks designed and Goldman / Ferguson selected bears a striking resemblance to applicant’s logo. Out of many tens of thousands of type-set styles they came up with the twin brother of applicant’s ... And that logo I do not regard as simple or, at any event, not so simple as to require an exact replica before one can conclude objectively that there has been copying. Indeed the ostensible simplicity of the design of applicant’s logo is a singular quality thereof ... By copying, first respondent obtained virtually the same image. It makes the same impression on the observer ... In the result there is, objectively viewed, at least substantial similarity.”

designated content;⁸⁹⁶

- The lay-out of the web page is protected as a compilation;⁸⁹⁷ and
- Even where all the content constituting the web page in question lacks originality or forms part of the public domain, such web page may still be protected as a compilation. In this instance, the law protects the original selection and arrangement of the unprotectable elements constituting the web page.

A question that requires separate attention is: Does copyright law grant protection to headlines (“*opskrifte*”)? The only direct South African authority on this point is a statement by the Transvaal High Court that “there is no reason why chapters of a book or even pages, sentences and phrases therein contained cannot in an appropriate case be regarded as separate discrete literary works enjoying copyright.”⁸⁹⁸ It is submitted that where a particular headline complies with the originality requirement, there is no reason why such headline should not enjoy copyright protection as a literary work.⁸⁹⁹

⁸⁹⁶ See Grossman & Rigamonti 1998. See also Buys 2000 where the author states that the definition of a computer program is a very wide definition and “would include even the simplest web page in its HTML form because each HTML page on a web site consists of text containing instructions for users’ computers. A user’s computer will act according to such instructions by formatting the page on its screen and fetching components from other computers ... This means that all the exclusive acts applicable to the owner of copyright in a computer program should also apply to the proprietor of a web site, especially as regards the design, layout and construction of the web site and the program language code itself.” It is submitted, however, that the layout and design of a web page do not constitute a computer program. These aspects of a web page are rather protected as a compilation or as artistic works.

⁸⁹⁷ Alternatively, a web page can be equated with, and protected as, the get-up of an article. The Supreme Court of Appeal held in *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1993 4 SA 279 A that copyright does, under given circumstances, subsist in a get-up. (At 288J). Note that the lay-out of a web page will not be protected where it is not original. An example is where the lay-out is common to the Internet. For example in *Mist-On Systems Inc v Gilley’s European Tan Spa et al* Civ 02-C-0038-C (W.D. Wis. 2002) the court held that format of a “Frequently Asked Question” web page was common to the Internet and therefore not worthy of copyright protection. A copy of this judgment can be downloaded from www.jurisnotes.com/Cases/Mist-On.htm.

⁸⁹⁸ *Juta & Co Ltd and Others v De Koker and Others* 1994 3 SA 499 T:504H.

⁸⁹⁹ See also the UK case of *Exxon Corpn and others v Exxon Insurance Consultants International Ltd* 1981 3 All ER 241 CA where the Court of Appeal held that “a literary work would be something which was intended to afford either information and instruction or pleasure in the form of literary enjoyment, whatever those last six words may add to the word ‘pleasure’.” A copy of this judgment can be downloaded from www.lawcampus.butterworths.com/student/Lev3/weblinked_books/lloyd/dataitem.asp?ID=12515&tid=7.

In this regard, the Scottish case of *Shetland Times Ltd v Wills*⁹⁰⁰ is relevant. The plaintiff was a news publisher who displayed, on its web site, copyright protected articles under particular headings. The defendant, a competitor, reproduced *verbatim* a number of the plaintiff's newspaper headlines on its own web site. When an Internet user clicked on one of these headings, he was transferred to the text as displayed on plaintiff's web site, thus bypassing the plaintiff's home page. The plaintiff alleged that the defendant was guilty of copyright infringement in that the headings constituted literary works. The court merely held that the digital news headlines could attract copyright protection.⁹⁰¹ Some commentators confirm this opinion that headlines may enjoy copyright protection in that it involves skill and labour and, therefore, constituting original literary work.⁹⁰²

It should further be noted here that the fact that, for example, a web page was constructed with the aid of a computer, does not cause the work (the web page) to be incapable of acquiring copyright protection. The computer is merely seen as a tool in constructing the web page. The Supreme Court of Appeal has maintained that computer-aided works are eligible for copyright protection.⁹⁰³

5.5.1.6. Works posted (displayed) by the copyright holder on the Internet

Visser remarks that any copyright holder who permits his work to be placed on the Internet gives a tacit licence for the user to make a temporary copy in order to view it. Saving it to disk or printing it out will constitute infringement.⁹⁰⁴ This is also, more or less, the way of thinking of Van der Merwe and Webster who state that the mere posting of material on the Internet does not entail a loss of copyright protection.⁹⁰⁵ The attorneys at Werksman are of the opinion that "the contents of your website will automatically be afforded South African copyright protection" where it complies with the four requirements.⁹⁰⁶ Accordingly, so they contend, A is not allowed to copy, adapt,

⁹⁰⁰ 1997 FSR 604. A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/shetld1.html. For a very good discussion of this judgement see MacQueen 1998:297 *et seq.*

⁹⁰¹ The court remarked that "since the headlines at issue (or at least some of them) involve eight or so words designedly put together for the purpose of imparting information, it appeared to me to be arguable that there was an infringement".

⁹⁰² MacQueen 1998:298.

⁹⁰³ *Payen Components SA Ltd v Bovic CC & Others* 1995 4 SA 441 A:450D-E.

⁹⁰⁴ Visser 1999(b):268.

⁹⁰⁵ See Van der Merwe 2000:52 & 79; Webster 1998:6.

⁹⁰⁶ www.mbendi.co.za/werksmans/net_law/guide03.htm.

reproduce, publish or distribute the contents of B's web pages without the latter's permission.⁹⁰⁷

It is submitted that the above is a correct exposition of the law, save for one important aspect, namely that the web site owner's copyright is limited by the fair use provisions. Consequently, an Internet user is allowed to print and/or to copy online literary and artistic works to (e.g.) his hard disk, for private use, research, lecture purposes, etc, provided that the three requirements for fair use are complied with.⁹⁰⁸ Furthermore, section 12(3) provides that the copyright in a literary or musical work, which is lawfully available to the public, shall not be infringed by any quotation therefrom, provided that the three requirements for fair use are complied with.

Where digital works such as animation, wallpaper and screen savers can be downloaded for free from the Internet, the copyright owner still retains his copyright. The licence accompanying the work normally governs further use of the work.

Finally, it is advised that a copyright notice, normally represented by a "©" symbol, should be displayed at the bottom of each web page.⁹⁰⁹ Although the law does not require a copyright notice before work qualifies for copyright protection, such notices alert Internet users, accessing the web page, of the web page owner's copyrights.⁹¹⁰ Such notice could also strengthen the case for additional damages in terms of section 24(3).⁹¹¹

5.5.1.7. Internet broadcasts

Two questions must be answered: (a) Where a radio station only transmits its broadcasts by means of the Internet, are such broadcasts protected by copyright law; and (b) Where a radio station transmits its broadcasts over both the air as well as by means of the Internet, is the Internet broadcast protected by copyright law?

The problem emanates from the statutory definition of a "broadcast" namely "a telecommunication service of transmissions consisting of sounds, images, signs or signals which (a) takes place by means of electromagnetic waves of *frequencies of*

⁹⁰⁷ www.mbendi.co.za/werksmns/net_law/guide03.htm; see also Davies 1996:157.

⁹⁰⁸ S 12(1) read with s 15(4).

⁹⁰⁹ Voges 2001:37.

⁹¹⁰ Campanelli 2000:69; Horwitz 1983:309.

⁹¹¹ Horwitz 1983:309.

lower than 3 000 GHz transmitted in space without an artificial conductor; and (b) is intended for reception by the public or sections of the public, and includes the emitting of programme-carrying signals to a satellite, and, when used as a verb, shall be construed accordingly".⁹¹²

It is submitted that -

- (1) where a radio station *solely* transmits its broadcast by means of the Internet, such transmission is not protected in that it is not "transmitted in space"; and
- (2) where a radio station transmits its broadcast by means of airwaves as well as the Internet and someone copies the Internet broadcast, he commits indirect copyright infringement in that he makes a copy of a copy (the Internet broadcast) of the airwaves broadcast.⁹¹³ Consequently, he infringes the copyright protection of the airwaves broadcast. No copyright subsists in the Internet broadcast due to the reasons advanced in (1).

5.5.2. Specific problems stemming from the Act

Next, specific problems stemming from the wording of the Act are discussed, in particular those relating to primary and secondary copyright infringements.

5.5.2.1. Primary copyright infringements

As noted above,⁹¹⁴ section 23(1) provides that direct copyright infringement occurs where someone, without the copyright proprietor's consent, does any act *in South Africa* which the said proprietor has the exclusive right to do or to authorise.

The question that must be addressed here is: When X infringes Y's copyright, which he enjoys in terms of the South African law, *by means of the Internet*, does he *perform the act in South Africa*? Stated differently, does the copyright infringement *occur in South Africa*? Various scenarios must be scrutinised in order to answer this question. It is assumed, for the purpose of this discussion, that all the instances enumerated below constitute "copyright infringement", meaning that the defendant (X) is exercising one or more of the exclusive rights of the copyright owner (Y). These scenarios are:

⁹¹² S 1. Own emphasis.

⁹¹³ Indirect copyright infringement is discussed in paragraph 5.2.6 of this chapter

⁹¹⁴ See paragraph 5.2.6 of this chapter.

- 1) When X digitises a work by means of a scanner, he clearly performs the act of scanning, which constitutes copying, in South Africa.
- 2) When X copies an electronic work, which he obtained from a CD, to his hard disk, he performs the act of copying in South Africa.
- 3) When X copies (uploads) an electronic work either from his CD or hard disk to a web site on the Internet, he performs the act of copying in South Africa. He instructs his computer, physically in South Africa, to copy the work onto the Internet.
- 4) When X copies (downloads) an electronic work from the Internet onto his hard disk or a removable storage device, he performs the act of copying in South Africa. Similar to above, he instructs his computer, physically in South Africa, to copy the work from the Internet.
- 5) When X e-mails electronic content stored on his computer to a third party's computer, he performs the act of copying in South Africa.
- 6) However, the difficult scenario is where X copies electronic content from one web site to another web site. It is submitted that although the content is "on the Internet", X instructs his computer, which is physically in South Africa, to copy the content from one web site to another. He therefore performs the act, of instructing the computer to copy the copyright protected work, in South Africa. It can further be argued that where X copies (downloads) the electronic content from a computer located somewhere in South Africa, he copies the content from a South African computer to his own computer, physically in South Africa.
- 7) It is further submitted that where X is located in the US and he copies electronic content from a South African web site, meaning that the computer on which the electronic content is stored is located in South Africa, he (X) performs the act of copying in the US.

Therefore, it can be concluded that the requirement in section 23(1) that the act of copying must occur in South Africa poses no problem to holding South African residents liable for copyright infringements by means of the Internet.

5.5.2.2. Secondary copyright infringements ✱

Section 23(2) provides that secondary copyright infringement occurs whenever a third party, without the copyright holder's consent,

"(a) imports an article into the Republic for a purpose other than for his private and

domestic use;

(b) sells, lets, or by way of trade offers or exposes for sale or hire *in the Republic* any article;

(c) *distributes in the Republic* any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected; or

(d) acquires an article relating to a computer program *in the Republic*,"

and knows that the making of the said article constituted copyright infringement or would have constituted copyright infringement if the article had been made in South Africa.⁹¹⁵

Two questions must be addressed: (1) When X does something by means of the Internet, does he either distribute it in, or import it into or sell it in, South Africa; and (2) Does the word "article" include electronic content? These questions are addressed in turn.

5.5.2.2.1. In South Africa? X

It is submitted that whenever X copies (downloads) electronic content from a US web site, meaning that the computer on which the content or information is stored is located in the US, to his South African web site,⁹¹⁶ meaning that the computer on which the web site information is stored is located in South Africa, X does import it into South Africa. The reason for this submission is that whereas the electronic content was before X's conduct only physically located in the US, a copy thereof now resides on a South African computer. Therefore, the content was imported by means of wire to a South African computer.

However, the difficult question is: When X copies digital content onto a US web site, of which the hosting computer is located in the US, does X distribute the content, or offer the content for sale, in South Africa? It is self-evident that X distributes the said content, or offers it for sale, on the Internet, but can it be said that X distributes the content, or offers it for sale, in every country that has an Internet connection. What if X was physically in the US when he copied the work to the web site in question and then visited some friends in South Africa? Would it be possible to institute proceedings here

⁹¹⁵ Own emphasis.

⁹¹⁶ Note that where X copies electronic content from a US web site to his personal computer, his conduct does not fall within the parameters of section 23(2)(a) in that he imports it then for private use.

alleging that X distributed electronic content in South Africa? Due to the startling consequences that would follow if this question is answered in the affirmative, it is submitted that where X copies electronic content to a "foreign" web site, he does not distribute it, nor does he offer it for sale, in South Africa.

The remaining question is: What is the position when X, located in Johannesburg, copies (uploads) the copyright protected work onto a South African web site, meaning that the computer server hosting the web site is located somewhere in South Africa? Does X distribute the content in South Africa? It is submitted that although it can be argued that X makes the content available for distribution on the Internet, it cannot be said that he distributes it among several South African Internet users.⁹¹⁷ Different considerations may, however, arise where X copies the said content onto several South African web sites. Of necessity, a different scenario arises where he e-mails the content to various South African Internet users. In that instance, one could argue that he distributes the content in South Africa. The remaining question is whether he offers or exposes the content for sale in South Africa by means of his "South African" web site? He clearly exposes or offers the content to the Internet community, including the South African community. It can be stated that by means of his conduct in South Africa he does offer or expose the content for sale. It appears therefore that this question must be answered in the affirmative.

Different considerations arise where X sells physical counterfeit products by means of a South African web site, such as www.bidorbuy.co.za. Where he successfully sells a product to a third party, he eventually distributes the product in South Africa. Furthermore, he exposes the product for sale in South Africa.

5.5.2.2.2. Does electronic content constitute an "article"?

The Act requires that an "article" ("n *artike!*")⁹¹⁸ must be imported, distributed or exposed for sale in South Africa. The Act is silent on the meaning of this word. The question that must answered is whether the term "article" is wide enough to

⁹¹⁷ See e.g. the definition of "distribute" in *Webster's Third New International Dictionary*: "Distribute implies (1) an apportioning of something among many by separating it into parts, units, or amounts and assigning each part, etc., to its appropriate person or place or (2) a spreading or scattering of something more or less evenly over an area <distribute their possessions among their children> <distribute profits among corporate members>".

⁹¹⁸ The term used in the Afrikaans text.

encompass electronic content such as digital texts, photographs and computer games? The first consideration is that the word "article" has a physical connotation.⁹¹⁹ The second consideration is the purpose of section 23(2). It is submitted that the purpose of this section is to render individuals liable for damages (losses) suffered by the copyright proprietor, where they would otherwise not be liable to the copyright proprietor. For example where A imports and/or distributes counterfeit products, which he did not manufacture, A would not be liable towards the copyright proprietor were it not for the provisions of section 23(2). Another purpose is, of course, to enable copyright owners to prevent the further distribution of infringing articles. The third consideration is that one court has noted that the provisions of the Act dealing with secondary infringements refer to infringing copies.⁹²⁰ The Act itself seems to ascribe this interpretation to the word "article": Section 23(2) only penalises the above-mentioned if to the defendant's knowledge "the making of that article constituted an infringement of that copyright". In addition, section 27(1) provides that anyone who e.g. distributes for the purpose of trade "articles which he knows to be *infringing copies of the work*"⁹²¹ commits an offence. Therefore it transpires from the aforementioned that an infringing copy constitutes an article.

Bearing these considerations in mind, two possible arguments can be advanced namely:

- (1) Electronic content does not constitute an "article". For example, where A copies (downloads) an entire text of a copyright protected e-book from a "foreign" web site to his own computer or web site, it cannot be argued that he imported "an article". Similar considerations apply to electronic photos. It can further be argued that it is simply not necessary to extend the interpretation of the word "article" in that in all instances involving the Internet, primary copyright infringement in terms of section 23(1) is present in the form of unauthorised copying, and, where appropriate, public

⁹¹⁹ The *Verklarende Handwoordeboek van die Afrikaanse Taal* (HAT) defines "artikel" as "Voorwerp, ding – veral handelsware". The *Cambridge International Dictionary of English* defines "article" as "a particular thing, esp. one which is one of several things of a similar type or in the same space". Similar definitions are provided by *The Concise Oxford English Dictionary* (9th Ed), *Webster's Third New International Dictionary* and the *Oxford Advanced Learner's Dictionary*.

⁹²⁰ See *Columbia Pictures Industries Incorporated v Videorent Parkmor; Ster Kinekor (Pty) Ltd v Videomaster (Pty) Ltd; Ster Kinekor (Pty) Ltd v Videorent Parkmore* 1982 1 SA 49 W where the court remarked (at 51H) that "[t]he provisions of copyright legislation in relation to indirect [i.e. secondary copyright] infringement have always related to infringing copies."

⁹²¹ Own emphasis.

performance of the said work.

(2) The word "article" could be interpreted, in terms of the above-mentioned purpose section 23(2) serves, to include "digital articles" constituting infringing copies. Therefore whenever X downloads a copyright protected music file, electronic text or photograph, he imports a digital article into South Africa.

It is, however, submitted that the first argument advanced appears more plausible and consequently it is further submitted that the term "article" does not include "digital content". It follows that section 23(2) cannot be applied to the Internet.

5.5.3. Answers to specific Internet infringements

Next this study ascertains whether various electronic activities infringe copyright protection.

5.5.3.1. Space-shifting

As noted earlier,⁹²² the term "space-shifting" refers to the scenario where someone converts a work from a specific medium to another medium of communication. An example is where A scans a photo in a physical magazine and subsequently stores the image as a file on his hard disk. The following postulated scenarios do not deal with instances where copyright protected work is uploaded or downloaded from the Internet. It is further assumed that the third party does not have the copyright holder's consent.

5.5.3.1.1. Digitising literary and artistic works

It is submitted that the digitisation of literary works (including published editions) and artistic works constitutes a reproduction, which is one of the copyright proprietor's restricted acts.⁹²³

In this regard, notice can be taken of the UK case of *AntiquesPortfolio.com plc v Rodney Fitch & Co Ltd*.⁹²⁴ The defendant, in the execution of a web site design

⁹²² See paragraph 3.2.2 of this chapter.

⁹²³ S 6(a), s 7(a) & s 11A.

⁹²⁴ 2001 FSR 345 ChD. A copy of this judgment was obtained from Westlaw. A valuable discussion of this judgment can also be found in Stephens 2000:51-56.

contract, digitised the photos contained in a third party's encyclopaedia into thumbnail images, the size of electronic buttons and icons. This was done without the third party's consent. The question arose whether the defendant committed copyright infringement. The defendant contended that because much or even most of the detail of the original photographs was missing in the miniature reproductions, there had been no copying of the whole or a substantial part of the copyrighted photographs, as required by UK copyright legislation. The Chancery Division held, after holding that the photographs were subject to copyright protection as artistic works, that the defendant was guilty of copyright infringement because it made reproductions of the whole of the photographs.⁹²⁵ Specifically, the court pointed out that "it would seem rather strange if ... copyright exists in the whole photograph, there is no infringement in a case involving reproduction of the whole photograph."⁹²⁶

Furthermore, it can be argued that such digitisation constitutes an unauthorised adaptation. An adaptation of an artistic work is defined to include "a transformation of the work in such a manner that the original or substantial features thereof remain recognizable".⁹²⁷ It is submitted that the digitisation of literary works also constitutes an adaptation in that the physical work was used to create the electronic copy. Furthermore, it appears from the examples contained in the definition of "adaptation" that transforming work from one medium to another medium constitutes an adaptation. For example, section 1 provides that the "fixation of the [computer] program in or on a medium different from the medium of fixation of the program" constitutes an adaptation.

The Act only permits A, the third party, to digitise literary works and artistic works for fair use purposes such as private study, personal use, research, lecturing and criticism, provided that the three fair use requirements are met.

The following question arises: What is the legal position when A wants to comment on or to criticise the destruction of the Amazon Forest, by means of his web site? In order to explain his point of view to the Internet reader, he scans a photo in an encyclopaedia and copies it next to his electronic comment. Below the electronic image he gives recognition to the source of the picture. The question is whether A is guilty of copyright infringement. It is clear that A reproduces the said photo and

⁹²⁵ 2001 FSR 345 ChD:355.

⁹²⁶ 2001 FSR 345 ChD:355.

⁹²⁷ S 1.

therefore the only question is whether his conduct is protected by one of the fair use defences. A does not reproduce the said photo in order to criticise it or another work.⁹²⁸ Neither does he use the photo to report on current events in “a newspaper, magazine or similar periodical”.⁹²⁹

Therefore, according to the Act, his reproduction constitutes copyright infringement in that it is not protected by the fair use defence. However, it is submitted that this particular scenario is protected by the *Constitution*.⁹³⁰ Section 16, the right to freedom of expression, stipulates that “[e]veryone has the right to freedom of expression, which includes (a) freedom of the press and other media; (b) freedom to receive or impart information or ideas; (c) freedom of artistic creativity; and (d) academic freedom and freedom of scientific research.” Clearly, A uses the photo of the Amazon to express his views and to impart information. It should, furthermore, be kept in mind that the *Constitution* supersedes all law⁹³¹ and that any provision in any act which is contrary to the provisions of the *Constitution* is invalid in so far as it conflicts with the latter.⁹³² In addition, the *Constitution* applies both vertically (between citizen and the state) as well as horizontally (between individual parties).⁹³³ Moreover, it should be borne in mind that the right set out in section 16, entrenched in the *Bill of Rights*,⁹³⁴ can be limited under given circumstances. Section 36 provides that -

“(1) [t]he rights in the Bill of Rights may be limited only in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors, including-

- (a) the nature of the right;
- (b) the importance of the purpose of the limitation;
- (c) the nature and extent of the limitation;
- (d) the relation between the limitation and its purpose; and
- (e) less restrictive means to achieve the purpose.

(2) Except as provided in subsection (1) or in any other provision of the Constitution, no

⁹²⁸ See s 15(4) read with s 12(1)(b).

⁹²⁹ See s 15(4) read with s 12(1)(c)(1).

⁹³⁰ Act 108/1996.

⁹³¹ S 2 read with s 8(1) of the *Constitution*.

⁹³² S 2 of the *Constitution*.

⁹³³ S 8(2) of the *Constitution*.

⁹³⁴ Chapter 2 of the *Constitution*.

law may limit any right entrenched in the Bill of Rights.”

From the above, it can be gleaned that the *Copyright Act* limits the scope of A's constitutional right to freedom of expression in that the Act prohibits reproduction, even where such reproduction is used for purposes such as criticism, which is clearly protected the constitutional right to freedom of expression. Therefore the Act is *prima facie* unconstitutional. The next question is whether this limitation is reasonable and justifiable. It is submitted that where A *bona fide* uses the photo to criticise or to comment and gives recognition to the source of the photo, his conduct ought to be protected by his right to freedom of expression. Colloquially, the *Copyright Act* is unconstitutional for so far as it fails to make provision for such scenarios. In this instance, A is not misleading the public into thinking that he is the proprietor of the photo. Even where A uses this web site for a “commercial purpose”, such as the collection of donations for his anti-destruction campaign, his conduct should still be protected by his right to freedom of expression.

Consequently a *lacuna* exists in the *Copyright Act*. The Act should adequately provide for instances where a third party uses a copyright holder's work as part of his constitutional right to criticise or comment, provided, of course, that such use (including digitisation) was fair under the circumstances. Of necessity, constitutional law will not permit A to digitise all or a majority of the photos in an encyclopaedia and then post them on his web site.

Identical considerations apply to scenarios where A simply copies a photo of the Amazon Forest, located on the Internet, and inserts it next to his electronic comment.

An instructive case, dealing with a comparable scenario, is the UK case *Ashdown v Telegraph Group Ltd*,⁹³⁵ which was the first case where a UK court addressed the interaction between copyright legislation and the right to freedom of expression.⁹³⁶ The

⁹³⁵ 2001 ALL ER 370 ChD.

⁹³⁶ As afforded by s 12 of the *Human Rights Act* 42 of 1998. S 12(1) provides that “[t]his section applies if a court is considering whether to grant any relief which, if granted, might affect the exercise of the Convention right to freedom of expression.” S 12(4) stipulates, in turn, that “[t]he court must have particular regard to the importance of the Convention right to freedom of expression and, where the proceedings relate to material which the respondent claims, or which appears to the court, to be journalistic, literary or artistic material (or to conduct connected with such material), to (a) the extent to which (i) the material has, or is about to, become available to the public; or (ii) it is, or would be, in the public interest for the material to be published; (b) any relevant privacy code.” Section 10 of the *European Convention for the Protection of Human Rights and Fundamental Freedoms*, now

facts were that the defendant, a news publisher, reproduced one of the plaintiff's copyright protected confidential records. The defendant sought to justify this by relying on its right to freedom of expression. The Chancery Division firstly held that -

"[c]opyright does not protect ideas, only the material from in which they are expressed. It is therefore a restriction on the right to freedom of expression to inhibit another from copying the method of expression used by the copyright owner even though there may be open to him a host of other methods of expression of the same idea. It must follow that intellectual property rights in general and copyright in particular constitute a restriction on the exercise of the right to freedom of expression."⁹³⁷

The defendant argued that the court was required to examine in each case whether on the facts of that case it was necessary in a democratic society to provide for exceptions, exemptions and defences over and above those permitted by the legislation, however extensive they might be. The court rejected this contention, maintaining that "the needs of a democratic society include the recognition and protection of private property ... Such property includes copyright."⁹³⁸

With regard to the question whether the provisions of the UK *Copyright, Designs and Patents Act*⁹³⁹ constitutes a justifiable limitation on the right to freedom of expression, the court maintained that it could -

"see no reason why the court should travel outside the provision of the [Copyright Act] and recognise on the facts of particular cases further or other exceptions to the restrictions on the exercise of the right to freedom of expression constituted by the [Copyright Act] ... [t]he balance between the rights of the owner of the copyright and those of the public has been struck by the legislative organ of the democratic state

incorporated as Schedule 1 to the aforementioned Act, provides that: "1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This Article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises. 2. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary." A copy of this act can be downloaded from www.hms.gov.uk/acts/acts1998/19980042.htm.

⁹³⁷ 2001 2 ALL ER 370 ChD:375h-j.

⁹³⁸ 2001 2 ALL ER 370 ChD:376c-d.

⁹³⁹ Act 48/1988.

itself in the legislation it has enacted. There is no room for any further defences outside the code which establishes the particular species of intellectual property in question. In particular it is not open to an infringer to defend the proceedings on the basis that although he cannot make out one or more of the statutory defences nevertheless the relief sought would be more than that which is necessary in a democratic society and therefore contrary to [the Human Rights Act]”.⁹⁴⁰

However, when the case went on appeal, the House of Lords held a different view of the interaction between copyright legislation and the right to freedom of expression:

“The infringement of copyright constitutes interference with ‘the peaceful enjoyment of property’. It is, furthermore, the interference with a right arising under statute which confers rights recognised under international convention and harmonised under European law (see the Berne Convention ... and the [Copyright Directive] ... There is thus no question but that restriction of the right to freedom of expression can be justified where necessary in a democratic society in order to protect copyright. The protection afforded to copyright under the [Copyright Act] is, however, itself a subject to exceptions. Thus both the right to freedom of expression and copyright are qualified”⁹⁴¹

The court further maintained that copyright legislation -

“prevents all, save the owner of the copyright, from expressing information in the form of the literary work protected by the copyright. It is important to emphasise in the present context that it is only the form of the literary work that is protected by copyright. Copyright does not normally prevent the publication of the information conveyed by the literary work. Thus it is only the freedom to express information using the verbal formula devised by another that is prevented by copyright. This will not normally constitute a significant encroachment on the freedom of expression. The prime importance of freedom of expression is that it enables the citizen freely to express ideas and convey information. It is also important that the citizen should be free to express the ideas and convey the information in a form of words of his or her choice. It is stretching the concept of freedom of expression to postulate that it extends to the freedom to convey ideas and information using the form of words devised by someone else.”⁹⁴²

However, the court proceeded to note that the right to freedom of expression protects both the right to publish information as well as to receive it. According to the court,

⁹⁴⁰ 2001 2 ALL ER 370 ChD:376j-378h.

⁹⁴¹ *Ashdown v Telegraph Group Ltd* 2001 4 ALL ER 666 HL:673h-677a.

⁹⁴² 2001 4 ALL ER 666 HL:674g-j.

there are occasions when it is in the public interest "not merely that information should be published, but that the public should be told the very words used by a person, notwithstanding that the author enjoys copyright in them. On occasions, indeed, it is the form and not the content of a document which is of interest."⁹⁴³

The court concluded that rare circumstances existed where the right to freedom of expression will come into conflict with the protection offered by copyright legislation.⁹⁴⁴ In such circumstances, so the court held, "the court is bound, in so far as it is able, to apply the Act in a manner that accommodates the right to freedom of expression. This will make it necessary for the court to look closely at the facts of individual cases ... We do not foresee this leading to a flood of litigation".⁹⁴⁵ However, the court also headed the following warning: "Freedom of expression should not normally carry with it the right to make free use of another's work."⁹⁴⁶

It should always be borne in mind that the fair use provision in the *Copyright, Designs and Patent Act*, dealing with research, review, criticism and private use, applies to literary, dramatic, musical and artistic works.

5.5.3.1.2. Printing electronic literary and artistic works

The next question of law is whether the following conduct constitutes copyright infringement: X purchases electronic content (e.g. a photograph or a document *via* the Internet) and subsequently makes a print out of the electronic work.

Where X prints either an electronic document or an electronic artistic work, he reproduces the work, which is one of the restricted acts of a copyright proprietor.⁹⁴⁷ The printout of the electronic document and/or the electronic photograph, presuming it is not for commercial purposes, is protected by the Act as fair use in that X uses the printed document for personal purposes.⁹⁴⁸ The sole question is whether a printout of the entire text document complies with the requirement of "fair dealing".⁹⁴⁹ It is submitted that such printout is protected by the fair use provision because (1) the text

⁹⁴³ 2001 4 ALL ER 666 HL:676g-677g.

⁹⁴⁴ 2001 4 ALL ER 666 HL:677h-j.

⁹⁴⁵ 2001 4 ALL ER 666 HL:677j.

⁹⁴⁶ 2001 4 ALL ER 666 HL:678a-b.

⁹⁴⁷ See s 6(a) & s 7(a).

⁹⁴⁸ S 12(1)(a) read with s 15(4).

⁹⁴⁹ See s 12(1).

document was acquired lawfully and (2) the printout will not in any way prejudice the rights or financial interests of the copyright proprietor.

5.5.3.1.3. Cinematograph films

Whenever a third party copies the film contained on a DVD or CD onto his hard disk or onto another storage medium such as a CD or DVD, such copying constitutes a reproduction which is one of the copyright proprietor's exclusive rights.⁹⁵⁰ It can also be argued that when the film (electronic content) is copied from one medium to another medium it constitutes an adaptation, which the copyright proprietor has the exclusive right to do or to authorise.⁹⁵¹

With regard to possible fair use the Act provides that the third party is allowed to use (normally an extract of) the film for the purpose of review, criticism and lecturing.⁹⁵² Note that the Act is silent on the private use of films and consequently the question arises whether the Act infringes one's constitutional right to privacy, enshrined in section 14 of the *Constitution*.⁹⁵³ It is submitted that under *normal* circumstances, a third party will not be able to advance a valid reason why he wants to copy the film from his DVD or CD onto his hard disk.

However, the question arises whether the purchaser of a DVD (or other storage medium containing an electronic film) should be allowed to make a back-up of the DVD, seeing that purchasers of computer programs, including computer games, are allowed to make back-up copies under given circumstances. It is assumed that the DVD content is protected by special software against third party copying. Where the content is protected by special software it is submitted that the provisions of the *Copyright Act* can be justified in terms of the *Constitution* in that in such instances the protection of the movie-content against unlawful copying by third parties outweighs any "competing" privacy interest.⁹⁵⁴

Furthermore, according to the Act, a third party is also not allowed to copy still images from the film on the DVD or CD and save it on his hard drive or onto another medium,

⁹⁵⁰ S 8(1)(a).

⁹⁵¹ S 8(1)(e). See the arguments advanced in paragraph 5.3.3.1.1 of this chapter.

⁹⁵² S 16(1).

⁹⁵³ S 14 was discussed in paragraph 5.4 of this chapter.

⁹⁵⁴ For more detail, see the US argument in paragraph 3.4.2 of this chapter.

unless it is for purpose of criticism or review,⁹⁵⁵ as this constitutes a reproduction.⁹⁵⁶ This also constitutes an adaptation in that the DVD film is used to create the still image(s).⁹⁵⁷ With regard to the question whether the use of still images for private use, such as the creation of background electronic wallpaper, is protected by the constitutional right to privacy, it is submitted that the courts will not interpret this constitutional right in such a way that it authorises third parties to infringe proprietors' copyrights in their own privacy. This type of scenario does not concern one's domain of personal existence such as private intimacy, autonomy and self-realisation. Stated differently, there is no intrusion into one's privacy. A further argument that can be advanced here is that where the DVD or CD content is protected by special software against third party copying, the copyright proprietor's "right" to be protected from unauthorised copying and unlawful exploitation outweighs any possible constitutional right to private use.

Finally, where the third party streams a cinematograph film over the Internet, without the copyright proprietor's authorisation, such conduct constitutes copyright infringement because it causes the film to be seen in public.⁹⁵⁸

5.5.3.1.4. Computer programs (including computer games)

It is submitted that, according to the Act, a third party is not allowed to copy the computer program from a floppy or a CD onto his hard disk in that such copying infringes two of the copyright holder's restricted acts namely (1) it constitutes a reproduction⁹⁵⁹ and (2) it constitutes an adaptation, which is defined to include "a fixation of the program in or on a medium different from the medium of fixation of the program".⁹⁶⁰ The Act is silent on the private use of computer programs.

Therefore, the Act provides that installing computer software on one's hard disk constitutes copyright infringement, unless the copyright proprietor grants permission (a license) authorising such installation (copying). It is submitted that this legal position is unattainable. Virtually all software has to be installed on a hard disk before it will

⁹⁵⁵ S 16(1).

⁹⁵⁶ S 8(1)(a).

⁹⁵⁷ S 8(1)(e).

⁹⁵⁸ S 8(1)(b).

⁹⁵⁹ S 11B(a).

⁹⁶⁰ S 11(B)(f) read with s 1(1).

operate. To proceed from the premise that installation of lawfully purchased software *per se* constitutes copyright infringement is absurd. The fact that virtually all software purchased contains a written and/or electronic license, authorising the installation of the software on one hard disk, does not affect the aforementioned argument.

It should be kept in mind that the purchaser of a computer program is permitted to make a back-up copy of the program in question.⁹⁶¹

5.5.3.1.5. Music

Under this heading three questions relating to music must be answered. These questions are:

- a) Is the purchaser of a CD, on which music is recorded, permitted to copy ("rip") the music onto another CD, for private use?
- b) Is the purchaser of a CD, on which music is recorded, permitted to convert that music into MP3 files, which he e.g. stores on his computer?
- c) Is the purchaser of a lawful MP3 file, downloaded from the Internet, permitted to burn the file on a CD?

With regard to the first question posed, the following can be stated:

- Although the Act primarily prohibits a third party from reproducing the musical work,⁹⁶² the Act contains a fair use defence namely that a third party is allowed to copy the musical work for (a) research, private study or private use; (b) for the purpose of criticism and review; and (c) for the purpose of teaching;⁹⁶³
- It is submitted that when the music on CD "A" is copied onto CD "B", the latter constitutes a reproduction of the musical work. However, the fair use defence of private use protects the copying of the musical work.
- However, with regard to the sound recording, the Act prohibits the making, directly or indirectly, of another record embodying the sound recording.⁹⁶⁴ A record is defined to mean "any *disc, tape, perforated role or other device in or on which sounds, or data or signals representing sounds, are embodied or represented so as*

⁹⁶¹ S 19B(2).

⁹⁶² S 6(a).

⁹⁶³ S 12(1).

⁹⁶⁴ S 9(a).

to be capable of being automatically reproduced or performed therefrom.”⁹⁶⁵ No defence of fair use for private or personal use is provided for.

- It is submitted that the second CD can be seen as a record, i.e. a disc on which sounds are embodied. However, the vexing question remains whether the purchaser made, directly or indirectly, a record embodying the sound recording. It is obvious that the “purchaser” did not directly make a record (CD) embodying the sound recording in that he did not “make” (produce) the record (CD). Another entity made the record (CD). It is further submitted that he did not indirectly make a disk (namely the CD) embodying the sound recording. Had the Act provided that the copyright holder enjoys the exclusive right to “cause a record to embody a sound recording”, he would have committed copyright infringement.
- Therefore, it is submitted that no copyright infringement occurs.

With regard to the second question posed, namely the conversion of music on a CD into MP3 files, the following is submitted:

- Whenever a third party converts CD-music into MP3 files stored e.g. on his hard drive, he makes a reproduction of the music on the CD, even if he converts only one track of the CD into a MP3 file. This entails, in turn, that he makes a reproduction of the musical work stored on the CD.
- Such reproduction is protected by the fair use defence of private and/or personal use;
- The only question, therefore, is whether the copyright subsisting in the sound recording is infringed. Stated differently: When a third party converts music into a MP3 file stored on his hard disk or another storage medium, does he make (“*vervaardig*”),⁹⁶⁶ directly or indirectly, a “record” (“*opname*”)⁹⁶⁷ embodying the sound recording, as envisaged by section 9(a)? Although the hard disk or other storage medium can be seen as a “record”, it cannot be argued that by copying a MP3 file onto one’s hard drive, one indirectly makes a disk (i.e. a record) embodying the sound recording. Explained differently, the “purchaser” in the postulated scenario does not make (“*vervaardig*”) the hard disk. All he did was to copy the music (sound recording) onto the hard disk.
- It follows that converting sound recordings into MP3 files stored on any storage

⁹⁶⁵ S 1. Own emphasis.

⁹⁶⁶ The term used in the Afrikaans text.

⁹⁶⁷ The term used in the Afrikaans text.

medium does not constitute copyright infringement

With regard to the third question, namely what a purchaser of music in MP3 format is allowed to do with such music, the following is submitted:

- Let's assume that "A", the third party, purchases and subsequently downloads a MP3 file, from a web site, onto his hard disk or any other storage medium.
- When "A" copies this MP3 file onto a floppy or a CD, he reproduces the musical work.
- With regard to the musical work, his reproduction is protected by the fair use defence in that he uses the reproduction for his private use.
- With regard to the sound recording, identical considerations to those advanced with regard to the first and second scenario apply here: "A" does not directly or indirectly make a record (namely the CD) embodying the sound recording.

5.5.3.1.6. Downloading

Whenever "A" downloads copyright protected work from a web site, he makes a reproduction (a copy) as well as an adaptation in that he converts/transfers the content from one medium to another medium. This applies to literary works and musical works,⁹⁶⁸ artistic works,⁹⁶⁹ cinematograph films,⁹⁷⁰ and computer programs.⁹⁷¹ Note that the above does not apply to sound recordings: The Act does not grant these copyright owners the exclusive right to make an adaptation and further, as indicated above,⁹⁷² "A" does not make ("*vervaardig*") a record embodying the sound recording. All "A" did was to copy the sound recording onto the hard disk. He did not make the hard disk embodying the sound recording.

Where the copyright proprietor grants permission for such downloading, no copyright infringement occurs. Where no such permission is granted, one should firstly ascertain whether a fair use defence protects the downloading. Thereafter, should the defendant's conduct still constitute copyright infringement in terms of the Act, one should further ascertain whether the defendant's conduct is protected by his

⁹⁶⁸ S 6(a) & (f).

⁹⁶⁹ S 7(a) & (e).

⁹⁷⁰ S 8(a) & (e).

⁹⁷¹ S 11(a) & (f).

⁹⁷² See paragraph 5.3.3.1.5 of this chapter.

constitutional right to freedom of speech. As noted above,⁹⁷³ it is unlikely that South African courts will interpret the constitutional right to privacy to protect private copyright infringement.

Note that where "A" downloads copyright protected music from a web site, without the copyright proprietor's consent, he is still liable in terms of section 23(1) in that he reproduced and adapted a musical work.

5.5.3.1.7. Uploading

Whenever A uploads copyright protected work onto a web site, he reproduces the work as well as makes an adaptation of the said work, in that he converts (transfers) it from one medium to another medium. This applies to literary works and musical works,⁹⁷⁴ artistic works,⁹⁷⁵ cinematograph films,⁹⁷⁶ and computer programs.⁹⁷⁷ Note that the above does not apply to sound recordings: The Act does not grant these copyright owners the exclusive right to make an adaptation and, further, as indicated above,⁹⁷⁸ A does not make ("*vervaardig*") a record embodying the sound recording. A "record" is defined as any physical device on which sounds or data representing sound are stored.⁹⁷⁹ The hard disk of the computer hosting the said web site most probably constitutes such a physical device, which, in turn, constitutes the "record". However, all that A did was to copy the sound recording onto the computer hard disk hosting the web site in question. He did not make the hard disk which now contains a copy of the sound recording.

Where the uploaded content constitutes literary work, A also infringes the copyright proprietor's exclusive to perform the work in public.⁹⁸⁰ "Performance" is defined to include any mode of visual presentation of a work.⁹⁸¹ Stated simply: A performs the work visually. Such performance is in public in that any Internet user can access the

⁹⁷³ See paragraphs 5.5.3.1.3 and 5.5.3.1.5 of this chapter.

⁹⁷⁴ S 6(a) & (f).

⁹⁷⁵ S 7(a) & (e).

⁹⁷⁶ S 8(a) & (e).

⁹⁷⁷ S 11(a) & (f).

⁹⁷⁸ See paragraphs 5.3.3.1.5 & 5.3.3.1.6 of this chapter.

⁹⁷⁹ See s 1 for the definition of a record.

⁹⁸⁰ S 6(c).

⁹⁸¹ S 1.

web site and view the copyright protected content.⁹⁸²

In the case of sound recordings, copyright proprietors enjoy the exclusive right to communicate their sound recordings to the public.⁹⁸³ This right entails that where a computer user or web site operator uploads a digital sound recording onto a web site from where it can be downloaded, he infringes the copyright proprietor's right to communicate the sound recording to the public (i.e. the Internet community).

Whether such reproduction, adaptation, public performance or public communication constitutes copyright infringement, entails a twofold enquiry: a) Is such conduct protected by a fair use defence, as stipulated in the Act; and (b) If not, is such conduct protected by A's constitutional right to freedom of expression? If both questions are answered in the negative, A is guilty of copyright infringement. An example of conduct that is protected by the constitutional right to freedom of expression, as enshrined in section 16 of the *Constitution*, is where A copies an electronic photo of the Amazon Forest to his web site, which he uses to elaborate his commentary on the destruction of the Amazon Forest.⁹⁸⁴ Such copying does not fall within the ambit of the Act's fair use defence in that neither does he use the photo to criticise the photo⁹⁸⁵ nor does he use the photo to report on current events "in a newspaper, magazine or similar periodical".⁹⁸⁶

At least one South African commentator is of the opinion that whenever someone copies copyright protected work onto a web site, he *causes* third parties to infringe the proprietor's copyrights.⁹⁸⁷ De Villiers argues as follows:

"Infringement can also occur when a person causes or authorises an infringing act. The proprietor [of the web site] clearly facilitates the transmission of the works available on the web site by placing them there. In fact the sole purpose of placing content on a web site is its eventual transmission, although this only occurs once users access the web site. A proprietor [of a web site] can therefore infringe a third party's copyright by

⁹⁸² The "public" aspect is further discussed in paragraph 5.5.3.3 of this chapter.

⁹⁸³ See s 9(e), introduced by the *Copyright Amendment Act 9 of 2002*, which came into force on 18 June 2002.

⁹⁸⁴ For more detail, see paragraph 5.3.3.1.1 of this chapter.

⁹⁸⁵ S 15(4) read with s 12(1)(b).

⁹⁸⁶ S 15(4) read with s 12(1)(c)(1).

⁹⁸⁷ S 23(1) provides that "[c]opyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or *causes any other person to do*, in the Republic, any act which the owner has the exclusive right to do or to authorize." Own emphasis.

making a work available on its web site without permission because this action will eventually cause the work to be transmitted as part of a diffusion service. If the hosting of the web site is outsourced to a third party, such third party as host would be the primary infringer, although the proprietor [of the web site] should also be liable for causing or authorising the infringement.”⁹⁸⁸

In light of the above contentions, such an interpretation of the Act is unnecessary. Furthermore, it is submitted that whenever A posts copyright protected work on a web site he does not *cause* third parties to further infringe the said copyrights: These third parties, by means of their own copying, infringe the aforementioned copyrights. It is also submitted that A does not authorise third parties to infringe the said copyrights in that A lacks the necessary authorisation and consequently cannot “authorise” third parties to infringe copyrights.

5.5.3.1.8. P2P file services

As pointed out earlier,⁹⁸⁹ P2P file services refer to services such as Napster where an Internet entity allows Internet users to connect to its computer servers. By connecting to the entity’s servers, the Internet user (1) allows third parties to copy MP3 files stored on his own hard disk, and (2) can simultaneously download MP3 files from his fellow connected Internet users’ hard disks. Note that P2P file services are not limited to the sharing of MP3 files: Any kind of digital content can be shared.

It is submitted that where A and B are connected to such a P2P file service, the following emerges:

- Where A downloads e.g. a MP3 file from B’s hard disk, A infringes the copyright holder’s copyright in that he reproduces as well as adapts the copyrighted work. Note that the remarks advanced above with regard to sound recordings also apply here.⁹⁹⁰
- Where B allows third parties, such as A, to download MP3 files from his hard disk, he does not directly infringe any copyright protection in that the Act does not bestow any distribution right or “making available right” on the copyright holder, similar to the US copyright law and European *Copyright Directive*. However, it is submitted

⁹⁸⁸ Buys 2000:53-54.

⁹⁸⁹ See paragraph 3.2.1.1 of this chapter.

⁹⁹⁰ See paragraph 5.5.3.1.6 of this chapter.

that B is guilty of “contributory” copyright infringement in that he aids a third party, namely A, to infringe someone else’s copyright protection. This theory of contributory copyright infringement is further explained in paragraph 5.5.3.11.1 of this chapter.

The question whether the provider of the P2P file service is liable for any copyright infringement, is discussed later on in this study.⁹⁹¹

5.5.3.1.9. E-mailing copyrighted content

When X e-mails digital copyright protected content to a third party, his conduct constitutes a reproduction.⁹⁹² However, this only applies to literary works and musical works,⁹⁹³ artistic works,⁹⁹⁴ cinematograph films,⁹⁹⁵ and computer programs.⁹⁹⁶ As repeatedly emphasised,⁹⁹⁷ the reproduction right granted to copyright proprietors’ of sound recordings is not infringed in that X does not make a physical record embodying the sound recording.⁹⁹⁸ With regard to the other forms of protected content such digital reproduction can be compared to telefaxing: The Supreme Court of Appeal has noted that when X telefaxes Y’s drawings to a third party, without Y’s consent, X is guilty of direct copyright infringement.⁹⁹⁹

Whether such reproduction constitutes copyright infringement, two questions must be answered: a) Is X’s conduct protected by a fair use defence; and b) If not, is his conduct protected by a constitutional right, such as the right to freedom of expression? Where a lecturer e.g. e-mails a copyright protected electronic document to his students for academic research purposes, his conduct is protected by a fair use defence.¹⁰⁰⁰

⁹⁹¹ See paragraph 5.5.3.11.5 of this chapter.

⁹⁹² See Dreier 2000.

⁹⁹³ S 6(a).

⁹⁹⁴ S 7(a).

⁹⁹⁵ S 8(a).

⁹⁹⁶ S 11(a).

⁹⁹⁷ See paragraphs of 5.3.3.1.5, 5.3.3.1.6 & 5.3.3.1.7 of this chapter.

⁹⁹⁸ See s 9(a).

⁹⁹⁹ *Appleton and Another v Harnischfeger Corporation and Another* 1995 2 SA 247 A:257C. See also *Harnischfeger Corporation and Another v Appleton and Another* 1993 4 SA 479 W:489I-J.

¹⁰⁰⁰ S 12(1)(a) & s 15(4).

5.5.3.1.10. Saving a photo as wallpaper

Both Netscape as well as Microsoft browsers allow a computer user to save any electronic photograph, for example displayed on an web page, as electronic wallpaper for his or her computer. This clearly constitutes a reproduction¹⁰⁰¹ as well as an adaptation¹⁰⁰² in that the photograph (digital image) is space-shifted from one medium, namely the computer hard disk hosting the web site, to another medium, namely the computer user's own hard disk. The Act provides that the private or personal use of an artistic work is protected as fair use, provided that such use remains within the parameters of fair use.¹⁰⁰³ Consequently, the computer user is not guilty of copyright infringement.¹⁰⁰⁴

5.5.3.1.11. Using copyrighted photos for selling purposes

The following scenario occurs everyday on auction web sites around the world and in South Africa and must therefore be addressed: X wants to sell a laser printer by means of an auction web site, such as www.bidorbuy.co.za. Auction sellers can post digital photographs next to their auctions in order to allow them to show Internet users what their products look like. In most instances, the auction seller simply goes to the manufacturer's web site where he will find a picture of all the printers manufactured by that particular manufacturer. X subsequently copies the relevant picture corresponding to the printer he intends to sell and posts this picture next to his auction. The question is whether this constitutes copyright infringement. X can either be an individual who wishes to sell his home printer as a second hand product or he can be a distributor who sells new products by means of the Internet.

It is clear that X makes a reproduction of the photograph in question,¹⁰⁰⁵ and possibly and adaptation,¹⁰⁰⁶ and that his conduct does not fall within any fair use provision pertaining to artistic works.¹⁰⁰⁷ Therefore, in terms of the Act, X is guilty of copyright

¹⁰⁰¹ S 7(a)

¹⁰⁰² S 7(e).

¹⁰⁰³ S 7(a).

¹⁰⁰⁴ It can also be argued that such conduct is protected by the user's right to privacy as protected by the section 14 of the *Constitution*. The proprietor of the photograph suffers no pecuniary harm.

¹⁰⁰⁵ S 7(a).

¹⁰⁰⁶ S 7(e) read with the definition of "adaptation" in s 1.

¹⁰⁰⁷ He does not use the said photo for private or personal use, review, commentary, news reporting, etc. See s 15(4) read with s 12(1).

infringement. However, the question arises, once more, whether X's conduct is protected by section 16 of the *Constitution*, namely the right to freedom of expression.

It is fairly obvious that X uses this photograph to express himself. Therefore the *Copyright Act* imposes a limitation on the X's right to freedom of expression and consequently it must be ascertained whether such limitation can be constitutionally justified in terms of section 36 as reasonable and just, which entails that the parties' competing interests must be balanced and weighed up.

The first interest that must be taken into account is that X uses the photo to refer to the genuine product. Therefore no deception as to own performance occurs, except in one instance namely where X's printer is "damaged" to such an extent that the photo does not represent an accurate image of X's printer. The second interest that must be considered is that it is probably in the public interest that sellers of genuine products should be permitted to show Internet users, who may constitute potential buyers/bidders, what their products look like. Potential buyers/bidders have a corresponding interest. A third possible interest, which should be taken into consideration, is that X is not using the said photo to compete with the manufacturer, nor is he using the photo to derive an income. He merely uses it to inform the public what the genuine product looks like. It can further be stated that X uses this photo as part of his commercial speech.

It, therefore, appears that the *Copyright Act* imposes an unjustifiable limitation on X's constitutional right to freedom of expression and consequently it is submitted that the Act is unconstitutional as far as it prohibits such conduct. It can be added that a court might require the defendant to indicate that the said photo does not belong to him. Consequently it is advised that recognition must be given to the source of the photo.

Of necessity, different considerations arise where X sells counterfeit products and subsequently uses photos of the genuine product. Such use is not constitutionally protected in that it is simply not in the public interest that counterfeit products should be sold by employing photographs of the genuine product(s).

The following question also needs to be addressed here is: What is the constitutional position where Z, a competitor of Hewlett Packard (hereafter *HP*), copies an electronic photo from HP's web site and uses this photo on his own web site to compare his printer with HP's printer? Stated differently, is comparative advertisement protected by section 16 of the *Constitution*?

It is clear that Z makes a reproduction of the said photo when he copies it to his own web site. Therefore *prima facie* copyright infringement is present. Such use for comparative purposes is probably permitted by section 15(4), read with section 12(1), in that Z uses the said photo to review his own printer

Furthermore, seeing that Z uses this photo to express himself, in comparing his product with HP's, Z uses this photo as part of his commercial speech. Therefore the only question is whether the *Copyright Act* imposes a justifiable limitation on Z's right to freedom of expression by prohibiting such use of the said photo.¹⁰⁰⁸

The following interests must be balanced: (1) HP's exclusive right in reproducing the said work;¹⁰⁰⁹ (2) Z uses the photo to express himself in comparing his product with HP's product and consequently uses it as part of his constitutional right to freedom of expression; (3) No deception or confusion is present in that Internet users will be aware of the fact that Z is comparing his performance with HP's performance; (4) Factually correct comparative studies are in the public interest; and (5) Z does not use the photo for financial exploitation in the sense that he does not derive an income from this photo or to advance the value of this web site by posting this photo there.

Consequently, it is submitted that Z's interests weigh more heavily than HP's interests and therefore it is submitted that Z should be allowed to use the photo as part of his right to freedom of expression. The court might require Z to indicate that the copyright proprietor of the said photograph is HP.

5.5.3.1.12. Using copyrighted photos for a fan web site

When X establishes a fan web site, dedicated to a specific celebrity, and he copies photos of that particular celebrity from a third party's web site to his own web site, it is clear that he makes an unauthorised reproduction and possibly an unauthorised adaptation. Seeing that such copying is not protected by any fair use defence contained in the *Copyright Act*, it constitutes copyright infringement. However, the question arises whether such copying is protected by X's constitutional right to freedom of expression, guaranteed by section 16 of the *Constitution*.

It is submitted that where X only copies one copyrighted photo from a third party's web

¹⁰⁰⁸ Note that no fair use provision in the *Copyright Act* covers this scenario.

¹⁰⁰⁹ S 7(a) of the *Copyright Act*.

site in order to show Internet users what the celebrity looks like, such copying will probably be protected by the above constitutional right in that he uses this photo to express himself. In such instance, the copyright proprietor does not suffer any material financial losses. In fact, such conduct could, under given circumstances, be seen as trivial. By necessary inference, when X uses this web site to derive an income, his constitutional right will not protect such copying, for then he uses the photo for commercial exploitation. However, it is advised that X gives proper recognition to the holder of the copyright of the photo.

Moreover, where X copies many photographs from a particular web site, his conduct infringes the copyright proprietor's right to attract Internet users to his web site without unlawful interference.¹⁰¹⁰ In such instances X uses a third party's property to advance his own web site. Such conduct differs vastly from the instance where X only copies one photo in order to show Internet users what the celebrity looks like. It is submitted that such conduct will not be protected by his right to freedom of expression.

5.5.3.2. Displaying copyrighted works on a computer screen

This study must also address the following scenario: When a computer technician repairs a computer and in the process "starts" the computer causing the operating software (e.g. Windows) to load into the computer's memory, does he commit copyright infringement. It is assumed that the copyright holder did not grant his consent to this by means of a licence. It will be remembered that US courts maintain that such instances constitute reproduction in that the technician causes the operating software to be reproduced, temporarily, in the computer's RAM.¹⁰¹¹

With regard to the South African law, the Act provides that the copyright proprietor is granted the exclusive right to reproduce the computer program "in any manner or form".¹⁰¹² None of the fair use defences relating to computer programs cater for the above repairing scenario.¹⁰¹³ The Act also fails to define the term "reproduction".

It is submitted that whenever the technician starts the computer and the operating software is subsequently loaded into the computer's memory (RAM), a temporary copy

¹⁰¹⁰ For more detail on his right see paragraph 3.3.4.1 of chapter five.

¹⁰¹¹ For more detail see paragraph 3.2.7 of this chapter.

¹⁰¹² S 11B(a).

¹⁰¹³ See s 19B.

of the work is made in the computer's RAM. This copy constitutes a reproduction "in any manner of form". This contention is supported by the authors of LAWSA who argue that displaying copyright protected literary work on one's computer screen, without the necessary authorisation, constitutes copyright infringement in that the law does not require a reproduction to be *in a material* form:

"This wording suggests ... that it was intended to label as an act of copyright infringement any unlicensed reproduction of a literary or musical work, irrespective of whether the work was reproduced in a material or nonmaterial form ... the reproduction on a computer screen may be sufficient even though the work is not apparent on a computer disk giving rise to the display."¹⁰¹⁴

No constitutional right plays any role in the aforementioned scenario and consequently the computer technician is guilty of copyright infringement.

It is further submitted that -

- (A) when one views any web page on the Internet a reproduction of the web page content is made in the form of a temporary copy in the computer's RAM;
- (B) whenever one plays a computer game or runs software installed on one's computer, a reproduction is made in the form of a temporary copy in the computer's RAM;
- (C) when a hacker hacks into a computer system and merely reads electronic documents, without copying them, a reproduction is made in the form of a temporary copy in the computer's RAM.

Scenario (B) does not constitute copyright infringement in that the conduct is protected by the license granted by the copyright proprietor. Note that no fair use defence of private and/or personal use applies to computer programs. Scenario (C) invariably constitutes copyright infringement in that such conduct is neither protected by any fair use defence nor by any license.¹⁰¹⁵

The answer to scenario (A) is, however, more complicated. Web page content that can

¹⁰¹⁴ LAWSA 1994:vol 5(2), par 26.

¹⁰¹⁵ This is supported by Buys 2000 where the author states on page 39: "Where a user gains access to material without proper authorisation, it could be argued that such authorised access results in copyright infringement, because the RAM copy falls outside the scope of the implicit licence. This might be applicable to material on the web site to which only subscribers have access, but not to material available to the general public." The implicit licence is explained in footnote 1016.

be viewed without requiring the Internet user to first download a copy thereof normally consist of text and digital images, including photographs. Whenever an Internet user views text and images by means of his browser, his activities are protected by the fair use defence of personal and/or private use.¹⁰¹⁶ Furthermore, in most instances it can be accepted that the web site operator tacitly grants a license to all Internet users to view the content of his web site/pages.¹⁰¹⁷

However, one problematic scenario arises namely where A maintains e.g. a pornography web site. B is a subscriber to or user of this web site. One of the links on A's web site e.g. states: "For more pictures click on this link". When one clicks on this link, one is either deep-linked to one of the internal web pages of e.g. Playboy's web site or the link causes some of the pictures displayed on Playboy's web site to be framed on A's web page.¹⁰¹⁸ A has no authority from Playboy Enterprises to either deep-link to the latter's internal web pages or to frame its pictures. In both instances a reproduction is made in B's computer memory (RAM). It can be accepted that Playboy Enterprises does not grant permission to Internet users to view its online content unless the subscription fee was paid, which subscription fee neither A nor B paid.

It is, however, submitted that B is not guilty of copyright infringement in that his viewing is probably protected by the fair use defence of personal and/or private use.¹⁰¹⁹ Even if this submission is wrong, B's viewing is protected by the *de minimis* doctrine in that his viewing does not contribute to Playboy's loss. A's unlawful conduct of deep-linking or framing causes financial prejudice to Playboy.

5.5.3.3. Broadcasting CDs over the Internet

The question addressed under this heading is: When a third party broadcasts CD music over the Internet, without the copyright holders' consent, does he commit

¹⁰¹⁶ S 12(1)(a) & s 15(4).

¹⁰¹⁷ See Buys 2000 where the author states on p 39: "By making his work available on a web site, the copyright holder must however be implicitly granting a non-exclusive licence to all web users who have access to the material, to make transient copies of such works on their computers. This follows of necessity, because the computer of a web user accessing the pages of the web site, where such work is made available, must download a copy of such work onto its random access memory (RAM) in order to display a copy of its contents on the computer screen."

¹⁰¹⁸ See paragraphs 3.2.9.1 & 5.5.3.5 for what constitutes "framing" and paragraphs 3.2.11.1 & 5.5.3.7 for what constitutes "deep-linking".

¹⁰¹⁹ S 15(4) read with s 12(1)(a).

copyright infringement? Seeing that this scenario relates to music, two copyrights are relevant namely the copyright pertaining to the musical work and the copyright pertaining to the sound recording.¹⁰²⁰

The Act grants specific exclusive rights to the copyright proprietor of musical works, of which three are relevant, namely (a) the right to broadcast his work;¹⁰²¹ (b) the right to perform his work in public;¹⁰²² and (c) the right to reproduce his work in any manner or form.¹⁰²³ With regard to the right to broadcast, it clearly transpires from the definition of "broadcast"¹⁰²⁴ that it does not encompass the postulated scenario in that the music is not broadcast (played) over the air, but by means of a wire. With regard to the right to perform in public, it appears from the definition of "performance", namely "any mode of ... acoustic presentation of a work", that when a third party broadcasts music (i.e. musical work) over the Internet, he performs the music. Internet users can listen to the music by means of their computers. The only question is whether the third party performs the music in "public", which term the Act fails to define. It is submitted that the word "public" should not be interpreted literally, meaning all the people, but should be interpreted in its context.¹⁰²⁵

It is submitted that whenever A performs a copyright protected work in a stadium or a particular hall or an auditorium, his performance is public. The fact that the entire public is not present to hear or see A's performance is not the sole relevant consideration. What is more relevant, it is submitted, is that any one from the public could listen or gain entry to see the performance. Similar considerations apply to the Internet: Where A broadcasts music over the Internet and it can be proved that (e.g.) 50 000 Internet users were listening over a specific period of time, his performance will obviously be public. Where it can only be proved that (e.g.) 20 Internet users were listening to the broadcast, this will not be the sole consideration. What is more important is the fact that any Internet user (or any user who knew of the web site address) could listen to the broadcast. This fact renders the performance public.

These submissions are supported by the following cases. In *South African Music*

¹⁰²⁰ See paragraph 5.2.3 of this chapter.

¹⁰²¹ S 6(d).

¹⁰²² S 6(c).

¹⁰²³ S 6(a).

¹⁰²⁴ See paragraph 5.2.3 of this chapter for a definition of the verb "broadcast".

¹⁰²⁵ *Southern African Music Rights Organisation Ltd v Svenmill Fabrics (Pty) Ltd* 1983 1 SA 608 C:611D.

*Rights Organisation Ltd v Trust Butchers (Pty) Ltd*¹⁰²⁶ the defendant put loudspeakers in his butchery, from which radio broadcasts were emitted. The plaintiff alleged that the defendant performed his (the plaintiff's) musical works in public. The court firstly stated that whether a performance is public or not, is a question of fact.¹⁰²⁷ The court further held that because the broadcasts could be heard by the defendant's customers, the performance was public.¹⁰²⁸ Likewise, in *Southern African Music Rights Organisation Ltd v Svenmill Fabrics (Pty) Ltd*¹⁰²⁹ the defendant transmitted music, from a radio broadcast, by means of loudspeakers, to his 400-odd employees in his factory. The court also held that this relaying/transmitting of the plaintiff's music constituted a public performance.¹⁰³⁰ The court laid down valuable criteria for determining whether a performance is public:

- ⇒ The true criterion is the character of the audience listening to the music.¹⁰³¹
- ⇒ The character of the audience is determined by primarily considering the relationship of the audience to the owner of the copyright, rather than the relationship of the audience to the performers.¹⁰³²
- ⇒ Another important consideration is "whether a particular performance, the character of which is in question, is of a kind calculated to whittle down that monopoly to any substantial extent. To take a case at one end of the scale, a purely domestic performance, or what is sometimes called a quasi-domestic performance, is not a thing which is calculated to whittle down the value of the monopoly. It is a thing which can have no substantial effect in depriving the owner of a copyright of the public from who he receives the value of the work of his brain and his imagination. If you take the other end of the scale, where there is a performance unquestionably in public, such as at a public theatre or a public concert hall obviously if that were permitted that would whittle down the value of the monopoly. The monopoly is, of course, confined to performance in public, but in considering

¹⁰²⁶ 1978 1 SA 1052 E.

¹⁰²⁷ 1978 1 SA 1052 E:1053F-G.

¹⁰²⁸ 1978 1 SA 1052 E:1055H. A similar scenario arose in *Performing Right Society Ltd v Berman and Another* 1966 2 SA 355 R where a band played various musical works in a night-club without the copyright holders' consent. The court also held that the performance was public. (At 356F-G)

¹⁰²⁹ 1983 1 SA 608 C.

¹⁰³⁰ 1983 1 SA 608 C:612H.

¹⁰³¹ 1983 1 SA 608 C:611D-E.

¹⁰³² 1983 1 SA 608 C:611H-612A.

whether a performance is in public its effect upon the value to the owner of the copyright of the statutory monopoly is, I venture to think, a consideration to which at any rate great importance should be given.”¹⁰³³

It is submitted that A’s broadcast over the Internet complies with these criteria namely (1) the entire Internet community can listen to the Internet broadcast, (2) there is no relationship between the third party broadcaster and the Internet users who listen to the broadcast, and (3) such performance causes losses to the copyright proprietors in that they are deprived of legitimate royalties.

It is further submitted that A reproduces the musical works when he broadcasts them over the Internet. The Act only requires that the reproduction should be in any form or manner.

With regard to the copyright subsisting in the sound recording, the Act grants the copyright proprietor the exclusive right to communicate his sound recording to the public.¹⁰³⁴ It is submitted that A, by broadcasting the said music over the Internet, infringes the aforementioned exclusive right. No fair use provision protects A’s broadcast.

5.5.3.4. Rebroadcasting radio broadcasts over the Internet

The question arises whether X commits copyright infringement when he rebroadcasts (thus reproduces) Y’s radio broadcast over the Internet. The Act provides that the copyright holder of a radio broadcast enjoys the exclusive right to a) reproduce, directly or indirectly, the broadcast in any manner or form¹⁰³⁵ and b) to rebroadcast the broadcast.¹⁰³⁶

It is submitted that X is guilty of copyright infringement in that he reproduces the copyrighted work (broadcast) when he rebroadcasts it over the Internet. However such conduct does not constitute a rebroadcast in that the Act defines a “rebroadcast” to mean “the simultaneous or subsequent broadcasting by one *broadcaster* of the broadcast of another broadcaster”.¹⁰³⁷ A “broadcaster”, in turn, refers to “a person who

¹⁰³³ 1983 1 SA 608 C:612A-C.

¹⁰³⁴ S 9(e), inserted by the *Copyright Amendment Act 9 of 2002*.

¹⁰³⁵ S 10(a).

¹⁰³⁶ S 10(b).

¹⁰³⁷ S 1.

undertakes a broadcast”,¹⁰³⁸ and “broadcast” refers to the transmission of sounds, images or signals in space.¹⁰³⁹ Clearly, reproduction over the Internet occurs by means of a wire.

5.5.3.5. Framing

The question that must next be addressed is whether the operator of a web site who frames the electronic content of a third party’s web page commits copyright infringement.¹⁰⁴⁰ Although the technique of framing was discussed earlier,¹⁰⁴¹ the salient aspects thereof will again be outlined. When A frames the web page of a third party or the content of this web page, A incorporates the web page or content into his own web page. Where A’s web site fails to indicate that the framed content belongs to a third party or where the reasonable Internet user would not be in a position to realise that the framed content belongs to a third party, A deceives Internet users into thinking that the framed content belongs to him. The browser continuously indicates to the Internet user that he is at A’s web site.

It is submitted that framing constitutes reproduction of the third party’s copyright protected work in that A, the operator of the web site framing the third party’s web content without the latter’s consent, causes this content, which can either be text or digital images, to be reproduced (i.e. displayed) on his web page. The fact that the content is only temporarily framed is of no relevance in that the Act declares that reproduction of literary as well as artistic works in any “manner or form” suffices.¹⁰⁴²

It is also submitted that A performs the third party’s literary work in public. The Act defines “performance” to include a visual representation of a work.¹⁰⁴³ Therefore, whenever A frames a third party’s literary work he visually displays (performs) the content. Finally, A performs the third party’s work in public in that any web surfer can view the third party’s content by means of his web site.¹⁰⁴⁴ This corresponds with the

¹⁰³⁸ S 1.

¹⁰³⁹ S 1.

¹⁰⁴⁰ An example of a South African entity that employs framing techniques on its web site is www.digitalplanet.co.za.

¹⁰⁴¹ See paragraph 3.2.9.1 of this chapter.

¹⁰⁴² S 6(a) & s 7(a).

¹⁰⁴³ S 1.

¹⁰⁴⁴ See paragraph 5.3.3.3 of this chapter with regard to the question whether the performance is in public.

position in the US.¹⁰⁴⁵

It is further submitted that A, by framing the content of a third party's web page, causes an adaptation to be made of the copyright protected work in that he uses the said work as part of his own performance (web page). Support for this content can be found in the US jurisprudence, discussed earlier.¹⁰⁴⁶

Generally speaking, framing is not protected by any fair use defence. However, where A frames a particular text or photograph in order to review or criticise it, his conduct will be protected by the fair use defence, provided that he indicates, below or above the said frame, the source of the framed content.¹⁰⁴⁷

Further scenarios may emerge where framing is protected by the defendant's constitutional right to freedom of expression, entrenched in the *Constitution*.¹⁰⁴⁸ One such scenario is where the defendant discusses the destruction of the Amazon Forest. Somewhere on his web page a "link" appears, informing the reader that if he wishes to see a picture relating to the topic under discussion, he should click on the link. When the Internet user clicks on this link, a third party's picture depicting the destruction of a particular part of the Amazon Forest is displayed. It is submitted that such framing should be protected by the constitutional right to freedom of expression in that the defendant uses the third party's picture, although by means of a framing technique, to express himself.¹⁰⁴⁹ However, such conduct will only be protected by his constitutional right where he indicates the source of the web content.

5.5.3.6. Hyperlinking

The next question that must be addressed is: When a web site operator includes a hyperlink in his web pages, which transports Internet users from his web site to the home page of third parties' web sites, does he commit copyright infringement?

This scenario differs from framing, as discussed above,¹⁰⁵⁰ as follows:

- It is normal practice for web site operators to hyperlink to third parties' web

¹⁰⁴⁵ See paragraph 3.2.9.2 of this chapter.

¹⁰⁴⁶ See paragraph 3.2.9.2 of this chapter.

¹⁰⁴⁷ See s 12(1)(b) and s 15(4).

¹⁰⁴⁸ S 16(1).

¹⁰⁴⁹ For more detail on the use and interpretation of this right see paragraph 5.3 of this chapter.

¹⁰⁵⁰ See paragraph 5.5.3.5 of this chapter.

sites.¹⁰⁵¹

- It is generally accepted that web site owners consent to third parties linking to their home pages, unless they indicate otherwise on their web pages. Stated differently, web site owners grant tacit licences for hyperlinking.¹⁰⁵²
- Whereas framing content can be said to occur under the control of the framing web site operator in that he causes the third party's web content to be incorporated into his own web page or web content, in the case of hyperlinking the linking web site owner exercises no further control over the web content of the "linked-to" web site. His web page is replaced entirely by the third party's web page.
- When a third party's home page is hyperlinked to, that third party's web site address is displayed by the browser.
- As US courts correctly point out, a hyperlink can be compared with a library card in that it merely refers the Internet user to a particular web site.¹⁰⁵³

It is further submitted that merely inserting hyperlinks in one's web pages does not render one liable for copyright infringements in that a hyperlink merely refers or directs the Internet user to the correct home page. Consequently, it is the Internet user's computer that reproduces the said web page. Explained differently, the hyperlink only

¹⁰⁵¹ Most commentators are of the opinion that "the general view of the industry [is] that no permission is required for linking of any kind, since linking is consistent with the very purpose of the Internet - open communication." See Luria 1997. Abel 1999 also observes (at 123) that "[t]he ability to direct users from one site to another using hypertext reference links underpins Internet commerce."

¹⁰⁵² See Buys 2000 where De Villiers states (at p 56-57) that "an implicit licence is granted by every web site proprietor to other web site proprietors on the Internet allowing them to create hypertext links to its web site. The reason for this latter argument lies within the commercial realities of the Internet. All web site proprietors have a common goal, namely to ensure that the maximum number of users access their sites. Creating a hypertext link to a web site, although without the knowledge or authority of the target site's proprietor, does therefore not harm such target site, but in fact increases user traffic to it. The very existence of the Internet largely depends upon web site hosts being allowed to link their sites by way of 'out-links' [i.e. hyperlinks] to other sites on the web without the necessity of authorisation. These arguments make a strong case for allowing hypertext linking in general without the need to obtain authorisation." Elgison & Jordan also maintain that "because links are such an inherent part of the Web, anyone choosing to operate a Web site has given an 'implied license' for others to link to it, unless, perhaps, a disclaimer of such a license appears on the site." See Elgison & Jordan 1997. See further the *Explanatory Report to the Convention on Cybercrime* (at par 48): "The application of specific technical tools may result in an access under Article 2, such as the access of a web page, directly or through hypertext links, including deep-links ... The application of such tools *per se* is not 'without right'. The maintenance of a public web site implies consent by the web site-owner that it can be accessed by any other web-user."

¹⁰⁵³ See paragraph 3.2.10.2 of this chapter.

transfers the relevant web site address to the Internet user's computer, which subsequently uses this information to find the relevant home page.¹⁰⁵⁴ It can further be pointed out that prohibiting hyperlinking would, in effect, kill the Internet.¹⁰⁵⁵

5.5.3.7. Deep-linking

The following question also needs to be answered: Is A guilty of copyright infringement when he inserts a deep-link in his web pages, which transports Internet users directly from his web site to one of the internal web pages of a third party's web site?

It will be remembered that the practice of deep-linking works as follows: A, for example, includes a deep-link (normally a highlighted text, identical to a hyperlink) on his web page. Whenever the Internet user clicks on this deep-link, he is not transported to the home page of the linked-to web site, but to one of the internal web pages of the linked-to web site. Therefore, the home page is skipped in the process.¹⁰⁵⁶

In order to answer this question, the following scenario will be used: A operates an online newspaper, such as www.iol.co.za, where he publishes various articles. At the bottom of one of his web pages, the following appears: "Today on the web" and below that the heading appears (e.g.) "Directors' liability and the House of Lords". Below this the source is indicated: "CNET". When an Internet user clicks on this headline, he is directly transported to the internal web page of CNET, displaying the article dealing with directors' liability. The web browser clearly indicates to the user that he is now at

¹⁰⁵⁴ De Villiers is also of the opinion that hyperlinking does not constitute copyright infringement: "The mere provision of an 'out-link' [i.e. a hyperlink] does not in our opinion involve the transmission or copying of any work, and should therefore not fall within the definition of reproduction or transmission as part of a diffusion service. It is the action of the user itself in activating the link that causes such copying and transmission. It could be argued that the provision of an 'out-link' causes or amounts to authorisation or reproduction and transmission by the user, but these actions by the user are probably no infringement. Reproduction and transmission of content from the target site does not take place via the linking site, but directly from the target site to the user, and the user is aware of this. Consequently no infringement occurs, because the user's actions should also fall within the scope of the implicit licence granted to him/her by the web site proprietor". See Buys 2000:57.

¹⁰⁵⁵ The US commentator Bolin argues that "linking is the heart and soul of the World Wide Web. Consequently, if linking were disallowed or made illegal in the abstract, the Web would no longer exist. Clearly, no court or legislature would ever go so far as to outlaw all linking. Practically, then, linking is permissible because otherwise the web would end." See Bolin 2000.

¹⁰⁵⁶ See paragraph 3.2.11.1 of this chapter.

CNET's web site, and no longer at A's web site.¹⁰⁵⁷ It is submitted that:

- Web site operators generally disapprove of the practice of deep-linking in that, so they aver, the advertisements, which are a source of income, on their home pages are skipped.¹⁰⁵⁸
- Deep-linking differs from framing in that in the case of framing the framer causes the third party's web content to be reproduced within his own web pages. He, therefore, controls the third party's web content, to a certain extent, when it is reproduced as part of his own web page. Deep-linking, on the other hand, is more akin to hyperlinking in that all that A does is to direct the Internet user to a third party's web page. This is accentuated by the fact that the web browser indicates to the Internet user that he is now at the third party's web site.
- Deep-linking techniques serve a very useful purpose in the academic world, for example, where a lecturer wants to inform his students of a relevant article on the web. To hyperlink to the home page of the relevant web site and to instruct the students to search for an article with a certain title would be futile.

It is submitted that deep-linking does not constitute copyright infringement in that it does not cause a reproduction of the copyright protected web page. Identical to linking, all that the deep-link does is to communicate the relevant web site address to the Internet user's computer, which then employs this information to find and display the relevant web page. Therefore it is the computer of the Internet user that reproduces the said content and not the operator of the web site who adds a deep-link to his web site.

This line of reasoning corresponds with US jurisprudence.¹⁰⁵⁹ The Dutch case of *Algemeen Dagblad BV et al v Eureka Internetdiensten et al*¹⁰⁶⁰ is also instructive. The plaintiffs were newspaper publishers who published some of their articles by means of their respective web pages. Defendants operated an online newspaper at www.kranten.com where they displayed a list of titles of plaintiff's news articles. When an Internet user clicked on one of these titles, he was directly deep-linked to the

¹⁰⁵⁷ See e.g. www.law.com.

¹⁰⁵⁸ For a contrary opinion, see the comments in par 48 of the *Explanatory Report to the Convention on Cybercrime*, quote above in footnote 1053.

¹⁰⁵⁹ See paragraph 3.2.11.2 of this chapter.

plaintiff's web page where the relevant article was displayed, skipping in the process the plaintiffs' respective home pages where various advertisements were displayed. The plaintiffs contended that the defendants were guilty of copyright infringement in that the latter reproduced their articles. The court responded by stating that deep-linking did not reproduce the content of the linked-to web page: "Copyright restricts the right to reproduce data. However, adding a (deep) link from the website *kranten.com* to the (reports and articles on the) websites of the papers published by the Newspapers cannot be regarded as a reproduction of these works."¹⁰⁶¹

It should also be mentioned here that the question of whether deep-linking is lawful arose in the Scottish case *Shetland Times Ltd v Wills*.¹⁰⁶² The facts were briefly that an online newspaper's (The Shetland News) web site included headlines from its competitor's (The Shetland Times) online web page as hyperlinks. When a computer user clicked on these links access was granted to the stories on its competitors web page, bypassing the home page of this site. The plaintiff (The Shetland Times) complained of the said deep-linking in that on its home page it sold advertisement space. Bypassing this page, so it alleged, resulted in a loss of commercial income. The plaintiff submitted that such conduct constituted copyright infringement. The court granted the interdict, noting merely that the defendant's conduct (i.e. deep-linking) constituted copyright infringement, without providing any reason.

Note, however, that where A uses the headline of B's article as his deep-link, A commits copyright infringement in that he reproduces B's literary work (the headline).¹⁰⁶³ Note, further, that where the defendant copies a list of titles (deep-links) such list may constitute a compilation and consequently the defendant infringes the plaintiff's copyright which he enjoys in this compilation, as a literary work.

¹⁰⁶⁰ (District Court of Rotterdam 2000). A copy of this judgment can be downloaded from www.ivir.nl/rechtspraak/kranten.com-english.html. A copy of the Dutch version can be downloaded from www.ivir.nl/rechtspraak/kranten.com.

¹⁰⁶¹ The Dutch version reads: "Een auteursrecht stelt beperkingen aan de bevoegdheid om openbaar gemaakte gegevens te verveelvoudigen. Het vanaf de website *kranten.com* aanleggen van een (deep)link naar de (berichten en artikelen op de) website van de door de Dagbladen uitgegeven kranten is niet aan te merken als een verveelvoudiging van die werken."

¹⁰⁶² 1997 FSR 604. A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/shetld1.html.

¹⁰⁶³ See paragraph 5.5.1.5 of this chapter for a discussion whether headlines enjoy copyright protection as literary works.

5.5.3.8. Liability of search engine operators

Next, the study scrutinises the liability of both normal as well as virtual search engine operators.

5.5.3.8.1. Normal search engines – providing extracts

The question arises whether the operator of a normal search engine¹⁰⁶⁴ commits copyright infringement whenever his search engine both copies the domain names of relevant web sites as well as provides small extracts of the text of these web sites.

With regard to the domain names listed by a normal search engine, it is submitted that these web site addresses are not copyrightable in that they merely constitute facts.¹⁰⁶⁵

With regard to the extracts provided it can simply be stated that these extracts constitute trivial reproduction and therefore do not constitute copyright infringement.

5.5.3.8.2. Virtual search engines – creating thumbnails

It will be remembered that in contrast to a normal search engine, a virtual search engine (VSE) searches for images on the web and reproduces and stores small (thumbnail) images in its database. When an Internet user subsequently employs this VSE to locate a particular image, these thumbnail images are displayed. When the user clicks on this small image, he is deep-linked to the full version image on the third party's web site. The question is: Does the operator of a VSE infringe the copyrights subsisting in these images? It is submitted that the answer to this question can be set out as follows:

- Firstly, it is fairly clear that the VSE reproduces all the images of which it creates thumbnail versions and subsequently stores in its database.
- The VSE operator programmed his search engine to do this and it follows that the VSE acts as an instrument in his hands.
- When the VSE stores these thumbnail images in its database, it does not perform the images in public.
- Whenever an Internet user employs the VSE to locate certain images and numerous thumbnail images are subsequently displayed on the user's computer

¹⁰⁶⁴ As defined and explained in paragraph 7 of chapter 1.

¹⁰⁶⁵ This corresponds with the US approach. See paragraph 3.2.12 of this chapter.

screen, the VSE reproduces these images.¹⁰⁶⁶ Although such visual reproduction also constitutes a performance of these images (i.e. artistic works) in public, the Act does not confer a public performance right on copyright proprietors of artistic works.

- It can further be argued that the VSE causes an adaptation in that the VSE reproduces (creates) smaller version images from the full version images.
- The deep-linking aspect is of no relevance in that, as contended above,¹⁰⁶⁷ the VSE merely directs the Internet user to the correct web page where the full version image can be located.
- The Act does not make provision for a fair use defence authorising the copying of artistic works under these circumstances.¹⁰⁶⁸ Furthermore, no constitutional right plays any role under these circumstances.
- On the basis of the above contentions, it is submitted that the VSE operator commits copyright infringement in that he causes the copyright protected works (images) of third parties to be reproduced and adapted. However, it is submitted that the VSE operator will not be liable for any damages seeing that the copyright proprietor will not be able to prove that he suffers any loss of income as a result of the creation of thumbnail versions of his digital images. Instead, the VSE assists Internet users in finding the copyright proprietor's images.

It is submitted that the Act should permit VSE operators to create thumbnails for their search engines. VSEs play an important role in that they assist Internet users in finding relevant images. This submission is in line with the current position in the US.¹⁰⁶⁹

5.5.3.9. Removal of digital watermarks

As noted at the beginning of this chapter,¹⁰⁷⁰ visible digital watermarks serve the same purpose as copyright notices on physical objects. These digital watermarks are subjected to many attacks attempting to remove them from digital content.¹⁰⁷¹ The question of law is whether the unauthorised removal of digital watermarks renders the perpetrator liable?

¹⁰⁶⁶ S 7(a).

¹⁰⁶⁷ See paragraph 5.5.3.7 of this chapter.

¹⁰⁶⁸ See s 15.

¹⁰⁶⁹ See paragraph 3.2.6 of this chapter.

¹⁰⁷⁰ See paragraph 2.1 of this chapter.

¹⁰⁷¹ See Greenfield 1999:7-8.

At present, the removal of digital watermarks does not *per se* constitute copyright infringement. The same applies to the removal of digital rights management information. However, whenever X, a third party, removes the digital watermark identifying the author of the work in question, he infringes the author's moral rights in terms of section 20, which infringement is tantamount to copyright infringement.¹⁰⁷²

5.5.3.10. Offences committed

Next, this study determines whether offences established by the Act apply to Internet infringements.

It was contended above¹⁰⁷³ that section 23(2), dealing with secondary copyright infringements, does not apply to the Internet in that the word "article" only refers to physical goods and not to electronic works. Consequently, section 27(1) which criminalises secondary infringements also does not apply to the Internet.

As noted above,¹⁰⁷⁴ the Act provides that anyone who makes, or has in his possession, a plate (which includes any stereotype, stone, block, mould, matrix, transfer, negative, record, disc, storage medium or *any version of a work of whatsoever nature used to make copies*)¹⁰⁷⁵ knowing that it is to be used for making infringing copies of the work, commits an offence.¹⁰⁷⁶

Therefore, it is submitted that where A copies a particular work onto a web site, with the intent, including *dolus eventualis*, that other Internet users should copy (download) this copy, he commits an offence: A makes, by means of copying, an electronic work, which according to the Act constitutes a "plate", which he knows will be used for making further copies. It is further contended that B, the operator of the web site to which the infringing copy is copied, also commits an offence where he is aware of this copy on his web site: He is in possession of an electronic work (a "plate") which he knows will be used for making further copies.

The final relevant offence is where someone causes a literary or musical work to be performed in public knowing that copyright subsists in the work and that performance

¹⁰⁷² S 20(2).

¹⁰⁷³ See paragraph 5.5.2.2.2 of this chapter.

¹⁰⁷⁴ See paragraph 5.2.10 of this chapter.

¹⁰⁷⁵ S 1.

¹⁰⁷⁶ S 27(2).

constitutes an infringement of the copyright.¹⁰⁷⁷ As repeatedly indicated, the Act defines “perform” to include both a visual and a phonetic representation of a work.¹⁰⁷⁸ Therefore, whenever X e.g. copies copyright protected literary work onto his or a third party’s web site, he commits an offence in that the work will be visually displayed (performed) in public.¹⁰⁷⁹ Furthermore, X commits an offence where he broadcasts copyright protected music over the Internet. Such broadcast constitutes a phonetic performance in public.¹⁰⁸⁰

5.5.3.11. Additional liability

Next, the study addresses the question whether someone can be held liable where he himself did not infringe the proprietor’s copyright, but a third party.

5.5.3.11.1. Liability of ISPs

The *Electronic Communications and Transactions Act* 25 of 2002,¹⁰⁸¹ which came into operation on the 31st of July 2002, specifically regulates the liability of ISPs for third party infringements.¹⁰⁸²

The Act firstly makes it clear that the conditions for limited liability only apply to ISPs who are members of a South African representative body, to be established in terms of the Act, and who have adopted and implemented the representative body’s code of conduct.¹⁰⁸³

The Act provides that an ISP is not liable for any infringing activity by one of its clients (i.e. a web site operator) provided that (1) the ISP lacks actual knowledge of the infringing material, (2) the ISP is oblivious of any facts that would indicate the infringing nature of its client’s activities and (3) that when the ISP receives a statutory take-down notice, by means of the agent it designated for this purpose, it immediately disables

¹⁰⁷⁷ S 27(3).

¹⁰⁷⁸ S 1.

¹⁰⁷⁹ See paragraphs 5.5.3.1.7 & 5.5.3.3 of this chapter.

¹⁰⁸⁰ See paragraph 5.5.3.3 of this chapter.

¹⁰⁸¹ A copy of this Act can be downloaded from www.polity.org.za/govdocs/legislation/2002/act25.html.

¹⁰⁸² See ss 70-79.

¹⁰⁸³ S 71(a) & (b).

access to the alleged infringing web site.¹⁰⁸⁴ Where the complainant, who launched the take-down notification, makes a misrepresentation, he is liable for any damages suffered by the innocent party as a result of the former's misrepresentation.¹⁰⁸⁵ Under no circumstances is the ISP liable for a wrongful take-down as a result of such a misrepresenting notification.¹⁰⁸⁶

The Act further provides that the mere fact that the ISP provides access to the Internet and that its system is used for transmitting information does not render it liable for third party infringing activity.¹⁰⁸⁷

In addition, the Act provides that where the ISP operates a search engine or a directory or index linking Internet users to third parties' web sites, the ISP is not liable for infringing activities on the "linked-to" web site, provided that (1) the ISP lacks actual knowledge of the infringing activities on the "linked-to" web site, (2) the ISP is unaware of any facts that would indicate the infringing nature of the "linked-to" web site, (3) the ISP does not receive a financial benefit directly attributable to the infringing activity,

¹⁰⁸⁴ S 75 stipulates: "(1) A service provider that provides a service that consists of the storage of data provided by a recipient of the service, is not liable for damages arising from data stored at the request of the recipient of the service, as long as the service provider a. does not have actual knowledge that the data message or an activity relating to the data message is infringing the rights of a third party; or b. is not aware of facts or circumstances from which the infringing activity or the infringing nature of the data message is apparent; and c. upon receipt of a take-down notification referred to in section 77, acts expeditiously to remove or to disable access to the data. (2) The limitations on liability established by this section do not apply to a service provider unless it has designated an agent to receive notifications of infringement and has provided through its services, including on its web sites in locations accessible to the public, the name, address, phone number and e-mail address of the agent. (3) Notwithstanding this section, a competent court may order a service provider to terminate or prevent unlawful activity in terms of any other law. (4) Subsection (1) does not apply when the recipient of the service is acting under the authority or the control of the service provider."

¹⁰⁸⁵ S 77(2).

¹⁰⁸⁶ S 77(3)

¹⁰⁸⁷ S 73 provides as follows: "(1) A service provider is not liable for providing access to or for operating facilities for information systems or transmitting, routing or storage of data messages via an information system under its control, as long as the service provider a. does not initiate the transmission; b. does not select the addressee; c. performs the functions in an automatic, technical manner without selection of the data; and d. does not modify the data contained in the transmission. (2) The acts of transmission, routing and of provision of access referred to in subsection (1) include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place a. for the sole purpose of carrying out the transmission in the information system; b. in a manner that makes it ordinarily inaccessible to anyone other than anticipated recipients; and c. for a period no longer than is reasonably

and (4) removes the link within a reasonable time after being informed of the infringing activities.¹⁰⁸⁸

Finally, the Act states that ISPs shoulder no obligation to monitor the data they store or transmit.¹⁰⁸⁹ Therefore, it is abundantly clear from the above provisions that where an ISP is a member of the yet to-be-established representative body, adopts its code of conduct and further complies with the aforementioned criteria it is not liable for third parties' copyright infringing activity.

However, the question remains whether an ISP is liable in terms of the *Copyright Act* where it is either not a member of the aforementioned representative body or where it fails to comply with the posed criteria. One can easily think of the scenario where X, a web site operator, infringes Playboy's copyrights and the latter seeks to hold Y, X's ISP, liable for X's copyright infringements where Y fails to disable access to X's infringing web site. The infringing work remains on X's computer.

It was pointed out earlier¹⁰⁹⁰ that US courts, prior to the enactment of the *Digital Copyright Millennium Act*, maintained that ISPs should not be held liable because (1) they merely act as a conduit; (2) they exercise no control over their subscribers' web content; (3) they are normally unaware of any infringing material on their subscribers' web sites and (4) if they were held liable for infringements committed by their subscribers, it would be tantamount to holding the owner of a photocopy machine liable for the infringements committed by third parties using his machine.

It is abundantly clear that the ISP does not commit direct copyright infringement in that it neither reproduces nor performs the copyrighted works. It is further clear that vicarious

necessary for the transmission. (3) Notwithstanding this section, a competent court may order a service provider to terminate or prevent unlawful activity in terms of any other law."

¹⁰⁸⁸ Section 76 provides that "[a] service provider is not liable for damages incurred by a person if the service provider refers or links users to a web page containing an infringing data message or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hyperlink, where the service provider a. does not have actual knowledge that the data message or an activity relating to the data message is infringing the rights of that person; b. is not aware of facts or circumstances from which the infringing activity or the infringing nature of the data message is apparent; c. does not receive a financial benefit directly attributable to the infringing activity; and d. removes, or disables access to, the reference or link to the data message or activity within a reasonable time after being informed that the data message or the activity relating to such data message, infringes the rights of a person."

¹⁰⁸⁹ S 78(1).

¹⁰⁹⁰ See paragraph 3.2.14.1 of this chapter.

liability does not apply to this scenario in that no employer-employee or principal-agent relationship exists between the web site operator and his ISP.¹⁰⁹¹

The only question that remains to be answered is whether the South African law recognises contributory liability, similar to the US law, where A is liable for the delict committed by B, even though he (i.e. A) did not commit the delict himself. Such form of liability has twice been recognised by the Supreme Court of Appeal and once by a High Court. In *McKenzie v Van der Merwe*¹⁰⁹² the Supreme Court of Appeal held that persons, other than the actual perpetrator, can be held liable for the latter's delicts. The court held that where A instigates, aids, abets, advises or authorises B in the commission of a delict, A is also delictually liable.¹⁰⁹³ Similar, in *Esquire Electronics Ltd v Executive Video*¹⁰⁹⁴ the Supreme Court of Appeal held that a "delict is committed not only by the actual perpetrator, but by those who instigate or aid or advise its perpetration."¹⁰⁹⁵ The court further held that this applied to both passing-off as well as trade mark infringement cases.¹⁰⁹⁶ As recently as 1999, the Durban and Coastal High Court in *Smith and Nephew Ltd v Mediplast Pharmaceutical Sales CC*¹⁰⁹⁷ maintained that "the common-law principle whereby liability for a delict attached only to the person who commits it applies to the statutory wrong of infringement under the Trade Marks Act, unless that person authorises or instigates or aids and abets another person to do so."¹⁰⁹⁸

On this particular subject most South African commentators on delictual liability are silent.¹⁰⁹⁹ Others deny such liability.¹¹⁰⁰ At least two common law authorities support the contention that accessories are civilly liable.¹¹⁰¹ Roman law also supports the view that an accomplice is civilly liable.¹¹⁰²

¹⁰⁹¹ See Neethling *et al* 1999:372 *et seq.*

¹⁰⁹² 1917 AD 41.

¹⁰⁹³ 1917 AD 41:45, 47 & 56.

¹⁰⁹⁴ 1986 2 SA 576 A.

¹⁰⁹⁵ 1986 2 SA 576 A:590E.

¹⁰⁹⁶ 1986 2 SA 576 A:590C-E.

¹⁰⁹⁷ 1999 2 SA 646 D.

¹⁰⁹⁸ 1999 2 SA 646 D:653H.

¹⁰⁹⁹ See e.g. Neethling *et al* 1999.

¹¹⁰⁰ See Van der Merwe en Olivier 1989 where the authors state on p 292: "Van medepligtigheid is daar by die onregmatige daad geen sprake nie."

¹¹⁰¹ Grotius in his *Inleiding tot Hollandsche Rechtsgeleerdheid* uses the word "misdaed". This should not be translated as either "crime" or "misdaad", for he says that "Uit een misdaed kan ontstaet tweederlei verbintnisse: de eene tot straf: de andere to weder-gheving van die onevenheid". (At 3.32.7). He then

The above exposition of liability reminds one of the criminal liability that an accomplice faces. Accordingly, it can be stated that whenever someone instigates, aids or advises the actual perpetrator, the former is liable for the delict committed by the actual perpetrator. Seeing that the Supreme Court of Appeal held that this type of liability also applies to statutory trade mark infringement cases, there is no reason why such liability should not apply to statutory copyright infringement. For lack of a better description, this type of liability will from hereon be referred to as "contributory liability".

To revert to the question whether the ISP can be held liable for copyright infringements committed by its subscriber (in this case X), the question must be answered in the negative in that -

- a) the ISP did not aid, abet, instigate or advise X to infringe Playboy's copyright; and
- b) holding the ISP liable would mean that libraries would be liable for copyright infringements committed by students using their (i.e. the libraries') photocopy

states: "11. Laet ons sien hoe dat door't aengeboren recht schuld tot weder-evening ontstaet, om daer na beter te verstaan wat de burger-wet daer van is verschillende. 12. Tot weder-evening dan zijn gehouden alle de iemand door misdaed hebben verkort oock die de daed niet en hebben gedaen, maar die de daed ofte't gevolg van den, voor' soo veel iemand daar by is verkort, eenigzins veroorzaken door doen of te laten. 13. Daer doen, als door belasting, toestemming, heeling, medestand, aenradingen aenprijsing. 14 15. Einde alle dezen zijn door't aengeboren recht tot weder-evening gehouden, elckn't geheel, mits dat een betalende, anderen zijn gevrijd". He, therefore, states that someone who abets, advises or instigates a wrongful act ("misdaed") is civilly liable. See also Van der Linden's *Institutes of the Laws of Holland*, as translated by Henry. At 1.16.2 he deals with civil obligations arising from crimes: "*Crimes against the life, or murder*. This binds the party who has committed the murder to make it good to the widow and children of the deceased, who were dependent on his labour for support, the loss they have suffered in this respect by his death, by way of annuity; and this action is given to them against all those who have been accomplices in the murder, or accessories, although it cannot be satisfactorily ascertained which of them has given the deadly stroke."

¹¹⁰² See e.g. *Institutiones* 4.1.11 (as translated by Thomas): "Sometimes a person is liable for theft who did not himself commit the delict: such a one is he with whose assistance and advice the theft was committed". At 4.1.12 it is stated: "But if such theft were committed with the assistance and advice of another person, that other, because a theft has indeed been committed, will himself accordingly be liable to the action for theft, it being true that a theft has been effected with his assistance and advice". See further D 47.10.11.6 (as translated by Mommsen *at al* 1985): "[I]f I persuade someone, who else would be unwilling, to obey me in perpetrating an affront [*iniuriam*], I can be sued in action for insult"; D 47.2.50.1 & 3 (as translated by Mommsen *at al* 1985): "1. Celsus says that a theft has been committed with one's complicity not only when what one did was to enable one's associates to steal but also if it were done through ill-will to the victim ... 3. A person is deemed to be an accomplice, as adviser, who persuades, directs, and, by instruction, gets the theft committed; a man gives assistance, who provides aid or assistance at the actual taking of the goods. See further D 47.2.34. See also Van Zyl 1977:337.

machines. This would amount to an untenable position.

One further scenario must be addressed namely where Playboy informs the ISP that X is infringing its copyrights and requests the ISP to disable access to this particular web site. The question of law is: What is the legal position if the ISP refuses or fails to disable access to this work and a court subsequently holds that X infringed Playboy's copyright protection? Would Playboy be in a position to hold the ISP liable for contributory infringement? Seeing that contributory liability is a form of delictual liability, five elements must be present before liability follows, namely an act, wrongfulness, fault, damage and causation. In this postulated scenario the act is an omission on the part of the ISP to disable access to the infringing content. Fault can be in the form of negligence in that if the ISP looked at the alleged infringing content, after its attention had been drawn to the alleged infringing conduct, it would immediately have realised that X's web site contained infringing work (copies). Damage is present in the form of loss of sales, due to the infringing content (therefore causation). Wrongfulness is present in that it is against the *boni mores* that an ISP, who has the power to disable access to infringing content, allows that content to be present on the Internet despite the fact that it was informed by the copyright holder that the web site contained infringing material. It is, therefore, submitted that in this scenario the ISP will be contributorily liable.

5.5.3.11.2. Web site operators and BB operators

Next, it must be assessed whether a web site operator is liable for copyright infringements committed by Internet users, who, for example, post infringing content (work) on the former's web pages. One immediately thinks of pirate web sites to which Internet users upload pornography, music and movie files, from where it can be freely downloaded by other Internet users.

As indicated above,¹¹⁰³ Internet users who upload the copyright protected content to the web site, commit copyright infringement because they reproduce the work electronically. Furthermore, where the said content constitutes literary work, the Internet users also perform the work in public.¹¹⁰⁴ On the other hand, Internet users who download such infringing content also commit copyright infringement in that they

¹¹⁰³ See paragraph 5.5.3.1.7 of this chapter.

¹¹⁰⁴ See paragraph 5.5.3.1.7 of this chapter.

electronically reproduce the work when they download the work onto their hard disks.¹¹⁰⁵

It is submitted that the web site operator is not directly liable for any copyright infringements committed by Internet users in that he neither initiated nor participated in the reproduction and/or performance of the work in question.¹¹⁰⁶ The question is whether the web site operator is liable for contributory infringement. The answer to this question can be set out as follows:

- As noted above,¹¹⁰⁷ contributory liability appears to be the civil counterpart of the criminal liability that an accomplice faces. In criminal law, X is liable as an accomplice whenever five requirements are present:¹¹⁰⁸ (a) A third party must have committed the crime;¹¹⁰⁹ (b) X must have facilitated (e.g. aided or assisted) the perpetrator by means of his conduct, which can be the furnishing of advice or helping the perpetrator to commit the crime or by giving the latter the opportunity, information or means to facilitate the commission of the crime;¹¹¹⁰ (c) X's facilitating conduct must be unlawful; (d) X must intentionally facilitate the perpetrator and must know that his assistance is unlawful¹¹¹¹ – *dolus eventualis* suffices;¹¹¹² and (e) There must be a causal connection between X's assistance and the commission of the crime by the perpetrator.¹¹¹³
- Therefore, it can be stated that A is contributorily liable for B's copyright infringements where A facilitates (e.g. aids or assists) B in infringing C's copyright. Assistance can be rendered by giving B the means to commit the infringement. Furthermore, where A encourages B to infringe C's copyright or in any other way furthers B's purpose, A is also contributorily liable for copyright infringement committed by B. It is submitted that A's facilitation can either be intentionally or negligently.

¹¹⁰⁵ See paragraph 5.5.3.1.6 of this chapter.

¹¹⁰⁶ See also paragraph 5.5.3.11.1 of this chapter.

¹¹⁰⁷ See paragraph 5.5.3.11.1 of this chapter.

¹¹⁰⁸ Ebersöhn 2001:189 *et seq*; Snyman 1999:271-274.

¹¹⁰⁹ *S v Williams en 'n Ander* 1980 1 SA 60 A:63A.

¹¹¹⁰ *S v Williams en 'n Ander* (*supra*):63B-C; *S v Maxaba en 'n Ander* 1981 1 SA 1148 A:1156H; *R v Jackelson* 1920 AD 486:491; *R v Peerkan & Lalloo* 1906 TS 798:804.

¹¹¹¹ *S v Williams en 'n Ander* (*supra*).

¹¹¹² See Burchell & Milton 2000:413.

¹¹¹³ *S v Williams en 'n Ander* (*supra*):63F.

- It is therefore submitted that in most instances the element of fault will limit the web site operator's liability. Where the plaintiff can neither prove that the said operator intentionally nor negligently facilitated the Internet users' copyright infringement, the operator will not be liable. For example, where the web site operator is unaware of the fact that infringing material is present on his web site, the element of fault is absent. Two possible scenarios may arise where the element of fault will be present. The one scenario is where the copyright proprietor informs the web site operator that infringing content has been posted on his web site. Should the web site operator fail to look at the alleged infringing content on his web site and consequently fail to remove the content from his web site, negligence will be present in that the reasonable operator would have looked at the alleged content and would have, upon concluding that such content infringes a third party's copyright, removed the said content. This will be a question of fact. The second scenario is where the web site operator invites or urges Internet users or subscribers to post copyright infringing content on his web site. Where the copyright proprietor subsequently puts the said operator on alert that infringing material is posted on his web site and he fails to remove the content in question, negligence will be present. It can even be argued that where the operator fails to remove the said content, he intentionally assists the Internet users in infringing the proprietor's copyright.
- Where the plaintiff can prove the element of fault, he must prove an act of facilitation. Such facilitation can take the form of encouragement to infringe third parties' copyrights. Or it can take the form of assistance by means of omission. An example is where the web site operator has been notified that infringing content is has been posted on his web site and he subsequently omits to remove the said content.

5.5.3.11.3. Liability for infringing content on linked-to web site

Next the following question must be addressed: When X hyperlinks or deep-links to Y's web pages and these pages contain infringing content, is X liable for the copyright infringements committed by third parties?

As indicated above,¹¹¹⁴ Y is guilty of copyright infringement in that he reproduced the relevant copyright protected work when he uploaded it to his web site. Where the

¹¹¹⁴ See paragraph 5.5.3.1.7 of this chapter.

relevant copyrighted work constitutes literary work, Y also infringes the copyright pertaining to the work by performing (displaying) the work on the Internet. It was also noted above¹¹¹⁵ that X does not directly infringe the copyrights subsisting in the infringing content by either hyperlinking or deep-linking to Y's web site.

Therefore, the only aspect that requires consideration is whether X can be held contributorily liable for Y's copyright infringements.¹¹¹⁶ With regard to the scenario where X merely hyperlinks to Y's home page, it will be remembered that some US courts maintain that merely hyperlinking to the home page of a third party's web site will not render the linking party liable for any infringing content on the latter's web site, unless it can be inferred from the insertion of the hyperlink to the third party's web site that the defendant linked to the latter's web site in order to enable Internet users to obtain the infringing content.¹¹¹⁷

With regard to the South African context, it is submitted that where X merely hyperlinks to the home page of Y's web site the element of causation is lacking: The Internet user, after clicking on the hyperlink, will have to search for the web page on Y's web site where the infringing content is posted. Under these circumstances causation is too remote, irrespective of what X's intention is. However, the exception to this submission is where X hyperlinks to Y's web site with the intent to enable Internet users to locate and copy the infringing content, and the infringing content is located on Y's home page. In this instance, both factual as well as legal causation are present. It is further submitted such intentional conduct, i.e. hyperlinking with the intent to provide assistance to third parties in locating infringing content, is wrongful in that it is against the *boni mores* to provide assistance for such purposes.

However, the same cannot be said of the scenario where X directly deep-links to the web page where the infringing web content is located. Therefore, a closer scrutiny of all the elements of contributory infringement is warranted:

- The element of conduct is present in the form of deep-linking in that it directly transports the Internet user to the infringing content.
- X assists the Internet user in locating the infringing content. X also facilitates Y in

¹¹¹⁵ See paragraphs 5.5.3.6 & 5.5.3.7 of this chapter.

¹¹¹⁶ Contributory infringement has been discussed in paragraphs 5.5.3.11.1 & 5.5.3.11.2 of this chapter.

¹¹¹⁷ See paragraphs 3.2.10.2 & 3.4.2 of this chapter.

infringing the relevant copyright by enabling Y to perform the work to the public.¹¹¹⁸

- Fault is present in the form of *dolus*: Where X deep-links to a third party's web page consisting only of infringing content or where the majority of the content consists of infringing content, it can be inferred that X intended to (1) assist the Internet user in copying (infringing) the relevant work as well (2) assist the third party in performing the work. Where the majority content of the "linked-to" web page consists of legitimate content, the plaintiff will probably not succeed in proving that X intentionally linked to the said web page, unless it can be inferred from X's web page, where the deep-link is present, that X intended to enable Internet users to find the infringing content by means of the said deep-link. It is further submitted that where the majority content of the "linked-to" web page consists of legitimate content and the plaintiff alerts X that this particular web page contains infringing content and X subsequently fails or refuses to remove the said content, fault is present either in the form of negligence or intent.¹¹¹⁹
- It can further be accepted that the element of wrongfulness is present in that it is *contra bonos mores* that X enables Internet users to find third party infringing content.
- Finally, it is submitted that the element of damage/prejudice is present in that the copyright holder suffers financial loss in the form of loss of royalties. Such damage is caused (*inter alia*) by the deep-link enabling Internet users to locate and copy the infringing material. Therefore the element of causation is also present.

It can therefore be concluded that the element of fault limits X's liability.

5.5.3.11.4. Inserting notice on web page indicating where infringing content can be located

The question must also be addressed whether X, a web site operator, is liable for third party copyright infringements where he displays a notice on his web site that infringing content, such as illegally copied Playboy photos, can be downloaded from www.nakedphotos.co.za or www.someoneswebsite.co.za/playboy/. The Internet user will have to either key in these web site addresses to his web browser or will have to

¹¹¹⁸ See paragraph 5.5.3.1.7 of this chapter.

¹¹¹⁹ The plaintiff must state sufficient facts to enable X to appreciate that his activities are causing the former prejudice or harm. See *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1993 4 SA 279 A:289D.

cut and past these addresses into his web browser's address bar in order to visit the correct web site.

It is submitted that X is not directly liable for any third party copyright infringements in that he does not himself reproduce the works, nor does his computer initiate the reproduction.¹¹²⁰ It is submitted that these notices, consisting of web site addresses, can be compared to scenarios where a web site operator intentionally hyperlinks or deep-links to third parties' web sites where infringing content is located. The first notice mentioned can be compared to a hyperlink and the second notice can be compared to a deep-link. It follows that identical considerations apply to those enumerated in paragraph 5.5.3.11.3 and are therefore not be repeated. Accordingly, X may, under given circumstances, be contributorily liable for third party copyright infringements.

5.5.3.11.5. Liability of P2P file service providers

The question that must be addressed next is whether the provider of a P2P file service,¹¹²¹ such as Napster, is liable for any copyright infringements committed by its subscribers.

As noted earlier,¹¹²² none of the infringing material is stored on the computers of the P2P service provider. The latter merely establishes links between the computers of third parties. Therefore, the provider cannot be held directly liable for copyright infringements in that he neither reproduces nor performs the copyrighted work.¹¹²³ Furthermore, vicarious liability does not arise under these circumstances in that no employee-employer or principal-agent relationship exists between the service provider and third party Internet users. It follows that the sole question is whether the provider can be held contributorily liable for the infringements committed by its subscribers.¹¹²⁴

¹¹²⁰ See also paragraph 5.5.3.11.1 of this chapter.

¹¹²¹ The term "P2P file service" was explained earlier in paragraph 5.3.3.1.8 of this chapter.

¹¹²² See paragraph 3.2.1.1 of this chapter.

¹¹²³ See in this regard the Dutch case of *Buma & Stemra v Kazaa* (2002). Kazaa offered a P2P file service that was similar to the Napster P2P file service. Buma & Stemra, a Dutch music reproducer, alleged that Kazaa was guilty of direct copyright infringement. The Amsterdam Court of Appeal disagreed, noting that "[p]roviding the means for publication or reproduction of copyrighted works is not an act of publication or reproduction in its own right." An unofficial translated version of this judgment can be downloaded from www.eff.org/IP/P2P/BUMA_v_Kazaa/20020328_kazaa_appeal_judgment.html.

¹¹²⁴ Contributory infringement was discussed in paragraphs 5.5.3.11.1 & 5.5.3.11.2 of this chapter.

It is submitted that this question must be answered in the affirmative. The answer can be set out and explained as follows:

- Not everyone can simply copy and be part of a P2P file service. One has to subscribe to these services. In many instances subscription does not refer to paying (monthly) fees, but merely to (1) downloading the required software in order to communicate with the file service computer and (2) choosing a user name.¹¹²⁵
- By providing the necessary software, to enable the subscriber to communicate with the P2P file service provider's computer as well as with third parties' computers, the provider is facilitating the subscriber in infringing copyright proprietors' copyrights. Without the provider's computers and software, the subscriber would neither know where to obtain copies of certain infringing works nor would he be in a position to copy the infringing content.
- The copyright proprietor will be able to prove fault, in the form of *dolus*, once he informs the provider that his subscribers are using his system to infringe the former's copyrights, and the provider subsequently refuses to implement technical measures to prevent further infringement of the proprietor's copyrights. In any event, negligence will be present where the copyright proprietor informs the provider of the fact that his service is being used to violate the former's copyrights and the provider fails to ascertain whether this is the case.
- Wrongfulness is also present in that it is *contra bonos mores* that third parties, in this instance the P2P file service provider, should assist Internet users in infringing copyright proprietors' copyrights.
- Prejudice is also present in the form of loss of royalties as well as loss of sales.¹¹²⁶

5.5.3.12. Remedies where Internet infringements are committed

Next, the study ascertains the types of remedies available to copyright proprietors where Internet and computer users infringe their copyrights.

The obvious remedy in all Internet infringing scenarios is the interdict, prohibiting further infringements by the defendant(s) and compelling the latter to erase or remove the infringing content from the relevant web pages.

The plaintiff can also claim damages, where he can prove the losses he suffered as a

¹¹²⁵ See www.grokster.com.

¹¹²⁶ For more detail see paragraph 3.2.1.1 of this chapter.

result of the defendant's conduct. However, in many instances this remedy will not be available in that the copyright proprietor will be unable to prove the amount of damage he suffered. An example is where X digitises one of Playboy's photographs and subsequently copies it onto his web site, where anyone can download it. There is no way that the plaintiff can prove how many Internet users downloaded this particular photo from X's web site, especially where the photo can be downloaded for free. Identical considerations apply to the distribution of MP3 files.

This is where additional damages, provided for in section 24(3), are of pivotal importance. Where a web site operator posts infringing material on his web site or allows third party Internet users to post infringing content on his web site, or where a P2P file service provider allows its subscribers to employ its system to copy copyright protected works, the court, it is submitted, will award additional damages based on the flagrancy of the infringements. The court will also take into account the fact that the web site or P2P operator derives financial benefits from such third party infringements. Such financial "benefits" will include the following:

- (1) Subscription fees the operator asks for downloading the infringing work; and/or
- (2) Indirect financial benefits such as advertisement fees. As noted above,¹¹²⁷ the more "hits" a web site receives, the more money a web site operator can demand for third parties to post their advertisement banners on his web site. Infringing content on a web site will invariably increase the number of third party visits (hits) to that particular web site.

An additional factor that the court can take into account when awarding additional damages is that it is extremely difficult to prove the losses suffered.

It is uncertain how the remedy of delivery up will be applied, if at all, to Internet scenarios. It is contended that the plaintiff is not entitled to the defendant's (e.g. web site operator's) computer, on which the infringing content is located. The computer, *per se*, does not infringe the plaintiff's copyright, nor does it belong to the latter.

5.6. Anti-circumvention of protective measures

Section 86 of the *Electronic Communications and Transactions Act*,¹¹²⁸ which came

¹¹²⁷ See paragraph 7 of chapter 1.

¹¹²⁸ Act 25/2002. A copy of this Act can be downloaded from www.polity.org.za/pdf/ElectronicCommunications.pdf.

into force on 30 August 2002, provides that:

“(3) A person who unlawfully produces, sells, offers to sell, procures for use, designs, adapts for use, distributes or possesses any device, including a computer program or a component, which is designed primarily to overcome security measures for the protection of data, or performs any of those acts with regard to a password, access code or any other similar kind of data with the intent to unlawfully utilise such item to contravene this section, is guilty of an offence.

(4) A person who utilises any device or computer program mentioned in subsection (3) in order to unlawfully overcome security measures designed to protect such data or access thereto, is guilty of an offence.”

The Act fails to define the meaning of the terms “security measures” and “protection of data”. However, it is submitted that sections 86(3) and 85(4) can be interpreted to include instances where someone uses, produces, distributes or possesses a computer program that circumvents digital rights management information¹¹²⁹ and allows the user to access or use the protected data, without paying the prescribed fee. Similar considerations apply to the circumvention of dongles.¹¹³⁰

However, it is submitted that section 86 does not protect digital watermarks: The reason being that digital watermarks do not protect the data from unauthorised access or certain prescribed uses; they merely identify certain characteristics of the data, such as the copyright proprietor or the purchaser thereof.

5.7. Conclusions

The South African copyright law, with regard to the Internet, can be summarised as follows:

1. Generally speaking, all types of digital works are protected by the *Copyright Act*, falling into one or more of the listed categories of protected works. The exception is that broadcasts emitted solely by means of the Internet are not protected due to the Act's requirement that the broadcast must be by means of airwaves in space.
2. Computer programs, including computer software, computer games and utility programs, are protected twofold: a) The source code of the program is protected as

¹¹²⁹ See paragraph 2.1 of chapter three.

¹¹³⁰ Discussed in paragraph 2.4 of chapter three.

a computer program and b) the visual projections/images are protected as a cinematograph film.

3. All types of primary infringements apply to the Internet. The fact that the Act requires the infringing act to be committed in South Africa poses no problem in that it can be argued that because (1) the defendant is in South Africa and (2) the computer which he uses to commit the infringing act is situated in South Africa, the infringing act is also committed in South Africa.
4. Secondary copyright infringement, established by the Act, does not apply to the Internet because it is doubtful whether the courts will interpret the word "article" to include "electronic content". It further transpired that the phrase "in the Republic" also creates certain problems. For this reason, section 27(1), which criminalises secondary copyright infringements, also does not apply to the Internet.
5. Generally speaking, whenever a third party digitises, prints, e-mails, uploads, downloads, installs or merely copies digital copyright protected content, he commits, according to the Act, copyright infringement by reproducing as well as adapting the said content,¹¹³¹ provided that the copyright proprietor did not grant him a license to do the above and that his conduct does not fall within a fair use provision.
6. Whenever a third party uploads literary works onto a web site he also performs the work in public. Similar considerations apply to where someone broadcasts third parties' music over the Internet.
7. However, under certain circumstances, copying and uploading of copyright protected content are protected by the defendant's constitutional right to freedom of expression, provided that he acts *bona fide* and reasonably under the circumstances.
8. It is further submitted that because the *Copyright Act* fails to take the

¹¹³¹ See also the *US White Paper on Intellectual Property and the National Information Infrastructure* (p 65-66), as quoted in Pistorius 1998 (at 136), where it is stated that reproduction entails the following: "When a printed work is 'scanned' into a digital file, a copy of the digital file itself is made ... When other works, including photographs, ... are digitalized, copies are made ... Whenever a digitalized file is 'up loaded' from a user's computer to a bulletin board system (BBS) or other server, a copy is made. Whenever a digitalized file is 'downloaded' from a BBS or other server, a copy is made. When a file is transferred from one computer network user to another, multiple copies generally are made."

aforementioned constitutional right into consideration, the Act is unconstitutional to the extent that it fails to make provision for this right.

9. When a computer technician repairs a computer, he causes a reproduction of the operating software in that the software is loaded into the computer's memory (RAM), when the computer is started. When such reproduction occurs without the consent of the copyright proprietor, the technician is guilty of copyright infringement.
10. Whenever one views content on any web site, a reproduction is made of the web site's content in that a temporary copy exists in the computer's memory (RAM). Such reproduction, however, does not constitute copyright infringement in that it is accepted that all web site operators grant a license to Internet users to view the content of their web sites. Furthermore, such temporary copying is protected by the fair use defence of personal and/or private use.
11. When A frames the content of B's web page, A is guilty of copyright infringement in that he not only (1) reproduces the content of B's web site as well as (2) causes an adaptation of this content, but (3) also performs the work in public where the said work constitutes a literary work.
12. Merely hyperlinking to a third party's web site does not constitute copyright infringement. Furthermore, merely hyperlinking to a third party's web site where copyright infringing content is displayed, does not *per se* render the linking party liable for the third party's copyright infringements. The linking web site operator will only be liable where he links to this particular web site if (1) the infringing content is located on the web site's home page and (2) he has the intention to assist either Internet users and/or the third party web site operator in infringing the copyright proprietor's copyrights.
13. Merely deep-linking to a third party's internal web page does not constitute copyright infringement. However, when one deep-links to a third party's web site where copyright infringing content is displayed, with the intent to assist the latter and/or Internet users in perpetuating such copyright infringement, one is contributorily liable for the third party's copyright infringement.
14. The operator of a virtual search engine (VSE) commits copyright infringement

whenever his VSE creates thumbnail images. Such images both constitute a reproduction as well as an adaptation of the full version images.

15. At present the removal of digital watermarks or digital rights management does not render the perpetrator criminally liable. The only protection that the *Copyright Act* offers is that the removal of copyright notices, incorporated into visible digital watermarks, constitutes an infringement of the author's moral rights.
16. Whenever literary work is displayed on a web site or whenever music is broadcast over the Internet, the perpetrator responsible for such display or broadcast commits an offence in that he causes the copyright protected work to be performed in public.
17. Internet service providers (ISPs) are not liable for copyright infringements committed by their subscribers (i.e. web site operators). However, an ISP is contributorily liable for copyright infringements committed by its subscribers whenever the copyright proprietor informs him (the ISP) of such infringements and he fails or refuses to disable access to the relevant web site.
18. P2P file service providers can be contributorily liable for the copyright infringements committed by their subscribers in that by providing such a service they assist their subscribers in infringing third parties' copyrights. Such assistance will occur with the necessary knowledge where at least one copyright proprietor sends a notice to the service provider informing him of the infringements occurring on his system.
19. Whenever a web site operator inserts a notice on his web site indicating where infringing content can be located, such scenario can be compared to the scenarios discussed in (12) and (13). Consequently, the web site operator is contributorily liable.
20. Whenever a web site operator or a P2P file service provider is guilty of direct, secondary, indirect or contributory copyright infringement, the copyright proprietor has the following remedies available: a) An interdict ordering the defendant to remove the infringing content from his web site; b) A claim for normal delictual damages in terms of section 24(1) of the Act; and c) A claim for additional damages in terms of section 24(3) of the Act.
21. It is unlikely that South African courts will interpret the constitutional right to privacy to protect private infringements of third parties' copyrights. Such type of

infringements does not fall into the categories of protected privacy which have been identified by the courts.

22. The *Electronic Communications and Transactions Act* protects digital rights management information from illegal circumvention. However, this Act fails to criminalise the circumvention or removal of other digital technologies such as digital watermarks.

6. RECOMMENDATIONS TO REFORM THE SOUTH AFRICAN COPYRIGHT ACT

Next, possible amendments to the South African *Copyright Act* are discussed.

6.1. Establishing more offences

6.1.1. General

Civil litigation is expensive and copyright holders are often unwilling to institute proceedings against web site infringers for fear of the possibility that the infringer will not be able to pay the damages caused.

It is submitted that the South African legislature should criminalise all serious copyright infringements. It does not suffice to criminalise secondary infringements only. All direct copyright infringements should be criminalised, whenever someone directly infringes copyright protection for commercial gain or for private financial gain. This is the approach followed by the US legislature¹¹³² and it is submitted that this is sound in principle. It should also be borne in mind that South Africa is bound by the *TRIPS* agreement which provides that member-states must criminalise copyright piracy on a commercial scale.¹¹³³ South Africa is also a signatory to the *Convention on Cybercrime*, which obliges its member-states to criminalise intentional electronic copyright infringements on a commercial scale.¹¹³⁴

6.1.2. Anti-circumvention provisions

It is submitted that the *Copyright Act* should also criminalise the circumvention of

¹¹³² See paragraph 3.1.5 of this chapter.

¹¹³³ See paragraph 4.1.2.1 of this chapter.

¹¹³⁴ See paragraph 4.2.2.1 of this chapter.

technical protection measures.¹¹³⁵ As Dreier puts it: "Since every kind of technical protection provokes circumvention, technical identification and control mechanisms require accompanying legal protection."¹¹³⁶

The Act could, for instance, provide that no-one is allowed to have in his or her possession any equipment, object or program intended to be used in thwarting electronic software or programs utilised in protecting digital content from copyright infringement. Furthermore, no-one should be allowed to assist any other person in contravening the said protection mechanisms. "Assist" could include the manufacture, distribution, letting, selling or supplying of any equipment, object or electronic data intended by the manufacturer, distributor, lessor, seller or supplier, as the case may be, to be used or applied, either by itself or in conjunction with any other object, for thwarting such protection mechanisms.¹¹³⁷ Or the prohibition could read as follows: No-one is allowed to -

¹¹³⁵ Discussed in paragraphs 2.1 - 2.4 of this chapter.

¹¹³⁶ Dreier 2000. See also the *Primer on Electronic Commerce and Intellectual Property Issues 2000* where it is stated (at par 124) that "[n]o matter how ingenious the technology used to protect works against unauthorized use, equally ingenious ways may be developed to circumvent it. The resulting level of insecurity could prevent rightholders from being willing to disseminate valuable materials on the Internet. Given the inability to achieve total security, a realistic goal is to make the technology sophisticated enough to deter the ordinary consumer from seeking to circumvent, while granting legal redress against those who represent a greater threat – hackers and those engaged in circumvention as a business."

¹¹³⁷ This is based on s 66A of the *Broadcasting Authority Act 153 of 1993* which provides that "(1) No person shall have in his or her possession any apparatus used or intended for use for the purpose of broadcasting signal distribution unless he or she is in possession of a permit issued by the Authority in terms of this section or a broadcasting signal distribution licence or unless he or she is a supplier registered in terms of section 56 of the Telecommunications Act, 1996 ... (3)(a) No person shall use any apparatus for the reception of any broadcast by a pay-television service which has been licensed in terms of section 46, unless such person has been authorized by such licensee to do so. (b) No person shall assist any other person in receiving, in conflict with paragraph (a), any broadcast by a pay-television service. (c) No person shall have in his or her possession any equipment, object or electronic data intended to be used for the reception, in conflict with paragraph (a), of any broadcast by a pay-television service. (d) For the purposes of paragraph (b), 'assist' shall include but shall not be limited to manufacturing, distributing, letting, selling or supplying any equipment, object or electronic data intended by the manufacturer, distributor, lessor, seller or supplier, as the case may be, to be used or applied, either by itself or in conjunction with any other object, for the reception, in contravention of paragraph (a), of anything broadcast by a broadcasting service. (4) Any person who contravenes subsection (1) or (3) shall be guilty of an offence and liable on conviction to a fine or to imprisonment for a period not exceeding two years."

“(a) post on any Internet web site, or in any other way manufacture, import or offer to the public, provide, or otherwise traffic in information or computer programs, and

(b) post on any Internet web site, or in any other way manufacture, import or offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that:

(i) is primarily designed or produced for the purpose of circumventing, or circumventing the protection afforded by ... any ... technological measure adopted ... that effectively controls access to ... copyrighted works or effectively protects the ... rights to control whether an end user can reproduce, manufacture, adapt, publicly perform and/or distribute unauthorized copies of such copyrighted works or portions thereof; and

(ii) has only limited commercially significant purposes or use other than to circumvent, or to circumvent the protection afforded as described above; or

(c) knowingly link to any Internet web .. containing information or programs primarily designed to circumvent the above-mentioned protective controls.”^{1138 1139}

As can be seen from such a proposed prohibition, it would inhibit third parties' fair uses of digital content protected by technical protection measures. Generally speaking, the South African legislature will have to find a balance between allowing copyright proprietors to prohibit the copying of their content and allowing legitimate users of such content to make e.g. back-up copies of such content. Hence, a balance has to be found between the exclusive rights of copyright owners and the legitimate interests of non-infringing users. The US legislature faced identical, problematic considerations:

“Technological access control measures have the capacity to prevent fair uses of copyrighted works as well as foul. Hence, there is a potential tension between the use of such access control measures and fair use ... As the DMCA made its way through the legislative process, Congress was preoccupied with precisely this issue.

¹¹³⁸ This is more or less the prohibition that the court in *Universal City Studios et al v Reimerdes et al* 111 F.Supp.2d 194 (S.D.N.Y. 2000) imposed upon the defendants in its preliminary injunction. A copy of the judgment imposing this prohibition can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/NY/trial/finaljudgment.pdf>.

¹¹³⁹ Note that the *Australian Copyright Act*, Act 63 of 1968, criminalizes the making, selling, letting, promoting, advertising, marketing, distributing, importing, providing, making available online, offering or exposing or exhibiting by means of trade for sale or hire, of a circumvention device, if the person knows, or is reckless as to whether, the device will be used to circumvent, or facilitate the circumvention of, a technological protection measure. See s 132(5B). Note that the possession or mere downloading of such a device does not constitute an offence. A copy of this act can be downloaded from <http://scaleplus.law.gov.au/cgi-bin/download.pl?/scale/data/pasteact/0/244>.

Proponents of strong restrictions on circumvention of access control measures argued that they were essential if copyright holders were to make their works available in digital form because digital works otherwise could be pirated too easily. Opponents contended that strong anti-circumvention measures would extend the copyright monopoly inappropriately and prevent many fair uses of copyrighted material.¹¹⁴⁰

An example of such a fair use was given by the court in *Universal City Studios et al v Reimerdes et al*.¹¹⁴¹

“The use of technological means of controlling access to a copyrighted work may affect the ability to make fair uses of the work. Focusing specifically on the facts of this case, the application of CSS to encrypt a copyrighted motion picture requires the use of a compliant DVD player to view or listen to the movie. Perhaps more significantly, it prevents exact copying of either the video or the audio portion of all or any part of the film. This latter point means that certain uses that might qualify as ‘fair’ for purposes of copyright infringement - for example, the preparation by a film studies professor of a single CD-ROM or tape containing two scenes from different movies in order to illustrate a point in a lecture on cinematography, as opposed to showing relevant parts of two different DVDs - would be difficult or impossible absent circumvention of the CSS encryption ... Access control measures ... do involve some risk of preventing lawful as well as unlawful uses of copyrighted material.”

The US legislature maintained that the offering and providing of technology designed to circumvent technological measures, controlling access to copyrighted works, do not constitute fair use of copyright protected works.¹¹⁴² The US legislature struck a balance as follows:

“The first element of the balance was the careful limitation of Section 1201(a)(1)’s prohibition of the act of circumvention to the act itself so as not to ‘apply to subsequent actions of a person once he or she has obtained authorized access to a copy of a [copyrighted] work ... ’ By doing so, it left ‘the traditional defenses to copyright infringement, including fair use, ... fully applicable’ provided ‘the access is authorized’ ... Third, it created a series of exceptions to aspects of Section 1201(a) for certain uses that Congress thought ‘fair,’ including reverse engineering, security testing, good faith encryption research, and certain uses by nonprofit libraries, archives and educational institutions ... By prohibiting the provision of circumvention technology, the DMCA fundamentally altered the landscape. A given device or piece of technology

¹¹⁴⁰ *Universal City Studios et al v Reimerdes et al (supra)*.

¹¹⁴¹ *Supra*.

might have 'a substantial noninfringing use ... but nonetheless still be subject to suppression under Section 1201.' "

It should be kept in mind that South Africa signed the *WIPO Copyright Treaty* which mandates its member-states to provide effective legal remedies against the circumvention of technological measures.¹¹⁴³

Note can also be taken of the Australian *Copyright Act*¹¹⁴⁴ which criminalises the unauthorised removal or amendment of digital rights management information. It prescribes that -

"[a] person must not remove or alter any electronic rights management information attached to a copy of a work or other subject-matter in which copyright subsists, except with the permission of the owner or exclusive licensee of the copyright, if the person knows, or is reckless as to whether, the removal or alteration will induce, enable, facilitate or conceal an infringement of the copyright in the work or other subject-matter."¹¹⁴⁵

It can be added here that such removal or amendment of digital rights information probably constitutes fraud under given circumstances.¹¹⁴⁶

The Australian legislature also criminalised the distribution, importation or communication to the public of a copy of a work where the digital rights management information to the copy has been removed or altered and the person (1) knows that the digital rights management information has been so removed or altered without the permission of the owner or exclusive licensee of the copyright, and further (2) knows, or is reckless as to whether, such distribution, importation and/or communication will induce, enable, facilitate or conceal an infringement of the copyright in the work or other subject-matter.¹¹⁴⁷ It is submitted that this prohibition is sound in principle and would supplement the above proposed criminal offence.

¹¹⁴² *Universal City Studios et al v Reimerdes et al (supra)*.

¹¹⁴³ See paragraph 4.1.1.1 of this chapter.

¹¹⁴⁴ Act 63 of 1968. A copy of this act can be downloaded from <http://scaleplus.law.gov.au/cgi-bin/download.pl?/scale/data/pasteact/0/244>.

¹¹⁴⁵ S 132(5C).

¹¹⁴⁶ See Ebersöhn 2001:129 *et seq*.

¹¹⁴⁷ S 132(5D).

6.1.3. Removal of copyright notices and digital watermarks

The Act should contain a provision stipulating that whenever someone, without the consent of the copyright owner, removes a physical or digital copyright notice from a copyright protected work, with the intent to infringe the copyright subsisting in that work or with the intent to enable someone else to infringe the said copyright, he is guilty of an offence.

Furthermore, the Act should also protect digital watermarks against removal and circumvention. The Act could for instance provide that anyone who, without the necessary authorisation, nullifies, removes, disables, or circumvents embedded information in digital data, which identifies certain characteristics of the said data, shall be guilty of an offence.

6.1.4. Forfeiture

It is submitted that the Act should provide for the forfeiture, under given circumstances, of electronic equipment used in infringing copyright protection. The income derived from the sale of such equipment can be used to compensate the complainant or the plaintiff for the damages or prejudice he or she suffered. Such forfeiture provision should not apply to the use of employers' computers, where the employees use or used their employers' computers to infringe third parties' copyright protection, without the latter's consent.

6.2. Extending copyright holders' rights

6.2.1. More exclusive rights

It is submitted that the Act should afford copyright proprietors of digital works additional exclusive rights such as the right to distribute their works, the right to communicate their works to the world and the right to rent their works.

These rights will entail that where A copies B's protected work onto his own web site, where all Internet users can download the work at free will, A will be guilty of copyright infringement in that he infringes B's reproduction right when he copies the work onto his web site and further infringes B's communication right, by making the work available for downloading. This will allow courts to award more damages. The

reproduction as such (i.e. the mere digitising of the work and copying it onto a web site) does not directly cause the copyright owner any financial loss. It is the fact that it is available on the Internet for downloading, and consequently downloaded by numerous (if not millions of) Internet users, that causes substantial losses to the copyright proprietor. Stated differently, the fact that it is available for distribution leads to potential loss of income, including royalties.

The distribution right will conclusively ensure that where A and B use a P2P file service and A allows B to copy e.g. MP3 files from his hard disk, A will be guilty of copyright infringement in that he will have infringed the copyright proprietor's right to distribute the work to third parties. Such a right will also entail that where A makes protected copyrighted work available on a network server, contrary to the software licence, he is guilty of copyright infringement in that he not only reproduced (copied) the work when he uploaded it onto the hard disk of the network server, but also caused the work to be available for distribution.

The proposed right to communication is in line with South Africa's obligations in terms of the *Berne Convention*,¹¹⁴⁸ which provides that authors of musical, literary, artistic and cinematograph works enjoy the right to communicate their works. This is also in accordance with South Africa's obligations in terms of the *WIPO Copyright Treaty* to provide for a distribution right, which entails the right to access content from anywhere at any given time.¹¹⁴⁹ Both rights are also recognised by the *EU Copyright Directive*.¹¹⁵⁰ It can also be added here that the *Australian Copyright Act*¹¹⁵¹ introduced by means of the *Copyright Amendment (Digital Agenda) Act 110 of 2000*¹¹⁵² a right of communication with regard to literary, dramatic, musical and artistic works as well as films, sound recordings and broadcasts.¹¹⁵³

With regard to the proposed right to rental, this right should at least apply to literary

¹¹⁴⁸ See paragraph 4.1.3.5 of this chapter.

¹¹⁴⁹ See paragraph 4.1.1.1 of this chapter.

¹¹⁵⁰ See paragraph 4.2.2.1 of this chapter.

¹¹⁵¹ Act 63 of 1968. A copy of this act can be downloaded from <http://scaleplus.law.gov.au/cgi-bin/download.pl?/scale/data/pasteact/3/3509>.

¹¹⁵² A copy of this act can be downloaded from <http://scaleplus.law.gov.au/cgi-bin/download.pl?/scale/data/pasteact/3/3509>.

¹¹⁵³ This right replaces the previous right to broadcast as well as the right to transmit the copyright protected work by means of a diffusion service.

works and sound recordings.¹¹⁵⁴ It is already within the foreseeable future that Internet users will be able to rent online DVD movies, where the user pays a specific amount for a specific movie, which is streamed to him *via* the Internet, without a copy of the movie ever residing on his computer.

However, until these rights are conferred by the legislature upon copyright proprietors, the following two amendments should be considered:

- Copyright proprietors of sound recordings should be granted the exclusive right to “make a reproduction of their sound recordings”;¹¹⁵⁵ and
- Copyright proprietors of artistic works should be granted the exclusive right to perform their works in public.

6.2.2. Protecting Internet broadcasts

It is submitted that the definition of “broadcast” in the Act should be amended to include Internet broadcasts. The legislature can draw guidance from the definitions of “broadcasting” and “telecommunications” in the *Broadcasting Act*.¹¹⁵⁶ “Broadcasting” is defined to mean -

“any form of unidirectional telecommunications intended for the public, sections of the public or subscribers to any broadcasting service having appropriate receiving facilities, whether carried by means of radio or any other means of telecommunication or any combination of the aforementioned, and ‘broadcast’ is construed accordingly”.¹¹⁵⁷

“Telecommunications”, on the other hand, means -

“any system or method of conveying signs, signals, sounds, communications or other information by means of electricity, magnetism, electromagnetic waves or any agency of a like nature, whether with or without the aid of tangible conductors, from one point to another, and the derivative noun ‘telecommunication’ must be construed accordingly.”¹¹⁵⁸

It is submitted that Wendland’s argument can be supported that these definitions

¹¹⁵⁴ Copyright proprietors of cinematograph films already enjoy the right to rent their physical and digital films. See s 8(1)(g).

¹¹⁵⁵ See paragraph 5.5.3.1.5 where the problematic interpretation of s 9(a) was discussed.

¹¹⁵⁶ Act 4/1999. See Wendland 1997.

¹¹⁵⁷ S 1.

¹¹⁵⁸ S 1.

include both free Internet broadcasting services to the general public as well as paying Internet broadcasting services which use encryption technology to ensure that only paying customers receive their services.¹¹⁵⁹

The term "rebroadcast", which is currently defined to mean "the simultaneous or subsequent broadcasting by one broadcaster of the broadcast of another broadcaster," should be amended to include the scenario where someone converts a radio broadcast into an Internet broadcast.

6.2.3. Holding malicious web site owners liable

The Act provides, at present, that anyone commits an act of copyright infringement where he -

"permits a *place* of public entertainment to be used for a performance in public of [literary or musical] work, where the performance constitutes an infringement of the copyright in the work: Provided that this subsection shall not apply in a case where the person permitting the place of public entertainment to be so used was not aware and had no reasonable grounds for suspecting that the performance would be an infringement of the copyright."¹¹⁶⁰

As noted numerous times, "performance" includes "any mode of visual or acoustic presentation of a work".¹¹⁶¹ It is submitted that in order to bring this provision in line with the Internet, a similar provision should be included in the Act stipulating that anyone who allows a web site to be used for downloading or uploading digital content, which infringes copyright proprietors' interests, is guilty of copyright infringement unless the person in control of the said web site was unaware of this fact and had no reasonable grounds for suspecting that the content in question would infringe copyright protection.

If the legislature inserts such a provision, it would be unnecessary for the courts to revert to the doctrine of contributory liability.

¹¹⁵⁹ See Wendland 1997:309.

¹¹⁶⁰ S 23(3). Own emphasis.

¹¹⁶¹ S 1.

6.3. Extending certain fair use defences

It is submitted that the operators of virtual search engines should be protected from copyright infringement by providing that the thumbnail images created by their search engines do not constitute copyright infringement.

Furthermore, computer technicians should be protected from copyright infringement by providing that the repairing of a computer, which causes software to be loaded into the memory of the computer, does not constitute a reproduction. In a similar vein, the Act should provide that purchasers of lawfully reproduced computer programs do not infringe the copyright proprietor's rights when such work is legitimately installed on a computer hard disk or another storage medium.¹¹⁶²

Finally, it is submitted that purchasers of lawfully obtained music should expressly be allowed to make reproductions and adaptations for private use.

6.4. Personal liability

It is submitted that it is imperative that the Act should clearly stipulate that directors and/or managers of corporate bodies are, in addition to the liability of the corporate body, personally liable for copyright infringement where, for instance, the director or CEO instructs his employee(s) to infringe third parties' copyrights or authorises such infringement. These individuals should not be allowed to hide behind the corporate veil of any juristic person, averring that only the latter is liable for copyright infringement because he or they acted as organs of the juristic person. It is further submitted that the Act should attach liability to these individuals where they wilfully turn a blind eye to the infringing activities of their employees or to the activities of those individuals under their control.

6.5. Updating of Copyright Act

A provision should be inserted in the Act mandating a dedicated copyright committee to examine, at least, every three years the provisions of the Act in order to determine whether the Act is still in line with developments in the digital market and, in particular,

¹¹⁶² See the discussion in paragraph 5.5.3.1.4 of this chapter.

whether the Act confers a sufficient level of protection to copyright proprietors. The committee must table their findings before parliament.¹¹⁶³

6.6. Modernising the Copyright Act

It is submitted that the entire *Copyright Act* should be modernised and re-written from scratch. The Act still contains provisions and phrases originally inserted in the old English Copyright Acts. Two examples will suffice:

- 1) The term "cinematograph film" is an outdated term and concept. A better word, indicating videos as well as equivalent digital products, would be "audio-visual works"; and
- 2) The word "article" in both section 23(2), dealing with secondary copyright infringements, and section 27, dealing with copyright offences, is outdated. A better word, which will ensure that Internet and computer infringements are encompassed, would be "copyright protected works".

The Act should also move away from forcing ordinary music, excluding live performances, into two categories namely "musical works" and "sound recordings". "Musical works", on the one hand, can be defined as live performances of music and "sound recordings", on the other hand, can be defined as recorded music in any format, therefore including CDs as well as MP3 files.

The same applies to the protection of texts and books. At present, a text in a book is protected as both a literary work as well as a published edition. All text, published and unpublished, should merely be protected as literary works.

The Act should further clarify that computer software, computer games and utility programs are protected twofold, namely the underlying code as a computer program and the visual images as an audio-visual work.

Instead of forcing the Internet into an outdated and strictly-worded *Copyright Act*, the Act should rather be built around the Internet. The Act should be user-friendly, flexible and open to reform in the face of future technological advances, balancing the

¹¹⁶³ A similar provision is included in article 12(1) of the EU *Copyright Directive*.

exclusive rights of copyright proprietors against the legitimate interests of users and the general public.¹¹⁶⁴

¹¹⁶⁴ The *Primer on Electronic Commerce and Intellectual Property Issues* 2000 states (at par 110-111): "If legal rules are not set and applied appropriately, digital technology has the potential to undermine the basic tenets of copyright and related rights ... It is therefore critical to adjust the legal system to respond to the new technological environment in an effective and appropriate way, and to do so quickly, because technologies and markets evolve increasingly rapidly. This will ensure the continued furtherance of the fundamental guiding principles of copyright and related rights, which remain constant whatever may be the technology of the day." See also Dreier 2000.

CHAPTER FOUR

TRADE MARK INFRINGEMENTS

1. INTRODUCTION

Merchants and manufacturers invest a great deal of money in trade marks in the hope that the public identifies their trade marks.¹¹⁶⁵ Businesses use the Internet, as a new medium of communication and commerce, to make their trade marks more visible and memorable to customers:¹¹⁶⁶ “[T]housands of commercial and non-commercial computer users operate websites to ... advertise goods and services to potential customers.”¹¹⁶⁷ For this reason, customers recognise a trade mark, not only by its unique logo, slogan or get-up, but also by its corresponding web site.¹¹⁶⁸ Internet users also employ these trade mark names to find the products, on the Internet, that they are searching for. For this and other reasons, trade mark owners seek to exploit and protect their marks on the Internet. Therefore, trade marks will assume, at least, as much significance on the Internet as they represent in the physical world.¹¹⁶⁹

However, the Internet has proved to be a fertile ground for trade mark violations. As the US Ninth Circuit of Appeals aptly remarked in *Avery Dennison v Sumpton*:¹¹⁷⁰ “[C]ourts are faced with the challenging task of applying centuries-old trade mark law to the newest medium of communication – the Internet”.¹¹⁷¹

¹¹⁶⁵ *Nike v Just Did It Enterprises* 6 F.3d 1225 (7th Cir. 1993). A copy of this judgment can be downloaded from www.kentlaw.edu/7circuit/1993/92-3303.html.

¹¹⁶⁶ Bayne 2001:24.

¹¹⁶⁷ *Playboy Enterprises v Webbworld Inc et al* 968 F.Supp. 1171 (N.D. Tex. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Webbworld.html.

¹¹⁶⁸ Bayne 2001:24.

¹¹⁶⁹ *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 153-154. At para 153-154 it is stated that “[p]articularly when operating in virtual markets in which face-to-face interactions are infrequent and there is little or no opportunity to inspect goods or services before purchasing them, consumers are willing to reward trusted sources offering competitive products. In these circumstances, a company’s mark or brand becomes a vital means of identifying and distinguishing itself.”

¹¹⁷⁰ 189 F.3d 868 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9855810.html>.

¹¹⁷¹ See also *Intermatic Inc v Toeppen* 947 F.Supp. 1227 (N.D. ILL. 1996) where the court noted: “As the Internet grows in prominence as a venue for business, the courts will be called upon to apply traditional legal principles to new avenues of commerce.” A copy of this judgment can be downloaded from www.loundy.com/CASES/Intermatic_v_Toeppen.html.

In this chapter trade mark infringements are discussed in five contexts, namely the unlawful use of trade marks (a) on web sites, (b) as domain names, (c) as metatags, (d) as hyperlinks, and (e) in keyword banner advertisements. It is first observed how trade mark rights have been infringed by means of the Internet and how US courts have resolved these issues. Thereafter, the EU position in connection with online trade mark disputes are scrutinised and, finally, it is ascertained how South African courts will apply established trade mark law principles to Internet disputes.

Note that generally speaking this study does not distinguish between trade marks and service marks.

2. TRADE MARK INFRINGEMENTS – THE AMERICAN EXPERIENCE

The purpose of the following paragraphs is to illustrate the various ways in which trade mark protection has been infringed by means of the Internet and how US courts as well as the US legislature have dealt with these problematic issues.

2.1. US trade mark law

In the following six subparagraphs the principles of US trade mark law are set forth. This is followed by a discussion of US constitutional law. This will serve as a basis for the discussion and analysis of US judgments.

2.1.1. Philosophy underlying trade mark law and purpose of trade marks

US courts maintain that the philosophy underlying trade mark law is that it ensures “a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product”¹¹⁷² and, furthermore, ensures that trade mark proprietors can prevent others from misleading consumers into wrongly associating products with an enterprise from which they do not originate.^{1173 1174}

¹¹⁷² *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999). A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>.

¹¹⁷³ The court in *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998) stated that “the purpose of trade mark law is “to protect consumers from being misled as to the enterprise or enterprises, from which the goods or services emanate or with which they are associated; (2) to prevent an impairment of the value of the enterprise which owns the trademark; and (3) to achieve these ends in a manner consistent with the objectives of free competition.” A copy of this judgment can

Furthermore, trade mark laws prevent the impairment of a trade mark's value to its proprietor.¹¹⁷⁵

US courts have further stated that trade marks, as important tools in (electronic) commerce, ensure that -

- a) consumers are able to identify the source of a product and to link the product with its manufacturer in widely distributed markets;¹¹⁷⁶ and
- b) trade mark proprietors are able to identify the source of their goods and, simultaneously, to distinguish the origin of their goods from others.¹¹⁷⁷

be downloaded from www.loundy.com/CASES/PEI_v_Universal.html. See also *Ty Inc v Perryman* No 02-1771 (7th Cir 2002) [a copy of this judgment can be downloaded from www.ca7.uscourts.gov/op3.fwx?submit1=showop&caseno=02-1771.PDF]; *BigStar Entertainment Inc v Next Big Star Inc et al* 105 F.Supp.2d 185 (S.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>].

¹¹⁷⁴ In *Avery Dennison v Sumpton* 189 F.3d 868 (9th Cir. 1999) the Ninth Circuit of Appeal maintained that "[t]wo goals of trademark law are reflected in the federal scheme. On the one hand, the law seeks to protect consumers who have formed particular associations with a mark. On the other hand, trademark law seeks to protect the investment in a mark made by the owner." A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9855810.html>. See also *Manufacturers Technologies Inc v Cams Inc et al* 706 F.Supp. 984 (D. Conn. 1989) where the court held that the US *Lanham Act*, discussed below, "is designed to ensure truthfulness in advertising and to eliminate misrepresentations about the inherent quality or characteristics of a product." (At 1002). A copy of this judgment was obtained from Westlaw.

¹¹⁷⁵ *Panavision International v Toeppen* 945 F.Supp. 1296 (C.D. Cal. 1996):1302 [a copy of this judgment was obtained from Westlaw]; *HMH Publishing Co Inc et al v Brincat* 504 F.2d 713 (9th Cir. 1974):716 [a copy of this judgment was obtained from Westlaw].

¹¹⁷⁶ As the court in *Brookfield Communications Inc v West Coast Entertainment Corp (supra)* stated: "[F]or it quickly and easily assures a potential customer that this item - the item with this mark - is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past." See also *Ty Inc v Perryman* No 02-1771 (7th Cir 2002) [a copy of this judgment can be downloaded from www.ca7.uscourts.gov/op3.fwx?submit1=showop&caseno=02-1771.PDF]; *TCPIP Holding Company Inc v HAAR Communications Inc et al* 244 F.3d 88 (2nd Cir. 2001) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/February01/99-7744.html]; *Playboy Enterprises Inc v Welles* 7 F.Supp.2d 1098 (S.D. Cal. 1998) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Wells.html]; *The New Kids On The Block et al v News America Publishing Inc et al* 971 F.2d 302 (9th Cir. 1992) [a copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/Fisher/integrity/Links/Cases/newkids.html>].

¹¹⁷⁷ In *Dorr-Oliver Inc v Fluid-Quip Inc et al* 94 F.3d 376 (7th Cir. 1996) the Seventh Circuit of Appeal remarked that trade mark law "permits a producer to choose an identifier for his product and correspondingly forbids other producers from using confusingly similar identifiers on their products." A copy of this judgment can be downloaded from www.kentlaw.edu/7circuit/1996/aug/95-4097.html.

2.1.2. General provisions, different types of trade marks and recognition of common law trade marks

Section 1127 of Title 15 of the *USC*¹¹⁷⁸ (also known as the *Lanham Act*) defines a trade mark to include "any word, name, symbol, or device, or any combination thereof (1) used by a person... to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."¹¹⁷⁹ Therefore, marks are eligible for protection only if they can identify and distinguish the plaintiff's performance from those of third parties.¹¹⁸⁰

There are two different ways to obtain trade mark protection in the US: Either by actual use in commerce under common law or by registration under statute. Furthermore, the first to use the mark in commerce has priority of ownership and actual use is a condition for registration in most states. If goods or services are offered in interstate commerce, federal registration is available under the *Lanham Act*.¹¹⁸¹ When a trade mark is registered on the federal, principal register, the Act provides that each and every person has constructive notice of the registration and therefore cannot raise any defence of good faith adoption.¹¹⁸²

US law further distinguishes between generic, descriptive, suggestive, arbitrary and fanciful marks. US courts have generally distinguished between these marks, as follows:

"A generic mark refers to the article or service it identifies by its common name and is not entitled to protection ... Descriptive marks are slightly more distinctive than generic marks. They describe the 'characteristics, qualities, effects, or other features' of the marked product ... Suggestive marks are deemed inherently distinctive ... They suggest some quality or ingredient of the product but require a leap of imagination in order for the consumer to reach a conclusion regarding the nature of the goods ... Arbitrary or fanciful trademarks are also inherently distinctive. They include common marks that are

¹¹⁷⁸ An acronym for the United States Code.

¹¹⁷⁹ A copy of this section can be downloaded from www4.law.cornell.edu/uscode/15/1127.html.

¹¹⁸⁰ See *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation* 2001 Tex. App. LEXIS 5355 (Tex Ct. App. 2001). A copy of this judgment can be downloaded from www.law.com.

¹¹⁸¹ See Cabell 2000.

applied to the product in an entirely unfamiliar way, and marks invented solely for their use as trademarks."¹¹⁸³

US courts maintain that descriptive marks are only entitled to protection if they have become distinctive by acquiring a secondary meaning in the minds of consumers.¹¹⁸⁴ Secondary meaning entails that through long and exclusive use and advertising in the sale of the user's goods, the mark has become so associated in the public mind with such goods that it serves to identify the source of the goods and to distinguish them from the third parties' goods.¹¹⁸⁵ The court only ascertains whether the plaintiff has established a secondary meaning in the relevant disputed marketplace.¹¹⁸⁶ Note that where the plaintiff proffers evidence of intentional, direct copying, the court will hold

¹¹⁸² 15 USC s 1072. See also *Victoria's Cyber Secret Ltd Partnership v V Secret Catalogue Inc* 161 F.Supp.2d 1339 (S.D. Fla. 2001):1346. A copy of this judgment was obtained from Westlaw.

¹¹⁸³ *Shade's Landing Inc v Williams* 76 F.Supp.2d 983 (D. Minn. 1999):988. See also *Microsoft Corporation v Lindows Inc* Case No C01-2115C (W.D. Wash. 2002). An arbitrary mark does not describe or suggest anything about the product. See *Checkpoint Systems Inc v Check Point Software Technologies Inc* 269 F.3d 270 (3rd Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/3rd/case/002373&exact=1>.

¹¹⁸⁴ *Microsoft Corporation v Lindows Inc* Case No C01-2115C (W.D. Wash. 2002); *TCPIP Holding Company Inc v HAAR Communications Inc et al* 244 F.3d 88 (2nd Cir. 2001) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/February01/99-7744.html]; *Shade's Landing Inc v Williams (supra)*:988. Suggestive, arbitrary and fanciful marks are deemed to be inherently distinctive. See *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000):116 [a copy of this judgment was obtained from Westlaw]; *Maritz Inc v Cybergold Inc* 947 F.Supp. 1328 (E.D. Mo. 1996) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Maritz_v_Cybergold2.html].

¹¹⁸⁵ *Prime Publishers Inc v American-Republican Inc* 160 F.Supp.2d 266 (D. Conn. 2001) [a copy of this judgment can be downloaded from www.ctd.uscourts.gov/Opinions/080701.GLG.PrimePub.pdf]; *Greenpoint Financial Corp v Sperry & Hutchinson Co Inc et al* 116 F.Supp.2d 405 (S.D.N.Y. 2000):409 [a copy of this judgment was obtained from Westlaw]; *Trade Media Holdings Ltd v Huang & Associates* 123 F.Supp.2d 233 (D.N.J. 2000):237-238 [a copy of this judgment was obtained from Westlaw]; *Shade's Landing Inc v Williams (supra)*:988. The following six factors are taken into consideration in evaluating the existence of secondary meaning: "(1) the senior user's advertising and promotional expenses; (2) consumer studies linking the name to the source; (3) the senior user's sales success; (4) third party uses and attempts to plagiarize the mark; (5) length and exclusivity of the mark's use; [and] (6) unsolicited media coverage of the products at issue." No single factor is determinative. See *Prime Publishers Inc v American-Republican Inc (supra)*; *ImOn Inc v ImaginOn Inc* 90 F.Supp.2d 345 (S.D.N.Y. 2000):351 [a copy of this judgment was obtained from Westlaw]; *Zipee Corp v U.S. Postal Service* 140 F.Supp.2d 1084 (D. Or. 2000):1086 [a copy of this judgment was obtained from Westlaw]; *Greenpoint Financial Corp v Sperry & Hutchinson Co Inc et al (supra)*:409; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999):348 [a copy of this judgment was obtained from Westlaw].

that a *prima facie* case of secondary meaning, sufficient to shift the *onus* to the defendant, has been made out.¹¹⁸⁷

A mark is distinctive if it is either inherently distinctive or when it has acquired a secondary meaning.¹¹⁸⁸ A mark is famous when it has acquired national renown.¹¹⁸⁹

Finally, a word on US recognition of common law trade marks. US courts maintain that two elements must be present before a mark qualifies as a common law trade mark, entitled to protection against trade mark violations: a) The mark must either be inherently distinctive or in the case of a descriptive mark it must have acquired secondary meaning,¹¹⁹⁰ and b) the plaintiff must prove ownership by showing that he was the first party to adopt that mark and that he continuously used it in commerce.¹¹⁹¹ Personal names, used as trade marks, are regarded as descriptive terms and protected if they acquired secondary meaning.¹¹⁹² Furthermore, a common law trade mark is only protected in the area of commerce a) where it is used and b) where it has obtained a reputation, e.g. by advertising.¹¹⁹³ By necessary inference, a generic mark can never become a common law trade mark.¹¹⁹⁴

¹¹⁸⁶ *Greenpoint Financial Corp v Sperry & Hutchinson Co Inc et al (supra)*:409.

¹¹⁸⁷ *M Kramer Mfg Co Inc v Andrews* 783 F.2d 421 (4th Cir. 1986):448.

¹¹⁸⁸ *Northern Light Technology Inc v Northern Lights Club (supra)*:116; *Greenpoint Financial Corp v Sperry & Hutchinson Co Inc et al (supra)*:410.

¹¹⁸⁹ *Northern Light Technology Inc v Northern Lights Club (supra)*:116.

¹¹⁹⁰ *Zipee Corp v U.S. Postal Service (supra)*:1086.

¹¹⁹¹ See *SNA Inc v Array et al* 51 F.Supp.2d 542 (E.D. Pa. 1999):548 [a copy of this judgment was obtained from Westlaw]; *Washington Speakers Bureau Inc v Leading Authorities Inc* 33 F.Supp.2d 488 (E.D. Va. 1999) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property/domain/wash299.html>]. In the *Washington Speakers* case the court maintained that the phrase "The Speakers Bureau" would have been generic but the addition of the word "Washington" converted the phrase to a descriptive mark. Bernandi argues that where a business uses its trade mark on the Internet, either as a domain name or on its web site and can prove that he has substantial contacts with a particular market area, through a customer base, advertising, and sales volume, he will be able to prove that his common law trade mark can be protected in those areas. See Bernandi 1998.

¹¹⁹² *New York Stock Exchange Inc v Gahary et al* 196 F.Supp.2d 401 (S.D.N.Y. 2002) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/005764.htm>]; *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://august1.com/courses/cyber/cases/Bihari.htm>].

¹¹⁹³ See Bernandi 1998.

¹¹⁹⁴ *Zipee Corp v U.S. Postal Service (supra)*:1086.

2.1.3. Trade mark infringements

2.1.3.1. Likelihood of confusion

According to section 1114(1) of Title 15 of the *USC*, persons who, without the consent of the registered trade mark owner, -

“(a) use in commerce¹¹⁹⁵ any reproduction, counterfeit, copy, or colorable imitation of a *registered mark* in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive”

are guilty of trade mark infringement.¹¹⁹⁶

In order to prevail in an action instituted in terms of this section, a plaintiff must prove a) rightful ownership of b) a valid, protectable registered trade mark and c) that the defendant's use of the mark in question is in commerce and d) the use of the said mark is likely to cause confusion or mistake among an appreciable number of ordinary prudent buyers¹¹⁹⁷ as to the source of or association (i.e. affiliation, connection or

¹¹⁹⁵ “Use in commerce” is defined in s 1127 as the “bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce (1) on goods when (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.” In *Mattel Inc v MCA Records Inc et al* 28 F.Supp.2d 1120 (C.D. Cal. 1998) the court held that where the defendants used a trade mark name for the purposes of a song (which constituted a parody) such trade mark was not used in commerce because it was not employed to e.g. “sell knock-off ... products”. A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/respect/aqua.html>.

¹¹⁹⁶ Own emphasis. A copy of this section can be downloaded from www4.law.cornell.edu/uscode/15/1114.html.

¹¹⁹⁷ *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000):113. A copy of this judgment was obtained from Westlaw. In *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc* 55 F.Supp.2d 1070 (C.D. Cal. 1999) the court remarked that “some people are always confused. Accordingly, to impose liability, the plaintiff must show confusion of a significant number of prospective purchasers.” A copy of this judgment can be downloaded from www.mama-tech.com/peinet.html. In the *Northern Light* case (*supra*) the court noted that when the parties' services are free customers are likely to exercise less care, thus making confusion more likely. (At 113)

sponsorship¹¹⁹⁸) between the two marks.¹¹⁹⁹ The defendant's mark need not be precisely similar to the plaintiff's trade mark. A mark which is either confusingly similar or a colourable imitation of the plaintiff's mark suffices.¹²⁰⁰ US courts have also maintained that neither actual confusion¹²⁰¹ nor an intent to confuse is necessary for a finding of likelihood of confusion.¹²⁰² Note that infringement is not dependent on the question whether the defendant uses the confusingly similar mark in respect of goods or services for which the plaintiff's trade mark is registered. The sole question is whether the public will be confused as to source, affiliation, endorsement or sponsorship when they see the disputed mark on the defendant's performance.¹²⁰³

To support a finding of infringement, a probability of confusion must exist.¹²⁰⁴ Whether such a likelihood of confusion exists, eight factors, which do not constitute a *numerus clausus*, must be considered – these factors are generally referred to as either the

¹¹⁹⁸ *Trade Media Holdings Ltd v Huang & Associates* 123 F.Supp.2d 233 (D.N.J. 2000):240 [a copy of this judgement was obtained from Westlaw]; *Jews for Jesus v Brodsky* 993 F.Supp. 282 (D.N.J. 1998) [a copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/jfj.html>].

¹¹⁹⁹ *People for the Ethical Treatment of Animals Inc v Doughney* 263 F.3d 359 (4th Cir. 2001) [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/4th/case/001918P&exact=1>]; *Advance Magazine Publishers Inc v Vogue International et al* 123 F.Supp.2d 790 (D.N.J. 2000):796 [a copy of this judgment was obtained from Westlaw]; *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* 86 F.Supp.2d 176 (W.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>]; *Sony Computer Entertainment America Inc v Gamemasters et al* 87 F.Supp.2d 976 (N.D. Cal. 1999) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/cases/sonyvgamemasters.html>]; *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998) [a copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html]; *Maritz Inc v Cybergold Inc* 947 F.Supp. 1328 (E.D. Mo. 1996) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Maritz_v_Cybergold2.html]; *Intermatic Inc v Toeppen* 947 F.Supp. 1227 (N.D. ILL. 1996) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Intermatic_v_Toeppen.html]; *Lone Star Steakhouse & Saloon v Alpha of Virginia* 43 F.3d 922 (4th Cir. 1995) [a copy of this judgment can be downloaded from www.law.emory.edu/4circuit/jan95/932076.p.html].

¹²⁰⁰ *Advance Magazine Publishers Inc v Vogue International et al* (*supra*):796.

¹²⁰¹ *Northern Light Technology Inc v Northern Lights Club* (*supra*):113. The sole instances where lack of such evidence is significant is where the parties' performances have been placed side-by-side in the same market for long periods of time or where their performances have substantial disparities.

¹²⁰² See *CD Solutions Inc v CDS Networks et al* 15 F.Supp.2d 986 (D. Or. 1998). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/cds.html>.

¹²⁰³ See *HMH Publishing Co Inc et al v Brincat* 504 F.2d 713 (9th Cir. 1974):719. A copy of this judgment was obtained from Westlaw.

¹²⁰⁴ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* (*supra*).

"Polaroid factors"¹²⁰⁵ or the "Sleekcraft factors":¹²⁰⁶

"(1) the strength of the plaintiff's mark;¹²⁰⁷ (2) the similarity of plaintiff's and defendant's marks;¹²⁰⁸ (3) the competitive proximity of their products; (4) the likelihood that plaintiff will 'bridge the gap' and offer a product like defendant's;¹²⁰⁹ (5) actual confusion between products; (6) defendant's good faith;¹²¹⁰ (7) the quality of defendant's product as compared to plaintiff's; and (8) the sophistication of the purchasers."¹²¹¹

¹²⁰⁵ Referring to the case *Polaroid Corp v Polaroid Electronics Corp* 287 F.2d 492 (2nd Cir. 1961).

¹²⁰⁶ Referring to the case of *AMF Inc v Sleekcraft Boats* 599 F.2d 341 (9th Cir. 1979).

¹²⁰⁷ In *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* (*supra*) the court noted that "[t]he term 'strength' as applied to trademarks refers to the distinctiveness of the mark, or more precisely, its tendency to identify the goods or services sold under the mark as emanating from a particular source." To determine the strength of a mark, the courts have enumerated the following five factors: "(1) being registered; (2) being in use a long time; (3) being widely promoted; (4) being renown in the relevant field of business; and, (5) being distinctive or having strong 'secondary meaning.'" See *Alta Vista Corp Ltd v Digital Equipment Corp* 44 F.Supp.2d 72 (D. Mass. 1998):79.

¹²⁰⁸ The courts have maintained that when determining the similarity between the parties' respective marks, they look at the sight, sound and meaning of the parties' respective marks. For this purpose the marks are not merely compared side-by-side but also as they appear in the marketplace. In fact, the courts ascertain whether the average consumer on encountering one mark in isolated circumstances in the marketplace and having only a general recollection of the other mark would likely confuse or associated the two. Furthermore, the marks are compared as a whole and the similarities weigh more heavily than the differences between the parties' marks. See e.g. *Entrepreneur Media Inc v Smith d/b/a EntrepreneurPR* 279 F.3d 1135 (9th Cir. 2002) [a copy of this judgment can be downloaded from www.law.com/regionals/ca/opinions/feb/0056559.shtml]; *Ty Inc v Perryman* 2001 WL 826893 (N.D. ILL. 17/7/2001) [a copy of this judgment was obtained from Westlaw]; *iCARumba Inc v Inter-Industry Conference on Auto Collision Repair* 57 USPQ.2d 1151 (W.D. Wash. 2000):1155 [a copy of this judgment was obtained from Westlaw]; *Goto.com v The Walt Disney Company et al* 202 F.3d 1199 (9th Cir. 2000) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9956691>]; *Primedia Intertec Corp v Technology Marketing Corp* 35 F.Supp.2d 809 (D. Kan. 1998):818 [a copy of this judgment was obtained from Westlaw]; *CIT Group Inc v Citicorp* 20 F.Supp.2d 775 (D.N.J. 1998):786 [a copy of this judgment was obtained from Westlaw].

¹²⁰⁹ In *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* (*supra*) the court explained this factor as follows: "The fourth factor looks to whether the plaintiff-trademark holder is likely to enter the market in which the alleged infringer is operating, that is, 'bridge the gap' ... Where the market for competing goods or services is the same, there is no need to consider whether the plaintiff will bridge the gap between the markets."

¹²¹⁰ The court in *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* (*supra*) explained this factor as follows: "This factor considers 'whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product.' "

¹²¹¹ See *Northern Light Technology Inc v Northern Lights Club* (*supra*):109-110; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999):348 [a copy of this judgment was obtained from Westlaw]; *OBH Inc & Columbia Insurance Company v*

No single factor is determinative¹²¹² and the plaintiff is not required to show that all the factors are present.¹²¹³ The courts generally look at the totality of the facts in a given case to decide whether a likelihood of confusion is present.¹²¹⁴ US courts have also taken the following factors into account when determining whether a likelihood of confusion exists: a) The similarity of the goods/services to which the respective marks are applied;¹²¹⁵ b) The similarity of the advertising mediums (i.e. marketing channels) used by the two parties;¹²¹⁶ c) Initial interest confusion;¹²¹⁷ and d) Any other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market or that he is likely to expand into that market.¹²¹⁸ With regard to the Internet, some US courts have maintained that the three most important factors to be considered are (1) the similarity of the marks, (2) the relatedness of the goods or services, (3) and the simultaneous use of the Web as a

Spotlight Magazine Inc & Claude Tortora (supra); *Planned Parenthood Federation of America Inc v Bucci* 42 USPQ.2d 1430 (S.D.N.Y. 1997) [a copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/planned1.html]; *Interstellar Starship Services Ltd v Epix Inc* 184 F.3d 1107 (9th Cir. 1999) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/9th/9835142.html>].

¹²¹² *Northern Light Technology Inc v Northern Lights Club (supra)*:110; *BigStar Entertainment Inc v Next Big Star Inc et al* 105 F.Supp.2d 185 (S.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>]; *Northland Insurance Companies v Blaylock* 115 F.Supp.2d 1108 (D. Minn. 2000) and the authority quoted on p 1116 [a copy of this judgment was obtained from Westlaw].

¹²¹³ *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation* 2001 Tex. App. LEXIS 5355 (Tex. Ct. App. 2001). A copy of this judgment can be downloaded from www.law.com.

¹²¹⁴ *Entrepreneur Media Inc v Smith d/b/a EntrepreneurPR (supra)*.

¹²¹⁵ As the court explained in *Sega Enterprises Ltd v Sabella et al* 1996 US Dist LEXIS 20470 (N.D. Cal. 1996): "The danger is that the public will mistakenly assume there is an association between the producers of related goods, although no such association exists". A copy of this judgment can be downloaded from www.isc.meiji.ac.jp/~sumwel_h/doc/cases/Sega_1995_SD_N-California.htm

¹²¹⁶ *Northern Light Technology Inc v Northern Lights Club (supra)*:109-110; *SNA Inc v Array* 51 F.Supp.2d 542 (E.D. Pa. 1999) [a copy of this judgment was obtained from Westlaw]; *Interstellar Starship Services Ltd v Epix Inc (supra)*; *Cardservice International Inc v McGee et al* 950 F.Supp. 737 (E.D. Va.1997) [a copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/cardsvc1.txt].

¹²¹⁷ Discussed below in paragraph 2.1.3.2 of this chapter.

¹²¹⁸ *Advance Magazine Publishers Inc v Vogue International et al (supra)*:796; *Richards v Cable News Network Inc* 15 F.Supp.2d 683 (E.D. Pa. 1998):690 [a copy of this judgment was obtained from Westlaw]; *CIT Group Inc v Citicorp (supra)*:786.

marketing channel.¹²¹⁹

However, US courts have maintained that intentional copying of the plaintiff's trade mark by the defendant gives rise to a presumption of a likelihood of confusion.¹²²⁰ Some US courts have maintained that "[t]he confusion at issue here is any confusion that affects the purchasing decisions of actual or prospective purchasers of the services provided by defendants."¹²²¹

As can be perceived from all the aforementioned factors, US courts engage in a contextual comparison between the two marks. Stated differently, they compare not only the two marks in question, but also take all surrounding circumstances into consideration.¹²²² Note further that the use of the defendant's mark must cause a likelihood of confusion.¹²²³

2.1.3.2. Initial interest confusion

US courts regard "initial interest confusion" as a *species* of confusion.¹²²⁴ This type of confusion occurs when a consumer is lured to the defendant's performance due to the fact that its mark is similar to the plaintiff's well-known trade mark, even though the consumer quickly becomes aware of the performance's actual source. No purchase is required.¹²²⁵ In *BigStar Entertainment Inc v Next Big Star Inc et al*¹²²⁶ the court explained the initial interest confusion doctrine as follows:

¹²¹⁹ *555-1212.com Inc v Communication House Intern Inc* 157 F.Supp.2d 1084 (N.D. Cal. 2001):1088 [a copy of this judgment was obtained from Westlaw]; *iCARumba Inc v Inter-Industry Conference on Auto Collision Repair (supra)*:1154; *Goto.com v The Walt Disney Company et al (supra)*.

¹²²⁰ See e.g. *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora (supra)*; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc (supra)*:348. In *HMH Publishing Co Inc et al v Brincat (supra)* the Ninth Circuit of Appeal noted (at 720) that such an intent is important in that "the alleged infringer has indicated by his actions an expectation that such confusion will indeed be created."

¹²²¹ *CD Solutions Inc v CDS Networks et al (supra)*. See also *W.W.W. Pharmaceutical Co Inc v Gillette Co* 984 F.2d 567 (2nd Cir. 1993):574. A copy of this judgment was obtained from Westlaw.

¹²²² *Northern Light Technology Inc v Northern Lights Club (supra)*:117.

¹²²³ *Northern Light Technology Inc v Northern Lights Club (supra)*:117.

¹²²⁴ *Interstellar Starship Services Ltd v Epix Inc* 184 F.3d 1107 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/9th/9835142.html>.

¹²²⁵ See *Interstellar Starship Services Ltd v Epix Inc (supra)*; *Eli Lilly & Company v Natural Answers Inc et al* 233 F.3d 456 (7th Cir. 2000) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/7th/001375.html>].

"The diversion of initial interest and the resulting relevant confusion under this doctrine relate to what *draws* the consumer to the *other* location in the first place. Even if the customer quickly becomes aware of the competing source's actual identity and can rectify the mistake, the damage to the first user that the courts have identified manifest in three ways: the original diversion of the prospective customers' interest; the potential consequent effect of that diversion on the customer's ultimate decision whether or not to purchase caused by an erroneous impression that two sources of a product may be associated; and the initial credibility which may be accorded by the interested buyer to the junior user's products - customer consideration that otherwise may be unwarranted and that may be built on the strength of the senior user's mark, reputation and goodwill."

US courts have gone so far as to maintain that "[w]ithout initial interest protection, an infringer could use an established mark to create confusion as to a product's source thereby receiving a 'free ride on the goodwill' of the established mark ... Confining actionable confusion under the *Lanham Act* to confusion present at the time of purchase would undervalue the importance of a company's goodwill with its customers."¹²²⁷ The initial interest confusion doctrine is applied on a case-by-case basis.¹²²⁸

The facts of *Blockbuster Entertainment Group v Laylco et al*¹²²⁹ illustrate the application of the initial interest confusion doctrine. The plaintiff was a home video

¹²²⁶ 105 F.Supp.2d 185 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>.

¹²²⁷ *Checkpoint Systems Inc v Check Point Software Technologies Inc* 269 F.3d 270 (3rd Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/3rd/case/002373&exact=1>. See also *Dorr-Oliver Inc v Fluid-Quip Inc et al* 94 F.3d 376 (7th Cir. 1996) where the Seventh Circuit of Appeal stated that "the Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of the goods is dispelled by the time any sales are consummated ... This 'bait and switch' of producers, also known as 'initial interest' confusion, will affect the buying decisions of consumers in the market for the goods, effectively allowing the competitor to get its foot in the door by confusing consumers." A copy of this judgment can be downloaded from www.kentlaw.edu/7circuit/1996/aug/95-4097.html.

¹²²⁸ *Checkpoint Systems Inc v Check Point Software Technologies Inc (supra)*. The court further stated that "[a]s with all cases involving the likelihood of confusion under the Lanham Act, courts should employ all the relevant ... factors and weigh each factor to determine whether in the totality of the circumstances marketplace confusion is likely."

¹²²⁹ 869 F.Supp. 505 (E.D. Mich. 1994). A copy of this judgment was obtained from Westlaw. A copy can also be downloaded from www.ipwatchdog.com/brookfield-metatags.pdf.

rental company and the owner of the famous and registered service marks "Blockbuster" and "Blockbuster Video". The defendants, all video rental companies, used the name "Video Busters". The plaintiff applied for an interdict seeking to enjoin the defendants from using the name "Video Buster" in that, so it averred, it infringed its service marks. The court granted the interdict on the basis that the names used by the defendants were likely to cause confusion because (1) the plaintiff and defendants were in direct competition and had stores in the same area,¹²³⁰ (2) their marks were similar on the whole, especially because the word "buster" appeared in both names,¹²³¹ and (3) the consumers were not likely to exercise a high degree of care in their rentals because video rentals are inexpensive.¹²³²

Furthermore, the court was of the opinion that "initial interest confusion" was present due to the similarity of the names, even though the probability existed that no "point of sale confusion" would result seeing that consumers would no longer be confused, once they entered the defendant's store. The court explained this issue as follows:

"The critical issue is the degree to which Video Busters might attract potential customers based on the similarity to the Blockbuster name. The court finds that Video Busters might attract some potential customers based on the similarity to the Blockbuster name. Because the names are so similar and the products sold are identical, some unwitting customers might enter a Video Busters store thinking it is somehow connected to Blockbuster. Those customers probably will realize shortly that Video Busters is not related to Blockbuster but under *Esercizio* and *Grotrian* that is irrelevant ... Moreover, because it would be inconvenient to leave one video store to find another, those customers lured to a Video Busters store may rent video cassettes from that store despite having realized that it bears no connection to Blockbuster."¹²³³

2.1.3.3. Reverse and forward confusion

US law also distinguishes between forward confusion and reverse confusion: "Forward confusion is the misimpression that the senior user of a mark is the source of the junior user's services or goods ... Reverse confusion is the misrepresentation that the junior

¹²³⁰ 869 F.Supp. 505 (E.D. Mich. 1994):511 & 514.

¹²³¹ 869 F.Supp. 505 (E.D. Mich. 1994):513.

¹²³² 869 F.Supp. 505 (E.D. Mich. 1994):514.

¹²³³ 869 F.Supp. 505 (E.D. Mich. 1994):513.

user is the source of senior user's goods or services."¹²³⁴ The "reverse confusion" doctrine comes into operation in the following circumstances: A has been the proprietor of the trade mark X since 1990. B, in 2000, commences using the mark X on his products. B subsequently engages in extensive promotion of this mark to such an extent that it (the said mark) becomes well-known in 2002. Subsequently, A's potential customers assume that B is the source of the X mark and thus believe that A is the trade mark infringer. Consequently, A's reputation is infringed.¹²³⁵ US courts have stated that reverse confusion is most likely in cases involving competing or related products: "When products are related, consumers may be likely to assume they are produced by the same company. But when not related, the likelihood of confusion diminishes dramatically."¹²³⁶ Both types of confusion can be the basis of injunctive relief (i.e. an interdict) under the *Lanham Act*.

2.1.4. Trade mark dilution

Section 1125(c)(1) of Title 15 of the *USC* (also known as *section 43(c) of the Lanham Act* as well as the *Federal Trademark Dilution Act of 1995*), promulgated to address domain name issues,¹²³⁷ regulates dilution of trade marks by providing that:

"The owner of a famous mark¹²³⁸ shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another

¹²³⁴ *ImOn Inc v ImaginOn Inc* 90 F.Supp.2d 345 (S.D.N.Y. 2000):350. A copy of this judgment was obtained from Westlaw.

¹²³⁵ See *Checkpoint Systems Inc v Check Point Software Technologies Inc* 269 F.3d 270 (3rd Cir. 2001) [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/3rd/case/002373&exact=1>]; *CIT Group Inc v Citicorp* 20 F.Supp.2d 775 (D.N.J. 1998):786 [a copy of this judgment was obtained from Westlaw]; *Alta Vista Corp Ltd v Digital Equipment Corp* 44 F.Supp.2d 72 (D. Mass. 1998):75 [a copy of this judgment was obtained from Westlaw]; *W.W.W. Pharmaceutical Co Inc v Gillette Co* 984 F.2d 567 (2nd Cir. 1993):571 [a copy of this judgment was obtained from Westlaw]. In *Checkpoint Systems Inc v Check Point Software Technologies Inc* (*supra*) the court stated that the "fundamental issue in both cases, however, is essentially the same: whether the consuming public is likely to be confused about the source of products of the respective mark users ... The proper inquiry in a reverse confusion claim is whether consumers will assume the senior user's goods are associated with the junior user."

¹²³⁶ *Checkpoint Systems Inc v Check Point Software Technologies Inc* (*supra*).

¹²³⁷ One of the Senators, in discussing the Act, noted that "it is my hope that this anti-dilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others." Quoted in *Intermatic Inc v Toeppen* 947

person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous¹²³⁹ and causes dilution of the distinctive quality of the mark".¹²⁴⁰

It follows that six elements must be present before trade mark dilution is established, namely: (1) Plaintiff's registered or common law¹²⁴¹ mark must be distinctive and (2) famous; (3) Defendant's use must be a commercial use¹²⁴² in commerce;¹²⁴³ (4) The use must have occurred after the plaintiff's trade mark became famous;¹²⁴⁴ (5) The use must cause dilution of the distinctive quality of plaintiff's mark;¹²⁴⁵ and (6) The equities,

F.Supp. 1227 (N.D. ILL. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/Intermatic_v_Toeppen.html.

¹²³⁸ S 1125(c)(1) provides that when a court determines whether a mark is distinctive and famous, it may consider "factors such as, but not limited to (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register."

¹²³⁹ US courts maintain that this requirement does not refer to the first use of the disputed trade mark that the trade mark's owner finds objectionable, but instead "looks to the mark's fame at the time of the mark's first commercial use". See *Network Network v CBS Inc* 54 USPQ.2d 1150 (C.D. Cal. 2000). A copy of this judgment was obtained from Westlaw.

¹²⁴⁰ This section became effective on 16/01/1996. A copy of this section can be downloaded from www4.law.cornell.edu/uscode/15/1125.html.

¹²⁴¹ See *Jews for Jesus v Brodsky* 993 F.Supp. 282 (D.N.J. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/jfj.html>.

¹²⁴² In *Bird v Parsons et al* 289 F.3d 865 (6th Cir. 2002) the Sixth Circuit of Appeal noted that "commercial use" occurs where "the alleged diluter uses the 'trade mark as a trade mark, capitalizing on its trade mark status.'" A copy of this judgment can be downloaded from <http://pacer.ca6.uscourts.gov/cgi-bin/getopn.pl?OPINION=02a0177p.06>.

¹²⁴³ According to section 1127 the term "use in commerce" means "the bona fide use of a mark in the ordinary course of trade".

¹²⁴⁴ In the context of domain names, one court has stated that defendant's commercial use of the disputed mark, which was his trade mark as well as his domain name, has to be calculated from the moment he used the mark for the first time in a real world context and not from the moment when he registered the domain name incorporating his trade mark name. See *Chatam International Inc v Bodum Inc* 157 F.Supp.2d 549 (E.D. Pa. 2001). A copy of this judgment can be downloaded from www.strick.com/chambord.htm.

¹²⁴⁵ *America Online Inc v LCGM Inc* 46 F.Supp.2d 444 (E.D. Va. 1998) [a copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dljunk/lcgmopin.html>]; *OBH Inc & Columbia*

as between the parties, must favour the plaintiff.¹²⁴⁶ Dilution is statutorily defined as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”¹²⁴⁷

Dilution can be established by demonstrating either blurring or tarnishment. Tarnishment has been explained as follows: “The *sine qua non* of tarnishment is a finding that plaintiff’s mark will suffer negative associations through defendant’s use.”¹²⁴⁸ Dilution, on the other hand, is described as “a process that may occur ‘where the defendant uses or modifies the plaintiff’s trademark to identify the defendant’s goods and services, raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product.’”¹²⁴⁹ US courts have identified ten non-

Insurance Company v Spotlight Magazine Inc & Claude Tortora 86 F.Supp.2d 176 (W.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>]; *Nabisco Inc v PF Brands Inc* 191 F.3d 208 (2nd Cir. 1999) [a copy of this judgment can be downloaded from <http://csmail.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/99-7149.opn.html>]; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999):343 [a copy of this judgment was obtained from Westlaw].

¹²⁴⁶ *Avery Dennison Corporation v Sumpton* 999 F.Supp. 1337 (C.D. Cal. 1998):1341. A copy of this judgment was obtained from Westlaw.

¹²⁴⁷ S 1127. Congress has stated that “[t]he definition [of s 1125(c)] is designed to encompass all forms of dilution recognized by the courts, including dilution by blurring, by tarnishment and disparagement, and by diminishment. In an effort to clarify the law on the subject, the definition also recognizes that a cause of action for dilution may exist whether or not the parties market the same or related goods or whether or not a likelihood of confusion exists. Thus, a mark protected against dilution can have acquired its fame in connection with one type of good or service and, as a result, be so famous as to be entitled to protection against dilution when used on or in connection with an unrelated good or service”. See H.R. Rep. No. 374, 104th Cong., 1st Sess. 1995, as quoted in *Intermatic Inc v Toeppen (supra)*.

¹²⁴⁸ *America Online Inc v LCGM Inc (supra)*. See also *Panavision International LP v Toeppen* 141 F.3d 1316 (9th Cir. 1998):footnote 7. A copy of this judgment can be downloaded from www.findlaw.com/casecode/courts/9th.html. In *Jews for Jesus v Brodsky (supra)* the court observed that “ ‘Tarnishment’ arises where a party’s unauthorized use of a famous mark is linked to products of poor quality or is portrayed in an unwholesome manner and therefore degrades the positive associations and the distinctive quality of the mark.”

¹²⁴⁹ *Federal Express v Federal Espresso Inc* 201 F.3d 168 (2nd Cir. 2000). The court continued to state that “[i]njury to the mark’s selling power need not involve any confusion as to source or sponsorship ... [E]xamples of hypothetical violations [include]: ‘DuPont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.’” A copy of this judgment can be downloaded from <http://csmail.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/98-9430.opn.html>. See also *New York State Society of Certified Public Accountants v Eric Louis Associates Inc (supra)*:344; *Panavision International LP v Toeppen (supra)*:footnote 7. In *Jews for Jesus v Brodsky (supra)* the court

exclusive factors that can be taken into account in determining whether dilution, especially by means of blurring, has occurred:

"[1] The distinctiveness of the senior mark - both because it is not entitled to protection at all if it is not distinctive, and because the degree of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect. [2] The similarity of the marks - an obvious factor: The marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior mark, thereby lessening the distinctiveness of the senior mark ... [3] The proximity of the products and likelihood of bridging the gap - a less important factor than in infringement suits, because the legislative history of the antidilution statutes shows that the legislatures were largely concerned with junior uses of famous marks on products unrelated to the senior area of commerce - as in the hypothetical cases of Buick aspirin, Schlitz varnish, or Kodak pianos. [4] The close interdependent relationship among the three preceding factors: The weaker any of the three factors may be, the stronger the others must be to make a case of dilution. [5] The extent of overlap among consumers of the senior user's products and the junior user's products. [6] The sophistication of the consumers: Courts examining questions of infringement, as well as dilution, have looked at the sophistication of consumers as a relevant factor. [7] Whether there is actual confusion: While neither actual confusion nor likelihood of confusion is necessary to sustain an action for dilution, it does not follow that actual confusion cannot be highly probative of dilution. Confusion lessens distinction. When consumers confuse the junior mark with the senior, blurring has occurred. [8] Whether the senior user's mark is in fact descriptive of the junior use: The stronger the adjectival association between the junior use and the junior area of

observed that " 'Blurring' occurs when the selling power and value of a mark is whittled away by the unauthorized use of the mark ... This occurs where a prospective customer sees the plaintiff's mark used by other persons to identify different sources of different goods and services, thus weakening the distinctive significance of the mark to identify and distinguish the source." In *Playboy Enterprises Inc v Welles et al* 162 F.3d 1169 (9th Cir. 2002) the Ninth Circuit of Appeal explained dilution as follows: "Dilution works its harm not by causing confusion in consumers' minds regarding the source of a good or service, but by creating an association in consumers' minds between a mark and a different good or service ... Thus, for example, if a cocoa maker began using the 'Rolls Royce' mark to identify its hot chocolate, no consumer confusion would be likely to result. Few would assume that the car company had expanded into the cocoa making business. However, the cocoa maker would be capitalizing on the investment the car company had made in its mark. Consumers readily associate the mark with highly priced automobiles of a certain quality. By identifying the cocoa with the Rolls Royce mark, the producer would be capitalizing on consumers' association of the mark with high quality items. Moreover, by labeling a different product 'Rolls Royce,' the cocoa company would be reducing the ability of the mark

commerce, the less likelihood there is that the junior's use will dilute the strength of the senior's mark. [9] Whether the senior user acted with reasonable promptness in seeking to protect its mark from the alleged dilution by the junior user, or whether instead there has been a delay such that an injunction will harm the junior user, e.g., by causing it to lose goodwill built up in the interim. [10] Whether the senior user has been lax in the past in taking steps to protect its mark against dilution by others."^{1250 1251}

US courts have also taken the following factors into consideration whether dilution occurred, namely predatory intent, renown of senior mark, renown of the junior mark, the duration and extent of advertising of the mark, the geographical extent of the trading area in which the mark is used, the nature and extent of the use of the mark by third parties, and initial interest confusion caused by the defendant's mark.¹²⁵² US courts have also stated that "if a reasonable buyer is not at all likely to link the two uses of the trademark in his or her own mind, then there can be no dilution."¹²⁵³

In conclusion, it can be stated that the purpose of section 1125(c) is to protect a famous trade mark's distinctiveness (i.e. uniqueness)¹²⁵⁴ throughout the realms of

to identify the mark holder's product." (At 1631). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055009p.pdf>.

¹²⁵⁰ *Federal Express v Federal Espresso Inc (supra)*; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc (supra)*:345.

¹²⁵¹ The Seventh Circuit of Appeal stated in *Eli Lilly & Company v Natural Answers Inc et al* 233 F.3d 456 (7th Cir. 2000) that the factor whether there is a similarity between the products in question is irrelevant to trade mark dilution cases because the Act states that trade mark dilution can occur regardless of competition. Furthermore, it stated that factors such as the intent of the junior mark holder, sophistication of consumers and renown of the junior mark are not particularly relevant "to the 'capacity of the senior mark to identify and distinguish' itself." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/7th/001375.html>.

¹²⁵² See *Strick Corporation v Strickland* 162 F.Supp.2d 372 (E.D. Pa. 2001) [a copy of this judgment can be downloaded from www.strick.com/kauffman.htm]; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc (supra)*:348; *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998) [a copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html].

¹²⁵³ *Strick Corporation v Strickland (supra)*. See also *Eli Lilly & Co v Natural Answers Inc* 86 F.Supp.2d 834 (S.D. Ind. 2000) where the court noted that "[f]or blurring to occur, there must be some mental association in the reasonable consumer's mind between the plaintiff's and the defendant's uses of the mark." A copy of this judgment can be downloaded from www.insd.uscourts.gov/search_opinions.htm.

¹²⁵⁴ *Eli Lilly & Company v Natural Answers Inc et al (supra)*. US courts have recognised that "[e]ven when an unauthorized use of the mark does not cause consumer confusion, it can reduce the public's perception that the mark signifies something unique, singular, or particular." *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora (supra)*. See also *Nabisco Inc v PF Brands Inc (supra)*. In *Federal Express v Federal Espresso Inc (supra)* the court put it as follows:

commerce.¹²⁵⁵ Stated differently, it protects the economic value of a trade mark by preventing the lessening of its selling power as an advertising agent for goods or services.¹²⁵⁶

2.1.5. Fair Use

The following activities are exempted by the Act from the general prohibitions of trade mark infringement and dilution:

- (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.¹²⁵⁷
- (B) Non-commercial use of a mark.¹²⁵⁸
- (C) All forms of news reporting and news commentary.¹²⁵⁹

With regard to comparative advertisement, the courts have noted that the use of a competitor's trade mark for this particular purpose does not constitute trade mark infringement as long as it does not contain misrepresentations or create a reasonable likelihood that purchasers will be confused as to the source, identity, or sponsorship of the advertiser's product.¹²⁶⁰

The Act grants a further fair use defence by stipulating that the following conduct is legitimate: "That the use of the name, term ... charged to be an infringement is a use, otherwise than as a mark, ... of a term ... which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic

"Trademark dilution statutes are designed to 'cover those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff's mark to serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source'."

¹²⁵⁵ *Nabisco Inc v PF Brands Inc (supra)*.

¹²⁵⁶ *Hartog & Co v Swix.com et al* 136 F.Supp.2d 531 (E.D. Va. 2001). A copy of this judgment can be downloaded from www.burkardlaw.com/nss-folder/unlawfuldomainnames1/Hartog.PDF.

¹²⁵⁷ S 1125(c)(4)(a).

¹²⁵⁸ S 1125(c)(4)(b). This exception prevents courts from enjoining constitutionally protected speech such as parody, satire and criticism. See *Northland Insurance Companies v Blaylock* 115 F.Supp.2d 1108 (D. Minn. 2000):1122. A copy of this judgment was obtained from Westlaw.

¹²⁵⁹ S 1125(c)(4)(c).

¹²⁶⁰ *Penthouse International Ltd v Playboy Enterprises Inc et al* 663 F.2d 371 (2nd Cir. 1981):391; *SSP Agricultural Equipment Inc v Orchard-Rite Ltd* 592 F.2d 1096 (9th Cir. 1979):1103.

origin".¹²⁶¹

Based on the last mentioned statutory provision, US courts have recognised two main fair use defences namely (1) nominative fair use and (2) descriptive fair use.¹²⁶² These defences are explained in turn. "Nominative fair use" refers to the instance where the defendant uses the plaintiff's trade mark to identify or promote the plaintiff's services or products.¹²⁶³ The courts have posed are three requirements for this defence:

"First, the product or service in question must be one not readily identifiable without use of the trademark;¹²⁶⁴ second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service;¹²⁶⁵ and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."^{1266 1267}

¹²⁶¹ S 1115(b)(4).

¹²⁶² Kelly & Gelchinsky 1999.

¹²⁶³ *Patmont Motor Werks Inc v Gateway Marine Inc* 1997 US Dist LEXIS 20877 (N.D. Cal. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Patmont_v_Gateway.html.

¹²⁶⁴ In *Patmont Motor Werks Inc v Gateway Marine Inc (supra)* the court noted that "it would be impossible for Anthony to do business if the law of trademark forced him to advertise his inventory as, for instance, 'small, motorized scooters manufactured by a well-known corporation.' Indeed, it is no more possible to refer to Go-Ped scooters without using the Go-Ped mark 'than it is to refer to the Chicago Bulls, Volkswagens or the Boston Marathon without using the[ir] trademark[s].'".

¹²⁶⁵ The court in *Patmont Motor Werks Inc v Gateway Marine Inc (supra)* remarked that this requirement would not be satisfied where the defendant used the plaintiff's distinctive trade mark or logo.

¹²⁶⁶ *Patmont Motor Werks Inc v Gateway Marine Inc (supra)*. See also *The New Kids On The Block et al v News America Publishing Inc et al* 971 F.2d 302 (9th Cir. 1992) [a copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/Fisher/integrity/Links/Cases/newkids.html>]; *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc* 55 F.Supp.2d 1070 (C.D. Cal. 1999) [a copy of this judgment can be downloaded from www.mama-tech.com/peinet.html].

¹²⁶⁷ In *Playboy Enterprises Inc v Welles et al* 162 F.3d 1169 (9th Cir. 2002) the Ninth Circuit of Appeal remarked (at 1623) the following with regard to the test to be used in the case of nominative fair use: "In cases in which the defendant raises a nominative use defense, the above three-factor test should be applied instead of the [normal] test for likelihood of confusion ... The three-factor test better evaluates the likelihood of confusion in nominative use cases. When a defendant uses a trademark nominally, the trademark will be identical to the plaintiff's mark, at least in terms of the words in question. Thus, application of the [normal likelihood of confusion test], which focuses on the similarity of the mark used by the plaintiff and the defendant, would lead to the incorrect conclusion that virtually all nominative uses are confusing. The three-factor test - with its requirements that the defendant use marks only when no descriptive substitute exists, use no more of the mark than necessary, and do nothing to suggest sponsorship or endorsement by the mark holder - better addresses concerns regarding the likelihood of confusion in nominative use cases." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055009p.pdf>.

In *The New Kids On The Block et al v News America Publishing Inc et al*¹²⁶⁸ the Ninth Circuit of Appeal held that “we may generalize a class of cases where the use of the trademark does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different one. Such nominative use of a mark - where the only word reasonably available to describe a particular thing is pressed into service - lies outside the strictures of trademark law.” However, the defence of nominative fair use is not available where A uses B's trade mark as A's domain name.¹²⁶⁹

“Descriptive fair use”, on the other hand, refers to the scenario where the defendant uses the plaintiff's trade mark to describe his (the defendant's) own products. US courts have stated that “[i]t is not necessary that the plaintiff's mark be classified as ‘descriptive’ to benefit from the fair use defense. Instead, the central considerations are whether the defendant has used the mark (1) in its descriptive sense, and (2) in good faith ... The requirement that a trademark be used in its descriptive sense is met where the mark is used in an index or catalog, or to describe the defendant's connection to the business claiming trademark protection.”¹²⁷⁰ With regard to the question of good faith, the enquiry focuses “on whether ‘the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product.’”¹²⁷¹ However, the mere fact that the defendant knows of the plaintiff's mark, does not taint the defendant's conduct as *male fide*.^{1272 1273}

¹²⁶⁸ *Supra*.

¹²⁶⁹ See *Patmont Motor Werks Inc v Gateway Marine Inc (supra)*:fn 6 of the judgment; *The New Kids On The Block et al v News America Publishing Inc et al (supra)*.

¹²⁷⁰ *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/e-commerce/readings/trademarks/bihari.pdf>.

¹²⁷¹ *Radio Channel Networks Inc v Broadcast.com Inc* 1999 WL 124455 (S.D.N.Y. 1999):5. A copy of this judgment was obtained from Westlaw.

¹²⁷² *Radio Channel Networks Inc v Broadcast.com Inc (supra)*:5.

¹²⁷³ The facts of *Volkswagenwerk Aktiengesellschaft v Church* 411 F.2d 350 (9th Cir. 1969) illustrate the application of this defence. The appellant was the owner of the well-known and registered trade mark “Volkswagen”. The respondent specialised in repairing Volkswagen and Porsche vehicles and used the service mark “Independent Volkswagen Porsche Service”. The appellant contended that the respondent was guilty of trade mark infringement. The Ninth Circuit of Appeal noted that respondent “may also advertise to the effect that he does so [that is repair Volkswagen vehicles] and in such advertising it would be difficult, if not impossible, for him to avoid altogether the use of the word ‘Volkswagen’ or its abbreviation ‘VW,’ which are the normal terms which, to the public at large, signify appellant's cars ... Although he may advertise to the public that he repairs appellant's cars, [respondent] must not do so in

US courts maintain that the fair use doctrine applies to both the Internet and the printed media.¹²⁷⁴

2.1.6. Vicarious and contributory liability

A defendant can also be held contributorily and/or vicariously liable for third party trade mark infringements. In *Sony Computer Entertainment America Inc v Gamemasters et al*¹²⁷⁵ the court explained contributory infringement as follows: It "occurs when the defendant either intentionally induces a third party to infringe the plaintiff's mark or supplies a product to a third party with actual or constructive knowledge that the product is being used to infringe the service mark."¹²⁷⁶

Vicarious liability has been explained elsewhere in this study.¹²⁷⁷

2.1.7. Interaction between trade mark law and the constitutional right to freedom of speech

Next this study ascertains the interaction between trade mark law and the constitutional right to freedom of speech, as enshrined in the *First Amendment*. This is done by first observing the principles pertaining to the protection of commercial speech. Thereafter the study scrutinises the application of these principles to trade mark law.

2.1.7.1. The First Amendment and commercial speech

The *First Amendment* to the US Constitution, entitled "Religion and Expression", provides that "[c]ongress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the

a manner which is likely to suggest to his prospective customers that he is part of [appellant's] organization or franchised dealers and repairmen." (At 352)

¹²⁷⁴ *Bihari v Gross et al (supra)*.

¹²⁷⁵ 87 F.Supp.2d 976 (N.D. Cal. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/openlaw/DVD/cases/sonygamemasters.html>

¹²⁷⁶ This was confirmed by the Ninth Circuit of Appeal in *Lockheed Martin Corporation v Network Solutions Inc* 194 F.3d 980 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=title&v1=lockheed>.

¹²⁷⁷ See paragraph 3.1.4 of chapter three.

press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances."¹²⁷⁸ ¹²⁷⁹

US courts have continuously distinguished between commercial and non-commercial speech due to the different degrees of protection afforded to these two types of speeches, as will be explained below. The Supreme Court has maintained that commercial speech refers to speech that proposes a commercial transaction.¹²⁸⁰ Consequently commercial advertising is protected as commercial speech.¹²⁸¹ The Supreme Court has further noted that -

- (1) informational pamphlets about products, such as contraceptives in general, constitute commercial speech;¹²⁸² and
- (2) the addition of credentials (such as "LL.M.") to one's name on letterheads and business cards constitutes commercial speech.¹²⁸³

¹²⁷⁸ A copy of this amendment can be downloaded from <http://caselaw.lp.findlaw.com/data/constitution/amendment01/>.

¹²⁷⁹ As can be seen from the above quotation, freedom of speech is expressed as an absolute right. The *First Amendment* does not have exceptions or restrictions. However, US courts have over the years held that freedom of speech is not an absolute right and have identified certain types of speech, as such libellous speech as well as false statements, that do not enjoy constitutional protection. See *Kauesa v Minister of Home Affairs and Others* 1995 11 BCLR 1540 NmS:1154F-H.

¹²⁸⁰ *Board of Trustees, State University of New York v Fox et al* 492 US 469 (1989) [a copy of this judgment can be downloaded from www.bc.edu/bc_org/avp/cas/comm/free_speech/fox.html]; *Bolger et al v Youngs Drug Products Corp* 463 US 60 (1983) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=463&invol=60>]; *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al* 425 US 738 (1976) [a copy of this judgment can be downloaded from www.bc.edu/bc_org/avp/cas/comm/free_speech/vapharm.html]; *Bigelow v Virginia* 421 US 809 (1975) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=421&invol=809>]. See also *Bad Frog Brewery Inc v New York State Liquor Authority* 134 F.3d 87 (2nd Cir. 1998). A copy of this judgment can be downloaded from <http://csmail.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/97-7949.opn.html>. See in particular *Edenfield v Fane* 507 US 761 (1993) where the Supreme Court noted that "[t]he commercial marketplace, like other spheres of our social and cultural life, provides a forum where ideas and information flourish. Some of the ideas and information are vital, some of slight worth. But the general rule is that the speaker and the audience, not the government, assess the value of the information presented. Thus, even a communication that does no more than propose a commercial transaction is entitled to the coverage of the First Amendment." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=507&invol=761>.

¹²⁸¹ See e.g. *Bigelow v Virginia* (*supra*).

¹²⁸² *Bolger et al v Youngs Drug Products Corp* (*supra*).

Under given circumstances, the courts, including the Supreme Court, have taken the following factors into consideration whether particular activity constitutes commercial speech: (1) The fact that the speech was contained in an advertisement, (2) the fact that the speech referred to specific products, and (3) the economic motivation of the speaker.¹²⁸⁴

In particular, the Supreme Court has noted that untruthful commercial speech, i.e. those which are false, deceptive or (actually or inherently) misleading, are not protected by the *First Amendment*¹²⁸⁵ and consequently the State may prohibit such commercial expression entirely without further justification.¹²⁸⁶ Similar considerations apply to illegal activities.¹²⁸⁷ The Supreme Court has further noted that the *First Amendment* protects commercial speech because -

(a) it conveys "information of potential interest and value";¹²⁸⁸ and

¹²⁸³ *Ibanez v Florida Department of Business and Professional Regulation Board of Accountancy* 512 US 136 (1994). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=512&invol=136>.

¹²⁸⁴ *Bad Frog Brewery Inc v New York State Liquor Authority* (*supra*); *Bolger et al v Youngs Drug Products Corp* (*supra*). See further *Kasky v Nike* 27 Cal.4th 939 (2002) where the California Supreme Court held that "[b]ecause the messages in question were directed by a commercial speaker to a commercial audience, and because they made representations of fact about the speaker's own business operations for the purpose of promoting sales of its products, we conclude that these messages are commercial speech for purposes of applying state laws barring false and misleading commercial messages." The court continued to note that "[a] close reading of the high court's commercial speech decisions suggests, however, that it is possible to formulate a limited-purpose test. We conclude, therefore, that *when a court must decide whether particular speech may be subjected to laws aimed at preventing false advertising or other forms of commercial deception*, categorizing a particular statement as commercial or noncommercial speech requires consideration of three elements: the speaker, the intended audience, and the content of the message." A copy of this judgment can be downloaded from www.courtinfo.ca.gov/opinions/archive/S087859.PDF.

¹²⁸⁵ *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al* (*supra*); *Central Hudson Gas & Electric v Public Services Commission* 447 US 557 (1980) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=447&invol=557>].

¹²⁸⁶ *Ibanez v Florida Department of Business and Professional Regulation Board of Accountancy* (*supra*); *Edenfield v Fane* (*supra*); *Bolger et al v Youngs Drug Products Corp* (*supra*); *Central Hudson Gas & Electric v Public Services Commission* (*supra*).

¹²⁸⁷ *Bolger et al v Youngs Drug Products Corp* (*supra*); *Central Hudson Gas & Electric v Public Services Commission* (*supra*).

¹²⁸⁸ *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al* (*supra*). See also *Central Hudson Gas & Electric v Public Services Commission* (*supra*).

(b) it safeguards society's interest in broad access to complete and accurate commercial information.¹²⁸⁹

For these reasons, the Supreme Court has stressed the importance of free flow of commercial information in a democratic society,¹²⁹⁰ in particular the protection of truthful, non-deceptive information proposing a lawful commercial transaction.^{1291 1292} Furthermore, this court has noted that the right to freedom of speech includes the right to receive information and ideas.¹²⁹³ Therefore, according to the court, "[i]f there is a right to advertise, there is a reciprocal right to receive the advertising".¹²⁹⁴

The Supreme Court maintains that commercial speech is granted less protection than non-commercial protected expression.¹²⁹⁵ With regard to non-commercial speech,

¹²⁸⁹ *Edenfield v Fane (supra)*; *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al (supra)*. See also *Central Hudson Gas & Electric v Public Services Commission (supra)* where the Supreme Court noted (at 561-562) that "[c]ommercial expression not only serves the economic interest of the speaker, but also assists consumers and furthers the societal interest in the fullest possible dissemination of information."

¹²⁹⁰ *44 Liquormart Inc et al v Rhode Island et al* 517 US 484 (1996). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=517&invol=484>. See further *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al (supra)* where the Supreme Court held that "[a]dvertising, however tasteless and excessive it sometimes may seem, is nonetheless dissemination of information as to who is producing and selling what product, for what reason, and at what price. So long as we preserve a predominantly free enterprise economy, the allocation of our resources in large measure will be made through numerous private economic decisions. It is a matter of public interest that those decisions, in the aggregate, be intelligent and well informed. To this end, the free flow of commercial information is indispensable."

¹²⁹¹ *Edenfield v Fane (supra)*; *Central Hudson Gas & Electric v Public Services Commission (supra)*.

¹²⁹² See *Central Hudson Gas & Electric v Public Services Commission (supra)* where the Supreme Court noted that "[p]ermissible restraints on commercial speech have been limited to measures designed to protect consumers from fraudulent, misleading, or coercive sales techniques. Those designed to deprive consumers of information about products or services that are legally offered for sale consistently have been invalidated."

¹²⁹³ *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al (supra)*.

¹²⁹⁴ *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al (supra)*.

¹²⁹⁵ *Central Hudson Gas & Electric v Public Services Commission (supra)*. In *Friedman et al v Rogers et al* 440 US 1 (1979) the Supreme Court of Appeal explained why commercial speech differs from other forms of speech: "Because it relates to a particular product or service, commercial speech is more objective, hence more verifiable, than other varieties of speech. Commercial speech, because of its importance to business profits, and because it is carefully calculated, is also less likely than other forms of speech to be inhibited by proper regulation. These attributes ... indicate that it is 'appropriate to require that a commercial message appear in such a form . . . as [is] necessary to prevent its being deceptive' ". A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=440&invol=1>.

content-based restrictions are only permitted in the most extraordinary circumstances.¹²⁹⁶ In contrast, because commercial speech is susceptible to greater potential for deception or confusion, content-based restrictions on commercial speech are permitted under given circumstances.¹²⁹⁷ Specifically, the State "may require commercial messages to 'appear in such a form, or include such additional information, warnings, and disclaimers, as are necessary to prevent its being deceptive,' and that it may restrict some forms of aggressive sales practices that have the potential to exert 'undue influence' over consumers."¹²⁹⁸ Consequently the Supreme Court has crafted a four-part test, known as the *Central Hudson* test, for determining whether legislation inhibiting or prohibiting commercial speech is constitutional, which test has been applied continuously.¹²⁹⁹

"At the outset, we must determine whether the expression is protected by the First Amendment. For commercial speech to come within that provision, it at least must concern lawful activity and not be misleading. Next, we ask whether the asserted governmental interest is substantial. If both inquiries yield positive answers, we must determine whether the regulation directly advances the governmental interest asserted, and whether it is not more extensive than is necessary to serve that interest."¹³⁰⁰

Consequently, it may be concluded that when a business enterprise makes factual representations about its own products or operations, it must speak truthfully.¹³⁰¹ Under such circumstances its expressions will enjoy protection as commercial speech. Furthermore, where the communication is neither misleading nor related to unlawful

¹²⁹⁶ In fact, such restriction must withstand strict scrutiny, which requires that the regulation or statute must be narrowly tailored, i.e. the least restrictive means, to promote a compelling government interest. See *Kasky v Nike (supra)*.

¹²⁹⁷ *Bolger et al v Youngs Drug Products Corp (supra)*.

¹²⁹⁸ *44 Liquormart Inc et al v Rhode Island et al (supra)*. The Supreme Court continued to note that "[i]t is the State's interest in protecting consumers from 'commercial harms' that provides 'the typical reason why commercial speech can be subject to greater governmental regulation than noncommercial speech.'" In *Virginia State Board of Pharmacy et al v Virginia Citizens Consumer Council Inc et al (supra)* the Supreme Court noted that restrictions on the time, place, or manner of expression are permissible provided that "they are justified without reference to the content of the regulated speech, that they serve a significant governmental interest, and that in so doing they leave open ample alternative channels for communication of the information."

¹²⁹⁹ The four pronged test was applied in *Ibanez v Florida Department of Business and Professional Regulation Board of Accountancy (supra)*; *Edenfield v Fane (supra)*; *Board of Trustees, State University of New York v Fox et al (supra)*; *Bolger et al v Youngs Drug Products Corp (supra)*.

¹³⁰⁰ *Central Hudson Gas & Electric v Public Services Commission (supra)*.

¹³⁰¹ *Kasky v Nike (supra)*.

activity, the state's and congress' power to regulate such speech is circumscribed.¹³⁰²

2.1.7.2. Trade mark law and commercial speech protection

The Second Circuit of Appeal has noted that whenever two requirements are present, namely (1) the trade mark or label identifies the source of a product and (2) such label or trade mark proposes a transaction, sufficient information is conveyed in the context of a proposal of a commercial transaction to invoke the protection for commercial speech.¹³⁰³ The Second Circuit has noted further that "[o]rdinarily, the use of a trademark to identify the commodity or a business 'is a form of commercial speech and nothing more.' ... Requiring a commercial speaker to choose words and labels that do not confuse or deceive protects the public and does not impair expression."¹³⁰⁴ Similar considerations apply to the use of trade names.¹³⁰⁵

However, in *Yankee Publishing Inc v News America Publishing Inc*¹³⁰⁶ the court explained the type of conflict that may arise between trade mark law and the constitutional right to freedom of speech:

"Because the trademark law regulates the use of words, pictures and other symbols, it can conflict with values protected by the First Amendment. To grant to one person the exclusive right to use a set of words or symbols in trade can collide with the free speech rights of others. When another's trade mark (or confusingly similar mark) is used without permission for the purpose of source identification, the trade mark law generally prevails over the First Amendment. Free speech rights do not extend to labelling or advertising products in a manner that conflicts with the trademark rights of

¹³⁰² *Central Hudson Gas & Electric v Public Services Commission* (*supra*).

¹³⁰³ *Bad Frog Brewery Inc v New York State Liquor Authority* 134 F.3d 87 (2nd Cir. 1998). A copy of this judgment can be downloaded from <http://csmail.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/97-7949.opn.html>.

¹³⁰⁴ *Silverman v CBS Inc* 870 F.2d 40 (2nd Cir. 1989):48.

¹³⁰⁵ In *Friedman et al v Rogers et al* 440 US 1 (1979) the Supreme Court of Appeal noted that "[o]nce a trade name has been in use for some time, it may serve to identify an optometrical practice and also to convey information about the type, price, and quality of services offered for sale in that practice. In each role, the trade name is used as part of a proposal of a commercial transaction ... The use of trade names in connection with optometrical practice, then, is a form of commercial speech and nothing more." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=440&invol=1>.

¹³⁰⁶ 809 F.Supp. 267 (S.D.N.Y. 1992). A copy of this judgment was obtained from Westlaw.

others.¹³⁰⁷ In these circumstances the exclusive right guaranteed by the trademark law is generally superior to the general free speech rights of others. However, when unauthorised use of another's mark is part of a communicative message and not a source identifier, the First Amendment is implicated in opposition to the trademark right¹³⁰⁸ ... Thus, where the unauthorised use of a trademark is for expressive purposes of comedy, parody, allusion, criticism, news reporting, and commentary, the law requires a balancing of the rights of the trademark owner against the interests of free speech."¹³⁰⁹

Specifically with regard to parodies, the Second Circuit of Appeal has noted that the "expressive element of parodies requires more protection than the labeling of ordinary commercial products"¹³¹⁰ and that the "balancing approach allows greater latitude for works such as parodies, in which expression, and not commercial exploitation of another's trademark, is the primary intent, and in which there is a need to evoke the original work being parodied."¹³¹¹ For this reason, it has been stated that "the First Amendment confers a measure of protection for the unauthorised use of trademarks when that use is a part of the expression of a communicative message."¹³¹²

The Second Circuit of Appeal has also noted that when an activity is alleged to infringe trade mark protection and the defendant avers that this conduct is protected by the *First Amendment*, the *Lanham Act* must be construed narrowly. In particular, the (strong) public interest in free expression must be weighed against the (strong) public interest in avoiding consumer confusion.¹³¹³

Specifically, the court in *Morrison & Foerster v Wick*¹³¹⁴ held that a defendant is prohibited from raising the constitutional defense of the right to freedom of speech, where his use of the plaintiff's trade mark causes confusion.¹³¹⁵

¹³⁰⁷ This sentence as well as the preceding sentence was approved in *Morrison & Foerster v Wick* 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>.

¹³⁰⁸ This sentence was confirmed in *New York Stock Exchange Inc v Gahary et al* 196 F.Supp.2d 401 (S.D.N.Y. 2002). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/005764.htm>.

¹³⁰⁹ 809 F.Supp. 267 (S.D.N.Y. 1992):275-276.

¹³¹⁰ *Cliffs Notes Inc v Bantam Doubleday Dell Publishing Group Inc* 886 F.2d 490 (2nd Cir. 1989):495.

¹³¹¹ *Cliffs Notes Inc v Bantam Doubleday Dell Publishing Group Inc* (*supra*):495.

¹³¹² *Yankee Publishing Inc v News America Publishing Inc* (*supra*):275.

¹³¹³ *Cliffs Notes Inc v Bantam Doubleday Dell Publishing Group Inc* (*supra*):494 & 496. See also the *Yankee* case (*supra*):280.

¹³¹⁴ *Supra*.

2.2. US experience – use of a trade mark

Next the various methods in which the Internet have been employed to infringe trade mark protection are discussed. Special emphasis is placed on trade mark infringements unique to the Internet.

2.2.1. Using trade marks on web sites or web pages

2.2.1.1. Permitted use

2.2.1.1.1. Comparative advertisements: employing a third party's trade mark to distinguish one's performance

US law permits competitor A to use competitor B's trade mark on the Internet in order to distinguish their products. For instance, in *Brookfield Communications Inc v West Coast Entertainment Corp*¹³¹⁶ the Ninth Circuit of Appeal maintained that competitor A was allowed to include an advertisement banner on his web page stating something like: "Why pay more for the same product at MovieBuff [the trade mark of a competitor] when you can get the same thing here for free?"¹³¹⁷

2.2.1.1.2. Descriptive fair use: employing a third party's trade mark to describe one's performance

In *Playboy Enterprises Inc v Welles*¹³¹⁸ the defendant, a former "Playmate of the Year", used the plaintiff's "Playboy", "Playmate" and "Playmate of the year" trade marks on her web page. The plaintiff submitted that such use was likely to confuse Internet users and accordingly requested an interdict prohibiting the defendant from using these trade

¹³¹⁵ The facts were that the defendant, a cybersquatter, registered a few domain names consisting of the plaintiff's registered and well-known trade mark names. The court maintained that defendant "chose to use [plaintiff's] mark to deceive Internet users into believing they were accessing [plaintiff's] web site. Such use of the mark is not protected by the First Amendment."

¹³¹⁶ 174 F.3d 1036 (9th Cir. 1999). A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>.

¹³¹⁷ 174 F.3d 1036 (9th Cir. 1999); par 32.

¹³¹⁸ 7 F.Supp.2d 1098 (S.D. Cal. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Wells.html. When this judgment went on appeal, the Ninth Circuit of Appeal court confirmed the court *a quo's* judgment. See *Playboy Enterprises Inc v Welles et al* 162

marks on her web site. The court identified the problematic issue as follows: “[T]he trademarks that [defendant] uses, and the manner in which she uses them, describe her and identify her. This raises a question of whether there is a ‘fair use’ of these marks”. The court maintained that the defendant was permitted to use the title “Playmate of the Year” without the plaintiff objecting: She used the term to identify and describe herself.¹³¹⁹ The court also noted that the defendant had “minimized her references to Playboy on her website and [had] not attempted to trick consumers into believing that they are viewing a Playboy-endorsed website.” The court went on to state that -

“[s]he does not use *Playboy* or *Playmate* in her domain name, she does not use the classic *Playboy* bunny logo, she inserted disclaimers which clearly state that the website is not endorsed by PEI, and the font of the *Playmate of the Year 1981* title is not recognizable as a Playboy magazine font.”¹³²⁰

Therefore, the court held that plaintiff failed to prove that either consumers were actually confused or were likely to be confused.

2.2.1.1.3. Commentary: employing a third party's trade mark to criticise his performance

In *Bally Total Fitness Holding Co v Faber*¹³²¹ the plaintiff was the owner of the registered trade mark “Bally.” Defendant operated a web site “www.compupix.com” which he employed to criticise the plaintiff's services. On this web site he used the plaintiff's trade mark, but wrote across it (by means of computer software) “sucks” so

F.3d 1169 (9th Cir. 2002). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/cir9th/0055009p.pdf>.

¹³¹⁹ The appeal court agreed with the court *a quo*, stating that “Welles [can] only identify herself by using PEI's trademarked title.” See p1624. The appeal court also stated that “[a]wards are not diminished or diluted by the fact that they have been awarded in the past. Similarly, they are not diminished or diluted when past recipients truthfully identify themselves as such. It is in the nature of honors and awards to be identified with the people who receive them. Of course, the conferrer of such honors and awards is free to limit the honoree's use of the title or references to the award by contract. So long as a use is nominative, however, trademark law is unavailing.” See p 1632.

¹³²⁰ The court of appeal maintained that defendant's use of plaintiff's trade mark was also lawful because she “used only the trademarked words, not the font or symbols associated with the trademarks.” See p1625. The court of appeal maintained further that the disclaimers prevented a likelihood of confusion. See p 1626.

¹³²¹ 29 F.Supp.2d 1161 (C.D. Cal. 1998). A copy of this judgment was obtained from Westlaw.

that it would read "Bally sucks". Plaintiff alleged that defendant's conduct constituted trade mark infringement. The court was of the opinion that no likelihood of confusion existed because 1) plaintiff and defendant were not competitors, and 2) the reasonable user would not mistake defendant's site for plaintiff's official site because of the word "sucks" written across the Bally trade mark.¹³²² The court further remarked that defendant was merely exercising his right to publish critical commentary about the plaintiff.¹³²³ "Faber can use Bally's mark to identify the source of the goods or services of which he is complaining. This use is necessary to maintain broad opportunities for expression."¹³²⁴

Plaintiff further alleged that defendant's conduct constituted trade mark dilution. The court rejected this argument, noting that defendant was not using plaintiff's mark in commerce: "Faber is not using the Bally mark to sell his services. Faber is not using Bally's mark to identify his goods in commerce."¹³²⁵ Finally, the court remarked that "[t]he explosion of the Internet is not without its growing pains. It is an efficient means for business to disseminate information, but it also affords critics of those businesses an equally efficient means of disseminating commentary."¹³²⁶

2.2.1.1.4. Employing a third party's trade mark to refer to infringing copies

In *Nihon Keizai Shimbun Inc v Comline Business Data Inc et al*¹³²⁷ the defendant made abstracts, from the plaintiff's articles, publicly available for commercial purposes. This according to the court constituted copyright infringement. In addition, the defendant used the plaintiff's trade mark "Nikkei" to identify these abstracts. The plaintiff averred that this constituted trade mark infringement. The court disagreed, stating that this was protected by the fair use defence:

"An abstract is often as valuable for the source of its facts as it is for the facts it relates, and it will usually be impossible to identify the source of the factual information without using a registered trademark of the source. It would not be trademark infringement had Comline simply printed 'The Nikkei Weekly reports that' at the beginning of the first

¹³²² 29 F.Supp.2d 1161 (C.D. Cal. 1998):1164.

¹³²³ 29 F.Supp.2d 1161 (C.D. Cal. 1998):1165.

¹³²⁴ 29 F.Supp.2d 1161 (C.D. Cal. 1998):1167.

¹³²⁵ 29 F.Supp.2d 1161 (C.D. Cal. 1998):1167.

¹³²⁶ 29 F.Supp.2d 1161 (C.D. Cal. 1998):1168.

¹³²⁷ 166 F.3d 65 (2nd Cir. 1999). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/January99/98-78420.html.

sentence of each of its abstracts. We perceive little difference in Comline's use of the trademark at the end of the abstract, in the manner of a footnote or bibliography. And while other aspects of defendants' behavior may have evidenced bad faith, we see no basis for a finding of bad faith in their use of the 'Nikkei' mark."

2.2.1.2. Prohibited use

2.2.1.2.1. Using a trade mark to refer to infringing copies

Using a trade mark without prior authority in constructing one's web site may constitute trade mark infringement.¹³²⁸ In *Playboy Enterprises Inc v Frena et al*¹³²⁹ the defendants operated a subscription BBS. Defendants' subscribers uploaded a 170 of plaintiff's photographs onto its (i.e. defendants') BBS. The subscribers also used plaintiff's trade mark names ("Playboy" and "Playmate") as file descriptors for these images. Stated differently, Playboy's trade mark names were visible in the defendants' indexes, used by the Internet community. The defendants' never used these trade mark names as file descriptors for their BBS. The question of law was whether the defendants were guilty of trade mark infringement. The court answered this in the affirmative:

"An examination of the factors mentioned above¹³³⁰ indicates that Defendant Frena's use of PEI's marks is likely to confuse consumers. Defendant Frena is not merely using marks similar to those of Plaintiff, Defendant Frena is using the exact marks registered to Plaintiff ... Defendant Frena used the identical mark of Plaintiff and the services involved were virtually identical ... It is likely that customers of Defendant Frena would believe that PEI was the source of Defendant Frena's images and that PEI either sponsored, endorsed or approved Defendant Frena's use of PEI's images."

Therefore, it transpires from the above that even though the defendants did not directly participate in using the said trade mark names as file descriptors for their BBS, the court was of the opinion that they were directly liable for trade mark infringement.

A similar scenario arose in *Sega Enterprises Ltd v Sabella et al*.¹³³¹ The defendants, operated a BBS and allowed their subscribers to upload and download illegal copies of

¹³²⁸ Davies 1996:157 & 158.

¹³²⁹ 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html.

¹³³⁰ Namely that the Playboy trade mark is well-known.

¹³³¹ 1996 US Dist Lexis 20470 (N.D. Cal. 1996). A copy of this judgment can be downloaded from www.isc.meiji.ac.jp/~sumwel_h/doc/cases/Sega_1995_SD_N-California.htm.

the plaintiff's video games. The defendants' subscribers used the plaintiff's trade mark name to identify these games. The plaintiff alleged that the defendants were guilty of trade mark infringement. The court agreed that a likelihood of confusion existed because a) "BBS users or third parties who may receive copies of Sega games from BBS users are likely to confuse the unauthorized copies downloaded and transferred from ... BBS with genuine Sega video game programs", b) a mark identical to the plaintiff's actual trade mark was displayed on the BBS, and finally c) "[a]ny member of the public who logged onto Sabella's BBS was likely to think that the trademark indicated that the games were sponsored by or affiliated with Sega." However, the court was of the opinion that the plaintiff did not establish, for the purpose of direct trade mark infringement, that the defendants used its trade mark because the latter strenuously denied that they knew that Sega games were uploaded/downloaded from the BBS and averred that they never used the mark themselves. The court was of the opinion that defendants were guilty of contributory trade mark infringement "which only requires reason to know of the infringing activity".

An example of direct trade mark infringement is *Sega Enterprises Ltd v Maphia*.¹³³² The defendant, a BBS, used the plaintiff's trade mark on its web site to indicate all the Sega games that could be downloaded from its site. All these copies were illegal. The plaintiff instituted action based on (*inter alia*) trade mark infringement in that the defendant used its trade mark to indicate illegal copies of its (the plaintiff's) games. The court held that a likelihood of consumer confusion existed "regarding the sponsorship and origin of the game files available on the" BBS in that a) the goods downloaded from the BBS were identical to genuine Sega games and b) the mark displayed to indicate the unauthorized games was identical to Sega's actual trademark. Furthermore,

"[a]ny member of the public that logged onto [defendant's] BBS was likely to think that the trademark indicated that the games were sponsored by or affiliated with Sega. Additionally, any member of the public who played such a game using a copier, such as those sold by Sherman, was also likely to be confused as to whether the game played with the copier was sponsored by, or affiliated with Sega."

It should also be mentioned that the defendant contended that the games available on his BBS were genuine games as opposed to counterfeit. The court found this

¹³³² 857 F.Supp. 769 (N.D. Cal. 1994). A copy of this judgment can be downloaded from http://www.leepfrog.com/E-Law/Cases/Sega_v_MAPHIA2.html.

argument unpersuasive: “[T]he game files available on Sherman’s BBS cannot be considered ‘genuine’ for the purposes of the Lanham Act because they were distributed in an unauthorized manner and were not subject to Sega quality controls.”

In *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al*¹³³³ plaintiff owned two registered and well-known trade marks namely “Playboy” and “Bunny”. Defendant used these trade marks, without plaintiff’s authorisation, on its web site (www.adult-sex.com) to advertise sexually explicit photographic images. Defendant’s web site offered a subscription service called “Playboy’s Private Collection”. The Playboy trade mark was prominently displayed on this page. It also used the term “BUNNY” on the navigation bar of the introductory screens and web pages. The Playboy mark also appeared in the defendant’s web site address: www.adult-sex.com/playboy/members/pictures. Defendant also employed an e-mail address utilizing the Playboy trade: Playboy@adult-sex.com.

The court maintained that because defendant employed the words Playboy and Bunny in its web site, such use created a likelihood of confusion: “PEI and defendant market their services through the same channel of trade: the Internet. The consuming public is likely to believe that PEI is connected with defendants’ hard core.” Moreover, the court held that defendant intentionally adopted the plaintiff’s trade marks “in an effort to capitalize on PEI’s established reputation in the PLAYBOY and RABBIT HEAD DESIGN marks.”¹³³⁴ Therefore, the defendant was guilty of both trade mark infringement and trade mark dilution.

As can be seen from the above, conflicting judgments have been given on a particular issue. Most of these judgments were delivered before US courts commenced addressing Internet uses in detail. For this reason, some courts held that a defendant was directly liable for trade mark infringements committed by his subscribers even though he did not participate in these infringements. Although no-one would suggest that the defendant should escape liability merely because he did not actively participate in such infringing activities, it is clear that he cannot be held directly liable. Only the said subscribers are directly liable. The defendant, on the other hand, should either be vicariously or contributorily liable, where the circumstances justify such

¹³³³ 48 USPQ.2d 1779 (E.D. Pa. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html.

¹³³⁴ The court also maintained that the defendant’s committed trade mark dilution, without providing an analysis of the applicable principles.

liability.

2.2.1.2.2. Repeated unlawful use of a third party's trade mark for competing performance

In *Playboy Enterprises Inc v Calvin et al*¹³³⁵ the plaintiff was the owner of the famous and registered trade marks "Playboy" and "Playmate". The defendants, not affiliated with or sponsored by the plaintiff, used these trade marks repeatedly on their web site, which they used for selling their own pornographic images, in two ways: a) By using the plaintiff's trade mark names in phrases such as "Playboy Live Magazine", "Get it all here @ Playboy" and "Playboy Live Stripshow"; and b) By hiding these trade mark names in a black background, which overlaid the words printed on these web pages. Therefore, when an Internet user viewed these web pages, he would not see these hidden words.^{1336 1337} The plaintiff applied for an interdict to restrain the defendants from using its trade marks in the latter's web pages, contending that such conduct infringed its trade mark rights and diluted the value of its trade marks. The court, without distinguishing between the visible and invisible use of the plaintiff's trade mark names on the defendants' web pages, stated that the repeated use of these trade marks on defendants' web pages constituted trade mark infringement in that these trade marks were accessible to individuals and Internet search engines attempting to access plaintiff's web site under its registered trade marks which, in turn, resulted in a likelihood of confusion that the goods or services were authorised by, sponsored by, licensed by or were in some way associated with, the plaintiff. The court was further of the opinion that the defendants' use of the plaintiff's trade mark diluted its trade marks.

In *Lewis et al v Rocky Mountain Internet et al*¹³³⁸ the defendants were the owners of the well-known and registered trade mark "Rockies", used in connection with a US baseball team and various consumer goods and services. The plaintiffs displayed, without the defendants' authorisation, the latter's trade mark on their web site and

¹³³⁵ 985 F.Supp. 1220 (N.D. Cal. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Calvin.html. For additional facts, see Playboy's complaint which can be downloaded from www.patents.com/ac/playcpt.htm.

¹³³⁶ The defendants probably inserted these hidden words to ensure that search engines would list their web site amongst the other Playboy affiliated web sites.

¹³³⁷ Defendants also engaged in selling online pornographic images. They used the web site addresses www.playboyxxx.com and www.playmatelive.com for this purpose.

further stated that Internet users could sent e-mail to the Rockies baseball players *via* their web site. In addition, the plaintiffs' own logo for their web site, the "Daily Rockies Web", was confusingly similar to the defendants' trade mark. The plaintiffs used this web site for offering information about the Rockies. The site also contained a link to a third party's web site where "Official Rockies Merchandise" was offered. The defendants contended that the plaintiffs were guilty of trade mark infringement and dilution.

The court held that plaintiffs' employment of the defendants' trade mark was likely to cause confusion as to the source or origin of their (the plaintiffs') goods and services. The court was further of the opinion that the plaintiffs' used the "Rockies" trade mark in connection with similar goods and services as those provided by the defendants – the defendants also published information about the Rockies. The court further held that the plaintiffs appropriated the defendants' marks with the intent to confuse and deceive the public "in order to derive economic benefit from the reputation and good will associated with the Rockies' Marks". The court also remarked that the plaintiffs' use of the Rockies trade mark was diluting the value of, and specifically by blurring the distinctiveness of, the defendants' trade mark. The court elaborated on this finding by stating that the plaintiffs' use of the Rockies mark in connection with their web site services constituted commercial use of the mark in interstate commerce.

The third and final judgment relevant to this discussion is *Playboy Enterprises Inc v AsiaFocus International Inc et al.*¹³³⁹ The plaintiff was the owner of the famous and registered trade marks "Playboy" and "Playmate". The defendants, neither affiliated with nor sponsored by the plaintiff, used the latter's trade marks in various ways in connection with their own web site, which also offered adult photo collections. For example, the defendants' web site was entitled "Asian Playmates" and virtually every web page stated "Asian-Playmates for the Playboy in all of us". In addition, the defendants also used the "Playboy" and "Playmate" trade marks to promote the sale of goods and services such as playing cards, calendars, wrist watches and key chains, which could be purchased online. The plaintiff alleged that the defendants were guilty of both trade mark infringement and dilution.

¹³³⁸ 96-CV-4693 (D. Colo. 1997). A copy of this judgment can be downloaded from <http://home.dti.net/bdpc/rockies.htm>.

¹³³⁹ 1998 US Dist LEXIS 10359 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/playboy.html>.

The court was of the opinion that the repeated use of the plaintiff's trade mark in connection with competing services was likely to cause consumer confusion in that Internet users would "believe that defendants' Web site was sponsored by or somehow affiliated with" the plaintiff.¹³⁴⁰ The court was further of the opinion that the defendants' use of the plaintiff's trade marks diluted the trade marks' value and distinctiveness: "It is clear that the capacity of PEI to identify its goods and services was diminished by the defendants' use of the terms to promote not only their Web site, but the goods and services offered in connection therewith".

Therefore, it can be concluded that where A uses B's trade mark on his (A's) web site in connection with similar goods and services as those provided by B, A is guilty of trade mark infringement and dilution.

2.2.1.2.3. Distributor using manufacturer's trade mark to refer to his performance

In *Bernina of America Inc v Fashion Fabrics International Inc*¹³⁴¹ the plaintiff was the owner of the registered trade marks "Bernina" and "Bernette" which it used to market sewing machines, products and technology. The defendant was an independent retailer of sewing machines and products, but not an authorised Bernina dealer. The defendant used the web site www.allbrands.com for advertising the products it sold. On this web site the defendant used the plaintiff's trade mark to describe certain products such as the "Bernina & Bernette Sewing Machines". The defendant, by means of its web page, also informed consumers of the latest developments in the Bernina manufacturing process. The plaintiff instituted action for trade mark infringement.

The court firstly stated that it was well-settled under the "first sale doctrine" that an independent dealer is allowed to use a manufacturer's trade mark to re-sell that brand of goods and that such conduct does not constitute trade mark infringement or unfair competition, provided that the reseller is obligated to do so in a manner that is not likely to cause confusion or imply that the reseller is associated with the manufacturer.

¹³⁴⁰ The court went on to state that "[t]he defendants specifically chose to copy famous trademarks for a well-known source of 'adult' entertainment for use in their own 'adult' service. In doing so, they reaped the benefit of the public's established association of the trademarks PLAYMATE and PLAYBOY with adult entertainment. No other purpose appears for choosing PLAYMATE and PLAYBOY but to create that false association in the mind of the consuming public."

However, the court also noted that where a manufacturer has an authorised sales network in place, a reseller or distributor can only use the manufacturer's trade mark if he makes it clear that he is not part of that network. Otherwise he will mislead consumers into believing that he is part of that network.

The court further held that "[b]ecause [defendant] holds itself out to the public to be abreast of the latest news regarding Bernina, the Court finds that [defendant's] representations go beyond the mere reselling of Bernina's trademark products and mislead consumers into believing that [defendant] is affiliated or associated with Bernina." Therefore, a likelihood of confusion existed that defendant was an authorized dealer of plaintiff's products. The court further noted that defendant took improper advantage of plaintiff's goodwill and reputation by misleading the public into believing that it was an authorised Bernina dealer. The court finally held that prejudice was present in that the plaintiff would suffer diminution of its goodwill and reputation.

2.2.1.2.4. Using a third party's trade mark in connection with lewd content

In *Mattel Inc v Jcom Inc*¹³⁴² the plaintiff was the owner of the infamous and registered trade mark "Barbie", registered for various products including dolls. The defendant commenced an adult entertainment service at www.jcom.com under the mark "Barbie's Playhouse".¹³⁴³ The plaintiff instituted action for trade mark dilution. The court simply stated that "defendants' use of 'Barbie's Playhouse,' in the font and coloring most commonly associated with BARBIE, as well as the use of a doll-like figure similar to the form of a Barbie doll on the bottom of the Web site, dilutes Mattel's BARBIE trademark."

2.2.1.2.5. Using a third party's trade mark when one does not sell that product

At least one court has stated that when a distributor uses a manufacturer's trade mark on his web site as a brand name but does not sell that particular brand, the distributor is guilty of trade mark infringement in that such trade mark name is used only for the

¹³⁴¹ 57 USPQ.2d 1881 (N.D. ILL. 2001). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/01585.htm>.

¹³⁴² 48 USPQ.2d 1467 (S.D.N.Y. 1998). A copy of this judgment was obtained from Westlaw.

¹³⁴³ The font in which the word "Barbie" was written on defendant's web site was virtually identical to the font plaintiff used in connection with the sale of Barbie dolls.

purpose of luring Internet users to his web site. Such practice is both deceptive and confusing.¹³⁴⁴

2.2.2. Unauthorised use of trade marks in e-mail addresses

In *Playboy Enterprises Inc v AsiaFocus International Inc et al*¹³⁴⁵ the defendants used the plaintiff's trade mark ("Playmate") in their e-mail address namely "playmate@pinmail.com". The plaintiff contended that the defendant was likely to cause confusion and was consequently guilty of trade mark infringement. The court stated that the use of such a famous trade mark name as part of defendants' e-mail address was likely to cause consumer confusion and consequently constituted trade mark infringement. The court granted an interdict enjoining the defendants from using that particular trade mark as part of their e-mail address.

Numerous instances have emerged where Internet users altered ("spoofed") their own Internet addresses when sending e-mail messages, substituting their addresses with third party trade mark names and consequently implying that the latter sent the e-mail messages. The following judgments illustrate that such nefarious conduct constitutes trade mark infringement as well as dilution.

In *Hotmail Corporation v Van Money Pie Inc et al*¹³⁴⁶ the defendants sent spam (unsolicited commercial e-mail, akin to junk mail) to the e-mail accounts of Hotmail subscribers.¹³⁴⁷ The defendants altered (forged) the return addresses of these e-mail messages and falsely indicated that these messages were sent from a Hotmail account, rather than their true source. The plaintiff (Hotmail) applied for an interdict prohibiting the defendants from sending spam indicating that it came from Hotmail.

¹³⁴⁴ See *Movado Group Inc v Matagorda Ventures Inc et al* 2000 WL 1855120 (S.D.N.Y. 2000) where the court held that "it seems patent that the only reason the Defendants would include on their website the brand name of a watch they did not sell is to lure potential consumers searching the internet to their website. Such action, analogous to the old fashioned 'bait and switch,' is deceptive and confusing as a matter of law. As stated by Judge Scheindlin: 'In the cyberspace context, the concern is that potential customers of one website will be diverted and distracted to a competing website. The harm is that the potential customer believes that the competing website is associated with the website the customer was originally searching for and will not resume searching for the original website.' *Bihari v Gross*". A copy of this judgment was obtained from Westlaw.

¹³⁴⁵ 1998 US Dist LEXIS 10359 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/playboy.html>.

¹³⁴⁶ 47 USPQ.2d 1020 (N.D. Cal. 1998). A copy of this judgment was obtained from Westlaw.

¹³⁴⁷ Hotmail provides free e-mail services. See www.hotmail.com.

The court held that the “[d]efendants’ ‘mark’ [referring to the fact that the defendants used the plaintiff’s trade mark to indicate the origin of the spam e-mail messages] is not only confusingly similar to plaintiff’s mark, it is identical to it. A comparison of defendants’ and plaintiff’s uses shows such striking similarity that a jury could not help but find that defendants’ use is confusing. Indeed, there has been actual confusion among consumers regarding the marks. This factor alone may be determinative.”¹³⁴⁸ The court further remarked that the defendants’ conduct diluted the plaintiffs’ famous and distinctive trade mark.¹³⁴⁹

“[T]he use of identical marks by defendants who are sending e-mails to thousands of e-mail users across the country and the world through identical trade channels threatens to dilute the distinctiveness of plaintiff’s trademark and threatens to harm plaintiff’s business reputation.”¹³⁵⁰

Therefore, the defendant’s use of the plaintiff’s trade mark blurred the distinctiveness of the plaintiff’s trade mark as well as tarnished the trade mark’s reputation. Identical considerations arose on *America Online Inc v LCGM Inc*¹³⁵¹ where the defendants, owners of pornography web sites, forged the header lines of spam e-mails so as to appear that those e-mails, encouraging AOL¹³⁵² members to visit certain pornography web sites, came from AOL. Plaintiff alleged that these activities constituted trade mark infringement because “many AOL members expressed confusion about whether AOL endorsed defendants’ pornographic Web sites or their bulk e-mailing practices.” The court found the defendants guilty of trade mark infringements because -

“the use of ‘aol.com’ in defendants’ e-mails was likely to cause confusion as to the origin and sponsorship of defendants’ goods and services. Any e-mail recipient could logically conclude that a message containing the initials ‘aol.com’ in the header would originate from AOL’s registered Internet domain, which incorporates the registered mark ‘AOL.’ ... The recipient of such a message would be led to conclude the sender was an AOL member or AOL, the Internet Service Provider. Indeed, plaintiff alleges that this designation did cause such confusion among many AOL members, who believed that AOL sponsored and authorized defendants’ bulk e-mailing practices and

¹³⁴⁸ 47 USPQ.2d 1020 (N.D. Cal. 1998):1023, par 25.

¹³⁴⁹ 47 USPQ.2d 1020 (N.D. Cal. 1998):1024, par 32.

¹³⁵⁰ 47 USPQ.2d 1020 (N.D. Cal. 1998):1024, par 32.

¹³⁵¹ 46 F.Supp.2d 444 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dljunk/lcgmopin.html>.

¹³⁵² AOL is an acronym for “America Online”.

pornographic web sites.”¹³⁵³

Likewise, in *America Online Inc v IMS*,¹³⁵⁴ where the defendants also spoofed their e-mail addresses to appear as if AOL sent the disputed messages, the court held that -

“the ‘AOL’ mark was diluted by tarnishment. ‘The sine qua non of tarnishment is a finding that plaintiff’s mark will suffer negative associations through defendant’s use ... there is a strong likelihood of dilution by negative associations that AOL subscribers make between AOL and [defendants’] junk e-mailing practices.’ ”

Other courts have also maintained that where the defendants spoofed their e-mail addresses, consequently falsely indicating that the disputed messages came from the plaintiffs’ servers, the former was guilty of trade mark infringement as well as dilution in that Internet users would believe that these messages emanated from plaintiffs’ servers.¹³⁵⁵

2.2.3. Using trade marks as domain names

The following subparagraphs illustrate the conflict and interaction between protecting trade mark names, on the one hand, and using third parties’ trade mark names as part of one’s web site address, on the other hand.

¹³⁵³ In fact, AOL received more than 450 000 complaints from its subscribers.

¹³⁵⁴ 24 F.Supp.2d 548 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dljunk/imsopin.html>.

¹³⁵⁵ See e.g. *Classified Ventures L.L.C. v Softcell Marketing Inc* 109 F.Supp.2d 898 (N.D. ILL. 2000). The court noted that where the spammers advertised pornography by means of their spoofed e-mail messages, such conduct constituted dilution of the plaintiff’s service mark, which was, in that particular scenario, the e-mail address www.cars.com: “When consumers associate a famous mark that has traditionally identified the mark holder’s goods and services with a new and different source, dilution occurs and the mark loses its value ... In this case, consumers are likely to associate Softcell and its pornographic spam e-mails with Classified Ventures and its famous CARS.COM Service Marks, lessening the distinctive value of the CARS.COM Service Marks.” (At 901). A copy of this judgment was obtained from Westlaw. See further *America Online Inc v Prime Data Systems Inc et al* 1998 US Dist LEXIS 20226 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dljunk/primereport.html>.

2.2.3.1. Introduction: what is a domain name?¹³⁵⁶

The current key issue in trade mark law concerns the employment of trade mark names as domain names.¹³⁵⁷ An example of a domain name is www.uovs.ac.za. A domain name¹³⁵⁸ is the address for a particular web site¹³⁵⁹ and hence is also known as a *web site address*, or simply a *web address*.^{1360 1361 1362} The sole requirement for

¹³⁵⁶ For a detailed description of how the domain name system works, see *Name Space Inc v Network Solutions Inc et al* 202 F.3d 573 (2nd Cir. 2000). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/January00/99-6080.html.

¹³⁵⁷ Visser 1999(a):92.

¹³⁵⁸ In *Porsche Cars North America Inc & Dr Ing HFC Porsche AG v Porsch.com et al* 51 F.Supp.2d 707 (E.D. Va. 1999) domain names and IP addresses were explained as follows: "Each web site has an 'internet protocol number' - e.g., '156.121 .20.201' - that uniquely identifies it and that a person can 'dial' in order to access the information contained therein. Because an internet protocol number can be difficult to remember, each web site usually has an alphanumeric 'domain name' as well - e.g., 'WWW.USCOURTS.GOV.' ... The distinction between an internet protocol and a domain name roughly compares to the difference between the telephone number (such as '1-800-529-2665') and the mnemonic number (such as '1-800-LAWBOOK') that a business might use in order to attract customers." A copy of this judgment can be downloaded from www.ipwatchdog.com/Porsche.PDF. The (South African) *Electronic Communications and Transactions Act* 25 of 2002 defines in s 1 a "domain name" as "an alphanumeric designation that is registered or assigned in respect of an electronic address or other resource on the Internet".

¹³⁵⁹ *Harrods Limited v Sixty Internet Domain Names* Civ 00-2414 (4th Cir. 2002) [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/002414p.html>]; *Washington Speakers Bureau Inc v Leading Authorities Inc* 33 F.Supp.2d 488 (E.D. Va. 1999) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property/domain/wash299.html>].

¹³⁶⁰ *Porsche Cars North America Inc et al v Porsch.net et al* CV 01-2028 (4th Cir. 2002). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/012028.html>.

¹³⁶¹ Every domain name consists of three parts: "[T]he first part identifies the part of the Internet desired such as world wide web (www), the second part is usually the name of the company or other identifying words, and the third part identifies the type of institution such as government (.gov) or commercial (.com), etc". See *Inset Systems Inc v Instruction Set Inc* 937 F.Supp. 161 (D. Conn. 1996). A copy can be downloaded from www.loundy.com/CASES/Inset_v_Instruction.html.

¹³⁶² It can be mentioned here that domain name servers serve the purpose of directing Internet users to relevant domain names. The concept of a domain name server was explained as follows in the UK case of *Pitman Training Ltd and another v Nominet UK and another* 1997 FSR 797 ChD: "However, when a domain name is used on the Internet it is translated into numbers known as I.P. numbers. The translation is carried out by a series of computer software packages known as domain name servers. An I.P. number is required both to send and to receive e-mail." A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/pitman1.html. The interaction between domain names, IP numbers and domain name servers was explained as follows in *Lockheed Martin Corporation v Network Solutions Inc* 985 F.Supp. 949 (C.D. Cal. 1997): "Web sites, like other information resources on the Internet, are currently addressed using the Internet 'domain name system.' A numbering system called the 'Internet

the registration of a particular domain name is that each domain name must be unique.¹³⁶³ This means that there cannot exist two www.mcdonalds.com. However there can exist simultaneously a www.mcdonalds.com and a www.mcdonalds.co.za.¹³⁶⁴ Consequently two businesses, wherever located in the world, with identical names cannot both have the same domain name incorporating their business name or trade mark name.¹³⁶⁵ A further consequence is that "[i]n the past, confusingly similar trademarks could exist simultaneously in different geographical areas or in different business sectors without creating consumer confusion. The internet has drastically changed this situation because a domain name is both unique and global in scope."¹³⁶⁶

All domain names consist of a Top Level Domain (TLD) and a Second Level Domain (SLD). For example, in the web address www.uovs.co.za the Top Level Domain is the

Protocol' gives each individual computer or network a unique numerical address on the Internet. The 'Internet Protocol number,' also known as an 'IP number,' consists of four groups of digits separated by periods, such as '192.215.247.50.' For the convenience of users, individual resources on the Internet are also given names. Specialized computers known as 'domain name servers' maintain tables linking domain names to IP numbers." A copy of this judgment can be downloaded from www.louandy.com/CASES/Lockheed_v_NSI.html. Stated differently, computers do not find each other by using domain names. Instead they use the IP number. Each computer logged onto the Internet has a unique IP number. See *PGMedia Inc v Network Solutions Inc* 51 F.Supp.2d 389 (S.D.N.Y. 1999). A copy of this judgment was obtained from Westlaw.

¹³⁶³ See *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999). A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>. See further Anonymous 2001:5; Van der Merwe 2000:51; Buys 2000:74.

¹³⁶⁴ The following is a list of some of the possible domain name abbreviations and their meanings: ".com" = commercial; ".net" = network providers; ".org" = non-governmental or non-commercial organisation; ".edu" = educational establishments; ".co" = commercial institution; ".ac" = tertiary institution; ".gov" = a government web site; ".mil" = a military web site; ".int" = international organisations such as the WTO; ".aero" = for the air-transport industry; ".biz" = for businesses; ".coop" = for cooperatives; ".info" = anyone can register a .info web site; ".museum" = for museums only; ".name" = for individuals that want to register a web site in their name, as opposed to a domain name owned by a company; and ".pro" = for professionals such as lawyers, doctors, etc. See www.icann.org/tlds/. At present there are approximately 240 two-letter country code TLDs (ccTLD) such as .za, .uk, etc. See *Name Space Inc v Network Solutions Inc et al (supra)*.

¹³⁶⁵ *Lockheed Martin Corporation v Network Solutions Inc (supra)*.

¹³⁶⁶ *Sallen v Corinthians Licenciamentos LTDA & et al* 273 F.3d 14 (1st Cir. 2001). A copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=01-1197.01A. See also <http://cyber.law.harvard.edu/property/domain/>.

suffix “.co.za” and the Second Level Domain is the word “uovs”.¹³⁶⁷ The period separating the SLD from the TLD is pronounced as “dot”.¹³⁶⁸ Certain symbols, such as ampersands (“&”) and apostrophes (e.g. “ ’ ”) cannot be used in a domain name.¹³⁶⁹ Furthermore, domain names cannot include spaces and consequently all the words constituting the second level domain must be written together.¹³⁷⁰ For example, the trade mark name “Victoria’s Secret” must be reflected as www.victoriasssecret.co.za.

Any entity or individual may register multiple domain names, just as anyone may have multiple phone numbers, postal addresses or trade marks.¹³⁷¹ These domain names may point to the same web site, different web sites, or different web pages of the same web site.¹³⁷² Use of multiple domain names allows any business to reach more people through the Internet, potentially generating more business for it as well as giving existing customers easier access to its web presence.¹³⁷³

A domain name -

- a) can fulfil trade mark functions such as distinguishing the goods and services of one entrepreneur from those of another.¹³⁷⁴ For instance, the domain address www.norton.com refers to, and distinguishes, the product Norton’s Anti-virus software. For this reason, Webster notes that some domain names can be treated as the Internet counterpart of trade marks in the physical world;¹³⁷⁵ and/or
- b) can serve as a primary identifier of a source of information, products and services over the Internet: “[A] memorable domain name can mean thousands of additional

¹³⁶⁷ See *Harrods Limited v Sixty Internet Domain Names (supra)*; *Name Space Inc v Network Solutions Inc et al (supra)*; *Morrison & Foerster v Wick* 94 F.Supp.2d 1125 (D. Co. 2000) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>].

¹³⁶⁸ *PGMedia Inc v Network Solutions Inc* 51 F.Supp.2d 389 (S.D.N.Y. 1999). A copy of this judgment was obtained from Westlaw.

¹³⁶⁹ *E & J Gallo Winery v Spider Webs Ltd* 286 F.3d 270 (5th Cir. 2002):272 [a copy of this judgment was obtained from Westlaw]; *Morrison & Foerster v Wick (supra)*.

¹³⁷⁰ *E & J Gallo Winery v Spider Webs Ltd (supra)*:272.

¹³⁷¹ *Washington Speakers Bureau Inc v Leading Authorities Inc (supra)*.

¹³⁷² *Washington Speakers Bureau Inc v Leading Authorities Inc (supra)*.

¹³⁷³ See *Porsche Cars North America Inc & Dr Ing HFC Porsche AG v Porsch.com et al (supra)*; *Washington Speakers Bureau Inc v Leading Authorities Inc (supra)*.

¹³⁷⁴ Van der Merwe & Erasmus 1998:53; *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 183.

¹³⁷⁵ Webster 1998:7-8. See also Kubiszeyn 2000; Brunel 1996:174; www.mbendi.co.za/werksmns/net_law/guide03.htm.

visitors to a site daily".¹³⁷⁶ In *Brookfield Communications Inc v West Coast Entertainment Corp*¹³⁷⁷ the Ninth Circuit of Appeal stated that "like trademarks, second-level domain names communicate information as to source." This statement was interpreted as follows by the court in *555-1212.com Inc v Communication House Intern Inc*:¹³⁷⁸ "Thus, the Ninth Circuit has implied that the source identifying nature of a domain name, if any, lies in the characters which precede a '.com' not the '.com' itself";¹³⁷⁹ and/or

- c) may serve as a corporation's Internet identity; i.e. its Internet/cyber address¹³⁸⁰ where it can be located on the Internet. In fact, in *MTV v Curry*,¹³⁸¹ *Brookfield Communications Inc v West Coast Entertainment Corp*¹³⁸² and *Sallen v Corinthians Licenciamentos LTDA & et al*¹³⁸³ the courts compared domain name addresses to telephone numbers¹³⁸⁴ and in *Virtual Works Inc v Volkswagen of America Inc*¹³⁸⁵ and *Inset Systems Inc v Instruction Set Inc*¹³⁸⁶ the courts equated domain names

¹³⁷⁶ Kubiszyn 2000:36. In *Patmont Motor Werks Inc v Gateway Marine Inc* 1997 US Dist LEXIS 20877 (N.D. Cal. 1997) the court maintained that a "website's domain name signifies its source of origin, and is therefore an important signal to internet users who are seeking to locate web resources." A copy of this judgment can be downloaded from www.loundy.com/CASES/Patmont_v_Gateway.html. In *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998) the court stated that "[o]n the Internet, a domain name serves as the primary identifier of the source of information, products or services." A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html.

¹³⁷⁷ *Supra*.

¹³⁷⁸ 157 F.Supp.2d 1084 (N.D. Cal. 2001). A copy of this judgment was obtained from Westlaw.

¹³⁷⁹ 157 F.Supp.2d 1084 (N.D. Cal. 2001):1090.

¹³⁸⁰ *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 181; Webster 1998:7; Moy 1998(b):12.

¹³⁸¹ 867 F.Supp. 202 (S.D.N.Y. 1994). A copy of this judgment can be downloaded from www.loundy.com/CASES/MTV_v_Curry.html.

¹³⁸² *Supra*.

¹³⁸³ *Supra*.

¹³⁸⁴ See also *Pro C Limited v Computer City Inc* 7 C.P.R. (4th) 193 (Ct App Ontario 2000):par 7. A copy of this judgment can be downloaded from www.pro-c.com/news/judgment.htm. In *Panavision International LP v Toeppen* 141 F.3d 1316 (9th Cir. 1998) the Ninth Circuit of Appeal observed that a "telephone number, moreover, is distinguishable from a domain name because a domain name is associated with a word or phrase." A copy of this judgment can be downloaded from www.findlaw.com/cascode/courts/9th.html.

¹³⁸⁵ 238 F.3d 264 (4th Cir. 2001). A copy can be downloaded from <http://pub.bna.com/lw/001356.htm>.

¹³⁸⁶ *Supra*.

with street addresses.¹³⁸⁷ ¹³⁸⁸ Therefore domain names serve as business identifiers.¹³⁸⁹ In *Two Systems Enterprises Co Ltd v Sonie's Creations*¹³⁹⁰ the panel stated that “[a] domain name is more than a mere Internet address. It often identifies the Internet site to those who reach it, and sends a message that the Web site is owned by, sponsored by, affiliated with, or endorsed by the person with the name, or owning the trademark, reflected in the domain name;” and/or

- d) can serve as a symbol of the entity's goodwill:¹³⁹¹ “As the Internet becomes increasingly important as an information provider and as a vehicle to sell goods and services, domain names are becoming nearly, if not completely, interchangeable with trademarks in their ability to create goodwill among consumers and their resultant capacity to sell goods – and a web presence, whether by a business or public figure is becoming increasingly important to enhance reputation if not to actually sell goods and services;”¹³⁹² and/or
- e) that incorporates a trade mark name is a valuable business asset to its proprietor in that such a domain name “makes it easier for the trademark owner's customers to

¹³⁸⁷ In *Inset Systems Inc v Instruction Set Inc* the court maintained that “[d]omain addresses are similar to street addresses, in that it is through this domain address that Internet users find one another.” See also *Brookfield Communications Inc v West Coast Entertainment Corp* (*supra*).

¹³⁸⁸ However, in *Name Space Inc v Network Solutions Inc et al* (*supra*) the Second Circuit of Appeal warned that “the nature of domain names is not susceptible to such a uniform, monolithic characterization” namely drawing a comparison between domain names and telephone numbers.

¹³⁸⁹ See (*First*) *WIPO Internet Domain Name Process*:v & p 3, par 10; *CSA International v Shannon et al* WIPO case no D2000-0071 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0071.html>]. In *Sallen v Corinthians Licenciamentos LTDA & et al* (*supra*) the First Circuit of Appeal maintained that “[b]ecause of their easily remembered form, domain names have become business identifiers important to offering goods and services on the Internet.” One SA commentator has stated that “[i]n the offline world, your trade mark represents your identity in the marketplace, making you and your products recognisable for the persons and entities with whom you do business, particularly your customers. In the online world of the Internet, domain names fulfil the same role as a trade mark, as your presence on the Internet starts with your domain name. A domain name is an important corporate identifier and beyond being the name under which you send and receive e-mail, like any other trade mark or trade name it can be a symbol of your goodwill and recognition in the market place. Importantly, when attempting to locate an entity on the Internet, the domain name is often the first component of any search.” Silber 2000

¹³⁹⁰ eResolution case no AF-0911. A copy of this judgment can be downloaded from www.disputes.org/eresolution/decisions/0911.htm.

¹³⁹¹ Kaufman 2000:36; Abel 1999:92; www.mbendi.co.za/werksmns/net_law/guide03.htm.

¹³⁹² Kaufman 2000:36-37.

find the trademark owner's Internet resources such as Web sites";¹³⁹³ and/or

- f) can, under given circumstances, be protected by the constitutional right to freedom of speech. In *Name Space Inc v Network Solutions Inc et al*¹³⁹⁴ the Second Circuit of Appeal observed, with regard to the question whether a domain name is protected by the above-mentioned constitutional right, that -

"the functionality of domain names does not automatically place them beyond the reach of the First Amendment. Although domain names do have a functional purpose, whether the mix of functionality and expression is 'sufficiently imbued with the elements of communication' depends on the domain name in question, the intentions of the registrant, the contents of the website, and the technical protocols that govern the DNS ... Functionality and expression are therefore not mutually exclusive: for example, automobile license plates have a functional purpose, but that function can be served as well by vanity plates, which in a small way can also be expressive. Similarly, domain names may be employed for a variety of communicative purposes with both functional and expressive elements, ranging from the truly mundane street address or telephone number-like identification of the specific business that is operating the website, to commercial speech and even core political speech squarely implicating First Amendment concerns."

A domain name thus ensures a business' presence on the Internet.¹³⁹⁵ Domain names are also used for sending and receiving e-mail communications. In November 2002 there were approximately 31 million domain names registered worldwide.¹³⁹⁶

2.2.3.2. Companies normally use their trade mark or business names as their domain names

The general practice is that when any business chooses a domain name, it registers a domain name that incorporates its trade mark or business name with the suffix ".com":¹³⁹⁷ "The importance of having one's recognized trademark as a domain name

¹³⁹³ *Lockheed Martin Corporation v Network Solutions Inc (supra)*. See also Buys 2000:71.

¹³⁹⁴ *Supra*.

¹³⁹⁵ Abel 1999:92.

¹³⁹⁶ www.domainstats.com.

¹³⁹⁷ See *Ty Inc v Perryman* No 02-1771 (7th Cir 2002) [a copy of this judgment can be downloaded from www.ca7.uscourts.gov/op3.fwx?submit1=showop&caseno=02-1771.PDF]; *Porsche Cars North America Inc et al v Porsch.net et al* CV 01-2028 (4th Cir. 2002) [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/012028.html>]; *Harrods Limited v Sixty Internet Domain Names* Civ 00-

stems from the fact that many Internet users, when looking for a company's Web site, may simply infer the Web site's address by extrapolating from the company's recognized trademark ... For instance, a person looking for the Coca-Cola Company's Web site might enter 'www.cocacola.com' into her Web browser, assuming (correctly) that it would turn up the Coca-Cola Company's official Web site."¹³⁹⁸ Therefore a domain name which incorporates an entity's trade mark or business name is a valuable asset to it.¹³⁹⁹

2414 (4th Cir. 2002) [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/002414p.html>]; *Morrison & Foerster v Wick* 94 F.Supp.2d 1125 (D. Co. 2000) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>]; *Lockheed Martin Corporation v Network Solutions Inc* 985 F.Supp. 949 (C.D. Cal. 1997) [a copy of this judgment can be downloaded from www.louandy.com/CASES/Lockheed_v_NSI.html]; *Panavision International v Toeppen* 945 F.Supp. 1296 (C.D. Cal. 1996):1299 [a copy of this judgment was obtained from Westlaw].

¹³⁹⁸ *Sallen v Corinthians Licenciamentos LTDA & Another* 273 F.3d 14 (1st Cir. 2001). A copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=01-1197.01A. As the court in *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* 86 F.Supp.2d 176 (W.D.N.Y. 2000) observed: "Users often assume, as a rule of thumb, that the domain name of a particular company will be the company name followed by '.com.' ... Sometimes, a trademark is better known than the company itself, in which case a user may assume that the domain address will be 'trademark.com' ". A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>. The following courts were of the same opinion: *Barcelona.com Inc v Excelentissimo Ayuntamiento De Barcelona* 189 F.Supp.2d 367 (E.D. Va. 2002) [a copy of this judgment can be downloaded from www.oblon.com/barcelona/196971Barcelona.pdf]; *Sporty's Farm v Sportman's Market* 202 F.3d 489 (2nd Cir. 2000) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html]; *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>]; *Porsche Cars North America Inc et al v Porsch.com et al* 51 F.Supp.2d 707 (E.D. Va. 1999) [a copy of this judgment can be downloaded from www.ipwatchdog.com/Porsche.PDF]; *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al* 48 USPQ.2d 1779 (E.D. Pa. 1998) [a copy of this judgment can be downloaded from www.louandy.com/CASES/PEI_v_Universal.html]; *Panavision International v Toeppen* 938 F.Supp. 616 (C.D. Cal. 1996) [a copy of this judgment can be downloaded from www.louandy.com/CASES/Panavision_v_Toeppen.html]; *Intermatic Inc v Toeppen* 947 F.Supp. 1227 (N.D. ILL. 1996) [a copy of this judgment can be downloaded from www.findlaw.com/cascode/courts/9th.html]. See also Kubiszyn 2000:36.

¹³⁹⁹ See Webster 2001: "This practice of guessing at domain names indicates that a domain name, like a trade mark, is an important and valuable corporate asset and identifier." In *Cardservice International Inc v McGee et al* 950 F.Supp. 737 (E.D. Va. 1997) the court observed that: "With regard to domain names, however, only one party can hold any particular domain name ... Who has access to that domain name is made even more important by the fact that there is nothing on the internet equivalent to a phone book or directory assistance. A customer who is unsure about a company's domain name will often guess that the domain name is also the company's name. For this reason, 'a domain name mirroring a corporate

2.2.3.3. Domain name registration process

Domain names are registered on a "first-come-first-serve-basis".¹⁴⁰⁰ ICANN (an acronym for *The Internet Corporation for Assigned Names and Numbers*) is the principal body responsible for the domain name registration process. It licenses other bodies (called *Registries*) to allocate domain names.¹⁴⁰¹ These registries, in turn, license other entities, called *Registrars*, to register the domain names. Any individual, entrepreneur or business (called the *Registrant*) that wishes to register a domain name, concludes a contract with the Registrar.

In terms of the domain name registration process, the responsible registration entity (the Registrar) does not check whether a proposed domain name infringes any trade mark rights.¹⁴⁰² It merely ascertains that the requested domain name is not already registered and requires a statement from the applicant, the prospective registrant, stipulating that -

- a) the applicant has the right to use the requested domain name;
- b) registration or use of the proposed domain name does not infringe, or interfere with, the rights of trade mark proprietors; and
- c) the applicant is not seeking to use the domain name for any unlawful purpose, including unfair or unlawful competition.^{1403 1404}

name may be a valuable corporate asset, as it facilitates communication with a customer base.' " A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/cardsvc1.txt.

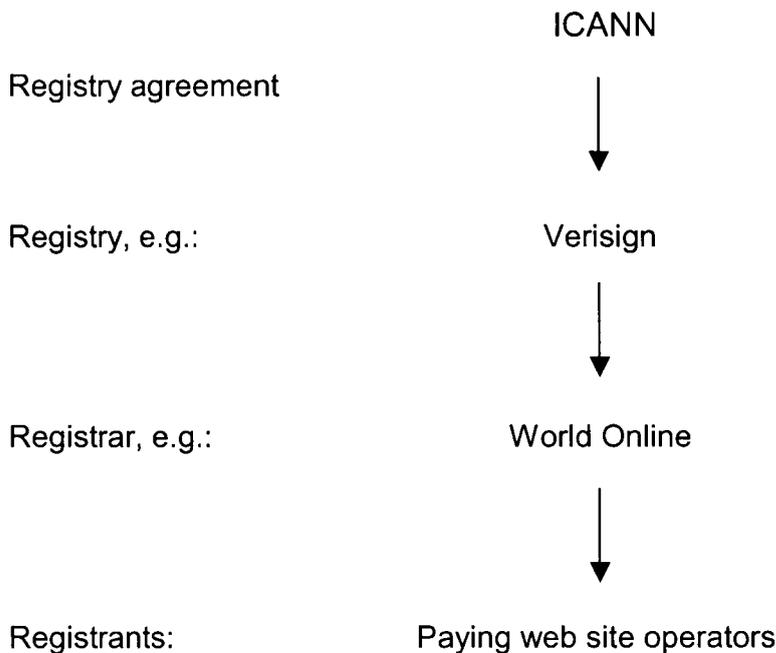
¹⁴⁰⁰ See *Porsche Cars North America Inc et al v Porsch.net et al* CV 01-2028 (4th Cir. 2002). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/012028.html>. See also Anonymous 2001:5; Van der Merwe 2000:51; Kudo 2000:7; Buys 2000:75; Brunel 1996:175; www.mbendi.co.za/werksmns/net_law/guide03.htm.

¹⁴⁰¹ For example, Verisign (www.verisign.com) is the registry responsible for dot-com, dot-org and dot-net domain names and Newlevel (www.newlevel.com) is the registry for dot-biz domain names.

¹⁴⁰² See *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* 86 F.Supp.2d 176 (W.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>]; *Sporty's Farm v Sportman's Market* 202 F.3d 489 (2nd Cir. 2000) [a copy can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html].

¹⁴⁰³ See *Pro C Limited v Computer City Inc* 7 C.P.R. (4th) 193 (Ct. App. Ontario 2000); par 9 [a copy of this judgment can be downloaded from www.pro-c.com/news/judgment.htm.]; *Panavision International LP v Toeppen* 141 F.3d 1316 (9th Cir. 1998) [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=uscircs/9th/9755467.html>]; *Panavision International v Toeppen* 945 F.Supp. 1296 (C.D. Cal. 1996):1299-1300 [a copy of this judgment was obtained from Westlaw].

Therefore, anyone may register an unused domain name upon payment of the required fee.¹⁴⁰⁵ It follows that anyone can register e.g. a “co.za” domain name. No physical presence in South Africa is required.¹⁴⁰⁶ The hierarchy of the domain name registration process can, therefore, be explained as follows:



When a domain name registrant registers a top level domain name (such as “.com”) with a registrar the parties, as mentioned above, enter into a registration agreement which incorporates the terms of the *Uniform Dispute Resolution Policy* (hereafter the

¹⁴⁰⁴ When anyone registers a domain name with UniForum SA (the South African registrar for .co.za domain names), he (the applicant) must warrant that “[1] its statements in the Application are true and correct; [2] it has the right without restriction to use and register the Domain Name requested in the Application; [3] it has a bona fide intention to use the Domain Name on a regular basis on the Internet; [4] the use or registration of the Domain Name by Applicant does not or will not interfere with, nor infringe the right of any third party in any jurisdiction with respect to trademark, service mark, tradename, company name, close corporation name, copyright or any other intellectual property right; [5] it is not seeking to use the Domain Name for any unlawful purpose whatsoever, including, without limitation, unfair competition, defamation, passing off or for the purpose of confusing or misleading any person”. See <http://co.za/annexure.html>.

¹⁴⁰⁵ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora (supra)*.

¹⁴⁰⁶ Webster 2001.

UDRP),¹⁴⁰⁷ discussed later on in this study.¹⁴⁰⁸ Country domain registrars voluntarily adopt the UDRP.¹⁴⁰⁹

It can also be mentioned here that all registrars are required, in terms of their Accreditation Agreement, to maintain an online interactive WHOIS database, containing the following contact information regarding each registrant that registered a domain name with that particular domain name registrar: The postal address, telephone number, e-mail address and fax number (if any). Furthermore, the aforementioned agreement requires the registrar to make the database freely available to the public by means of its web site. Therefore, an Internet user can search for the contract information of the registrant of a particular domain name by entering the domain name into a search engine provided on the registrar's web site.¹⁴¹⁰

The primary purpose of such a WHOIS database is to provide the necessary information in the event of domain name disputes¹⁴¹¹ and when one party is interested in buying another party's domain name.

2.2.3.4. Cybersquatting

2.2.3.4.1. Introduction

During the previous decade a parasitical practice, known as *cybersquatting* / *cyber speculating* / *domain-grabbing* / *cyberpiracy* and *domain name hijacking* emerged.¹⁴¹² This practice refers to scenarios where third parties (called *cybersquatters*, *domain*

¹⁴⁰⁷ *Sallen v Corinthians Licenciamentos LTDA & Another* 273 F.3d 14 (1st Cir. 2001). A copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=01-1197.01A. See also Webster 2001.

¹⁴⁰⁸ See paragraph 3 of this chapter. All top level domain name registrars and registries must adopt the UDRP as their dispute resolution procedure before they may sell domain names and thus be accredited by ICANN. See Webster 2001.

¹⁴⁰⁹ Webster 2001.

¹⁴¹⁰ See *Register.com Inc v Verio Inc* 126 F.Supp.2d 238 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from www.icann.org/registrars/register.com-verio/order-08dec00.htm. For example, the WHOIS database of the South African registrar UniForum SA can be located at <http://co.za/whois.shtml>.

¹⁴¹¹ *Register.com Inc v Verio Inc* (*supra*).

¹⁴¹² See *Sallen v Corinthians Licenciamentos LTDA & et al* 273 F.3d 14 (1st Cir. 2001) [a copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=01-1197.01A]; *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000):99 [a copy of this judgment was obtained from Westlaw].

name speculators and *homesteaders*¹⁴¹³) intentionally register the names of existing, and normally famous and/or well-known, trade marks as domain names, without the authorisation of the trade mark proprietors, with the further intent to profit from the Internet by¹⁴¹⁴ -

- later reselling or licensing these domain names at a huge profit “back to the companies that spent millions of dollars developing the goodwill of the trademark”¹⁴¹⁵ or to a third party, possibly to deceive the public, or to someone else with an interest in the name; or
- simply keeping the domain name in order to take unfair advantage of the reputation attached to those marks. Some Internet users, by registering domain names that are identical or similar to trade mark names, “create the false impression that the owner of the mark in some way endorses the goods or services the third party offers”;¹⁴¹⁶ or
- keeping the domain name and knowing and/or expecting that the trade mark proprietor or some third party with a legitimate or illegitimate use for the mark, “is bound to ‘come knocking.’”¹⁴¹⁷ This particular practice is known as *warehousing*:

¹⁴¹³ See Wenner 2001.

¹⁴¹⁴ *Intermatic Inc v Toeppen* 947 F.Supp. 1227 (N.D. ILL. 1996) [a copy of this judgment can be downloaded from www.louandy.com/CASES/Intermatic_v_Toeppen.html]; *Sporty's Farm v Sportman's Market* 202 F.3d 489 (2nd Cir. 2000) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html]; *Sallen v Corinthians Licenciamentos LTDA et al* (*supra*). See also Davidson & Kapsner 2001; Rutherford 2000(a):176; Van der Merwe 2000:108; Green Paper 2000:60; Kubiszeyn 2000; Eisenberg 2000; Brunel 1996:175; (First) WIPO Internet Domain Name Process:p vi & p 7, par 23. In *Shields v Zuccarini* 254 F.3d 476 (3rd Cir. 2001) the Third Circuit of Appeal observed that the expression “cybersquatting” had come to mean “the bad faith, abusive registration and use of the distinctive trademarks of others as Internet domain names, with the intent to profit from the goodwill associated with those trademarks”. A copy of this judgment can be downloaded from <http://vls.law.vill.edu/locator/3d/Jun2001/002236.txt>.

¹⁴¹⁵ *Intermatic Inc v Toeppen* (*supra*).

¹⁴¹⁶ (First) WIPO Internet Domain Name Process:100, par 318.

¹⁴¹⁷ *Ford Motor Company et al v Greatdomains.com Inc et al* 141 F.Supp.2d 763 (E.D. Mich. 2001). A copy of this judgment can be downloaded from www.mied.uscourts.gov/_opinions/Clelandpdf/RHC00-71544.PDF. In *Barcelona.com Inc v Excelentissimo Ayuntamiento de Barcelona* 189 F.Supp.2d 367 (E.D. Va. 2002) the court described the practice of cybersquatting as follows: “The practice of preemptively registering a domain name that a registrant thought would later become valuable to a mark owner grew phenomenally with the growth and expansion of the Internet. Individuals would register a domain name and then either approach or wait to be approached by a mark owner willing to pay substantial sums to own the rights to their name on the Internet.” A copy of this judgment can be downloaded from <http://www.oblon.com/barcelona/196971Barcelona.pdf>.

"[T]he act of registering, but neither using nor attempting to sell, a domain name."¹⁴¹⁸

Some cybersquatters have no intent to profit from the domain names they registered, but merely leave these domain names unsold, blocking their use.¹⁴¹⁹ Other cybersquatters register, not identical domain names but, domain names that are confusingly similar to well-know trade marks.¹⁴²⁰ An example is where a cybersquatter registers the domain name www.victoriassecretlingerie.com which is confusingly similar to the trade mark "Victoria's Secret". These confusingly similar domain names are registered by cybersquatters in the hope that by attracting so many cyber-surfers to their sites, by accident, the owner of the famous trade mark will buy these confusingly similar domain names.¹⁴²¹

Therefore, it may be stated that cybersquatting¹⁴²² -

⇒ results in consumer fraud and public confusion as to the true source or sponsorship of products and services;¹⁴²³

⇒ impairs electronic commerce;

⇒ deprives trade mark proprietors of revenue and consumer goodwill, by preventing these proprietors from reflecting their trade marks in corresponding domain names;¹⁴²⁴

¹⁴¹⁸ See *Ford Motor Company et al v Greatdomains.com Inc et al (supra)*. See also *Prime Publishers Inc v American-Republican Inc* 160 F.Supp.2d 266 (D. Conn. 2001) where the court noted that "a business might benefit equally from warehousing - holding and keeping inactive - a domain name incorporating a competitor's mark, thereby reducing potential advertising or sales revenue". A copy of this judgment can be downloaded from www.ctd.uscourts.gov/Opinions/080701.GLG.PrimePub.pdf.

¹⁴¹⁹ Mackenzie 1998/9.

¹⁴²⁰ Van Duch 2001; Stern 2001.

¹⁴²¹ Anonymous 2000:32.

¹⁴²² Kaufman 2000:39; US *Anti-Cybersquatting Consumer Protection Act*, s 2 (discussed in paragraph 2.2.3.4.5 of this chapter).

¹⁴²³ The US Judiciary Committee adequately explained the effects of cybersquatting by stating that it "undermines consumer confidence, discourages consumer use of the Internet, and destroys the value of brand-names and trademarks of American businesses." See H.R. 106-412 p 6. A copy of this report was obtained from Westlaw.

¹⁴²⁴ In *Sallen v Corinthians Licencimentos LTDA & Another (supra)* the court noted that "[a]s companies seek to incorporate their nationally registered trademarks into domain names that they can use to promote goods and services, they often find that the names, or names confusingly similar, have already been registered by individuals unconnected with the company."¹⁴²⁴ In *Lucent Techs Inc v Lucentucks.com* 95 F.Supp.2d 528 (E.D. Va. 2000) the court stated that "a cyberpirate's expropriation of a mark as part of a domain name prevents the trademark owner from using that mark as part of its domain name. As a result, consumers seeking a trademark owner's Web site are diverted elsewhere,

- ⇒ results in expensive litigation or expensive negotiations. For instance, some domain names have been sold for more than \$7 million to trade mark proprietors;¹⁴²⁵
- ⇒ creates extensive monitoring obligations for trade mark owners and unnecessary legal costs; and
- ⇒ may also blur the distinctive quality of the mark and, when linked to certain types of Internet activities such as pornography, may also tarnish the mark.¹⁴²⁶

It is now generally accepted that cybersquatting is condemned worldwide¹⁴²⁷ in that cybersquatters trade on the value of third parties' trade mark reputation and goodwill.¹⁴²⁸

2.2.3.4.2. Typosquatting vs cybersquatting

Typosquatting is the "act of registering domain names that are intentional misspellings of distinctive or famous marks".¹⁴²⁹ Generally speaking, the infringing domain name is one letter less than, or different from, the plaintiff's trade mark name.¹⁴³⁰ An example of typosquatting is *Morrison & Foerster v Wick*¹⁴³¹ where the plaintiff was the owner of the registered and well-known trade mark "Morrison & Foerster" and the defendant, a cybersquatter, registered the domain names www.morrisonforester.com and www.morrisonandforester.com.

On the web sites established for these "misspelled" domain names, typosquatters insert advertisement banners from which they earn income for every Internet user that

which means lost business opportunities for the trademark owner." A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/Lucent.htm>.

¹⁴²⁵ Kudo 2000:8; Eisenberg 2000.

¹⁴²⁶ *Lucent Techs Inc v LucentSucks.com* (supra). See also H.R. 106-412 p 6.

¹⁴²⁷ See (First) WIPO Internet Domain Name Process:vi.

¹⁴²⁸ In *Harrods Limited v Sixty Internet Domain Names* Civ 00-2414 (4th Cir. 2002) the Fourth Circuit of Appeal recently noted that "[c]ybersquatting is considered wrong because a person can reap windfall profits by laying claim to a domain name that he has no legitimate interest in or relationship to." A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/002414p.html>.

¹⁴²⁹ Hartman 2001.

¹⁴³⁰ *Playboy Enterprises International Inc v Sand WebNames – For Sale* WIPO case no D2001-0094. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0094.html>.

¹⁴³¹ 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>.

clicks on a digital banner.¹⁴³²

2.2.3.4.3. Cybersquatting dilution

US courts have recognised the phenomenon of “cybersquatting dilution”, which was explained as follows in *Avery Dennison v Sumpton*:¹⁴³³ “Cybersquatting dilution is the diminishment of ‘the capacity of the [plaintiff’s] marks to identify and distinguish the [plaintiff’s] goods and services on the Internet.’ ... this can occur if potential customers cannot find a web page at <trademark.com> ... Dilution occurs because ‘[p]rospective users of plaintiff’s services ... may fail to continue to search for plaintiff’s own home page, due to anger, frustration or the belief that plaintiff’s home page does not exist.’ ”

2.2.3.4.4. Reverse domain name hijacking

“Reverse domain name hijacking” occurs when trade mark owners either abusively assert their trade mark rights in a domain name or abuse anti-cybersquatting provisions to take domain names from rightful, non-infringing registrants, i.e. rightful owners.¹⁴³⁴

2.2.3.4.5. US Anti-Cybersquatting Consumer Protection Act

The US legislature reacted to the proliferation of cybersquatting practices and promulgated the *Anti-Cybersquatting Consumer Protection Act* (also known as *ACPA*), outlawing *male fide* registration of domain names.¹⁴³⁵ Prior to this Act, US courts had to rely on section 1125(c) of the *Lanham Act*¹⁴³⁶ to protect famous trade marks from

¹⁴³² Duffy 2000.

¹⁴³³ 189 F.3d 868 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9855810.html>.

¹⁴³⁴ *Sallen v Corinthians Licenciamentos LTDA & et al* 273 F.3d 14 (1st Cir. 2001). A copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=01-1197.01A. In *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000) the court explained the concept of reverse hijacking as follows (at 99): “[T]he practice of using intellectual property rights to extort a domain name from another.” A copy of this judgment was obtained from Westlaw.

¹⁴³⁵ The Act came into force on 29 November 1999.

¹⁴³⁶ Also known as the *Federal Trademark Dilution Act* of 1995. This section was discussed in paragraph 2.1.4 of this chapter.

cybersquatting.¹⁴³⁷ However, this section as well as section 1114 of the *Lanham Act*, which regulate trade mark infringements, fail to adequately address cybersquatting practices. ACPA was consequently passed to -

- remedy the perceived shortcomings of applying trade mark infringement and dilution provisions to cyber-squatting instances;¹⁴³⁸
- prevent expropriation of protected marks in cyberspace and to abate the consumer confusion resulting therefrom;¹⁴³⁹ and
- remedy US inconsistent judicial opinions.

The provisions of this Act are studied in order to ascertain how the US legislature addressed and penalised the Internet practice of cybersquatting. Later on in this study,¹⁴⁴⁰ it is recommended that the South African legislature should statutorily address the practice of cybersquatting. ACPA's provisions can be of assistance when drafting legislation for South Africa.

2.2.3.4.5.1. Liability of cybersquatters

ACPA was enacted as section 1125(d) in Title 15 (chapter 22) of the *USC*.¹⁴⁴¹ The Act

¹⁴³⁷ See *Sporty's Farm v Sportman's Market Inc* 202 F.3d 489 (2nd Cir. 2000) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html]; *Avery Dennison Corp v Sumpton* 189 F.3d 868 (9th Cir. 1999):871 [a copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9855810.html>]; Eisenberg 2000; www.callaw.com/stories/edt0203u.html.

¹⁴³⁸ *Victoria's Cyber Secret Ltd Partnership v V Secret Catalogue Inc* 161 F.Supp.2d 1339 (S.D. Fla. 2001):1346. A copy of this judgment was obtained from Westlaw. The US Senate gave the following reason for promulgating the ACPA: "While the Federal Trademark Dilution Act has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. And, in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike." S.Rep. No 106-140, at 7, as quoted in *Sporty's Farm v Sportman's Market* 202 F.3d 489 (2nd Cir. 2000).

¹⁴³⁹ See *Virtual Works Inc v Volkswagen of America Inc* 238 F.3d 264 (4th Cir. 2001). A copy of this judgment can be downloaded from <http://pub.bna.com/lw/001356.htm>.

¹⁴⁴⁰ See paragraph 5 of this chapter.

¹⁴⁴¹ A copy of this section can be downloaded from www4.law.cornell.edu/uscode/15/1125.html.

protects both registered as well as common law trade marks.¹⁴⁴² According to the Act, anyone is liable in a civil action by the owner of a mark,¹⁴⁴³ including a personal name protected as a trademark, if, without regard to the goods or services of the parties, that person -

- (i) "has a bad faith intent to profit from that mark, including a personal name which is protected as a mark; and
- (ii) registers, traffics in,¹⁴⁴⁴ or uses a domain name that -
 - (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;¹⁴⁴⁵
 - (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or
 - (III) is a trademark, word, or name protected by reason of [being signs, names or emblems reserved for use by the Red Cross or the US Olympic Committee]."¹⁴⁴⁶

One immediately observes that the statute distinguishes between distinctive and famous trade marks: Famous trade marks are also infringed where the domain name is dilutive of that mark. This is not the case where only distinctive marks are

¹⁴⁴² *Northland Insurance Companies v Blaylock* 115 F.Supp.2d 1108 (D. Minn. 2000):1124. A copy of this judgment was obtained from Westlaw.

¹⁴⁴³ In *Barcelona.com Inc v Excelentísimo Ayuntamiento de Barcelona* 189 F.Supp.2d 367 (E.D. Va. 2002) the court held that the trade mark which the plaintiff seeks to protect by means of ACPA proceedings does not have to be a US trade mark. Even Spanish trade marks are protected by means of ACPA, provided, of course, that a US court enjoys jurisdiction. A copy of this judgment can be downloaded from www.oblon.com/barcelona/196971Barcelona.pdf.

¹⁴⁴⁴ "Traffics in" refers to "transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration." S 1125(d)(1)(E). In *Ford Motor Company et al v Greatdomains.com Inc et al* 141 F.Supp.2d 763 (E.D. Mich. 2001) the court stated that "the language 'any other transfer ... or receipt' clarifies that the defining terms are all ways in which a domain name may be transferred or received. The key words - 'transfer' and 'receipt' - both denote some level of ownership or control passing between the person transferring and the person receiving. Thus relying upon the plain meaning of the statute, the court concludes that the phrase 'traffics in' contemplates a direct transfer or receipt of ownership interest in a domain name to or from the defendant." A copy of this judgment can be downloaded from www.mied.uscourts.gov/_opinions/Clelandpdf/RHC00-71544.PDF.

¹⁴⁴⁵ In *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000) the court held that only a direct comparison between the plaintiff's protected trade mark and the defendant's domain name should be made. (At 117). A copy of this judgment was obtained from Westlaw.

¹⁴⁴⁶ S 1125(d)(1)(A).

concerned.¹⁴⁴⁷ To determine whether such a person¹⁴⁴⁸ (probably the defendant) acted *male fide* a court may consider the following statutory nine factors, which do not constitute a *numerus clausus*.¹⁴⁴⁹

“(I) the trademark or other intellectual property rights of the person, if any, in the domain name;¹⁴⁵⁰ (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;¹⁴⁵¹ (III) the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;¹⁴⁵² (IV) the person’s bona fide noncommercial or fair use of

¹⁴⁴⁷ See *Cello Holdings v Lawrence-Dahl Companies* 89 F.Supp.2d 464 (S.D.N.Y. 2000):472. A copy was obtained from Westlaw. See also Eisenberg 2000:fn 20.

¹⁴⁴⁸ Which must be the domain name registrant or that registrant’s authorised licensee. S 1125(d)(1)(D).

¹⁴⁴⁹ The Judiciary Committee who drafted the bill, noted that “[t]hese factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others’ marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc.” See H.R. 106-412 p 10. A copy of this report was obtained from Westlaw. In *Ford Motor Company et al v Greatdomains.com Inc et al (supra)* the court observed that “[t]hese factors, as a whole, focus on whether the defendant’s use of the disputed domain name is legitimate - *i.e.*, for some purpose other than simply to profit from the value of the trademark. This indicates that the ACPA was designed to target persons who commandeer a domain name for no reason other than to profit by extortion, yet bypass persons with legitimate interests in the domain name - even if they do incidentally profit from the domain name’s status as a trademark.”

¹⁴⁵⁰ The Judiciary Committee noted that “[t]his factor recognizes, as does trademark law in general, that there may be concurring uses of the same name that are noninfringing, such as the use of the ‘Delta’ mark for both air travel and sink faucets. Similarly, the registration of the domain name ‘deltaforce.com’ by a movie studio would not tend to indicate a bad faith intent on the part of the registrant to trade on Delta Airlines or Delta Faucets’ trademarks.” (At p 10)

¹⁴⁵¹ The Judiciary Committee noted that “[t]his factor recognizes, again as does the concept of fair use in trademark law, that a person should be able to be identified by their own name, whether in their business or on a web site. Similarly, a person may bear a legitimate nickname that is identical or similar to a well-known trademark and registration of a domain name using that nickname would not tend to indicate bad faith. This factor is not intended to suggest that domain name registrants may evade the application of this act by merely adopting Exxon, Ford, Bugs Bunny or other well-known marks as their nicknames. It merely provides a court with the appropriate discretion to determine whether or not the fact that a person bears a nickname similar to a mark at issue is an indication of an absence of bad-faith on the part of the registrant.” (At p 10)

¹⁴⁵² The Judiciary Committee remarked that “this factor recognizes that the legitimate use of the domain name in online commerce may be a good indicator of the intent of the person registering that name. Where the person has used the domain name in commerce without creating a likelihood of confusion as to the source or origin of the goods or services and has not otherwise attempted to use the name in order to profit from the goodwill of the trademark owner’s name, a court may look to this as an indication of the absence of bad faith on the part of the registrant. A defendant should have the burden of introducing evidence of lawful use to assist the court in evaluating this factor.” (At p 11)

the mark in a site accessible under the domain name;¹⁴⁵³ (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;¹⁴⁵⁴ (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;¹⁴⁵⁵ (VII) the person's

¹⁴⁵³ The Judiciary Committee explained that "[t]his factor is intended to balance the interests of trademark owners with the interests of those who would make lawful noncommercial or fair uses of others' marks online, such as in comparative advertising, comment, criticism, parody, news reporting, etc ... the use of a domain name for purposes of comparative advertising, comment, criticism, parody, news reporting, etc., even where done for profit, would not alone satisfy the bad-faith intent requirement. The fact that a person may use a mark in a site in such a lawful manner may be an appropriate indication that the person's registration or use of the domain name lacked the required element of bad-faith." (At p 11)

¹⁴⁵⁴ The Judiciary Committee remarked that "[t]his factor recognizes that one of the main reasons cyberpirates use other people's trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or endorsement of the site. This factor recognizes that one of the main reasons cyberpirates use other people's trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or enforcement of the site. This is done for a number of reasons, including to pass off inferior goods under the name of a well-known mark holder, to defraud consumers into providing personally identifiable information, such as credit card numbers, to attract eyeballs to sites that price online advertising according to the number of 'hits' the site receives, or even just to harm the value of the mark. Under this provision, a court may give appropriate weight to evidence that a domain name registrant intended to confuse or deceive the public in this manner when making a determination of bad-faith intent." (At p 13)

¹⁴⁵⁵ The Judiciary Committee observed that "[t]his factor is consistent with the court cases ... where courts have found a defendant's offer to sell the domain name to the legitimate mark owner as being indicative of the defendant's intent to trade on the value of a trademark owner's marks by engaging in the business of registering those marks and selling them to the rightful trademark owners. It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services as sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name in anticipation of a business venture that simply never pans out. And someone who has a legitimate registration of a domain name that mirrors someone else's domain name, such as a trademark owner that is a lawful concurrent user of that name with another trademark owner, may, in fact, wish to sell that name to the other trademark owner. This [factor] does not imply that these facts are an indication of bad-faith. It merely provides a court with the necessary discretion to recognize the evidence of bad-faith when it is present. In practice, the offer to sell domain names for exorbitant amounts to the rightful mark owner has been one of the most common threads in abusive domain name registrations. Finally, by using the financial gain standard, this allows a court to examine the motives of the seller." (At p 12)

provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;¹⁴⁵⁶ (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties;¹⁴⁵⁷ and (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section."^{1458 1459}

Therefore the Act penalises not only cybersquatting practices, but also instances where someone uses a domain name in a way that damages the goodwill of an entity's trade mark.¹⁴⁶⁰

The draft committee, responsible for drafting the provisions of *ACPA*, maintained that the first four factors mentioned above suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of the mark. According to them, the next four factors suggest circumstances that may tend to indicate the

¹⁴⁵⁶ The Judiciary Committee noted that "[f]alsification of contact information with the intent to evade identification and service of process by trademark owners is also a common thread in cases of cyberpiracy. This factor recognizes that fact, while still recognizing that there may be circumstances in which the provision of false information may be due to other factors, such as mistake or, as some have suggested in the case of political dissidents, for purposes of anonymity. This [factor] balances those factors by limiting consideration to the person's contact information, and even then requiring that the provision of false information be material and misleading. As with the other factors, this factor is nonexclusive and a court is called upon to make a determination based on the facts presented whether or not the provision of false information does, in fact, indicate bad-faith." (At p 13)

¹⁴⁵⁷ The Judiciary Committee noted that "[t]his factor recognizes the increasingly common cyberpiracy practice known as 'warehousing', in which a cyberpirate registers multiple domain names-sometimes hundreds, even thousands that mirror the trademarks of others. By sitting on these marks and not making the first move to offer to sell them to the mark owner, these cyberpirates have been largely successful in evading the case law developed under the Federal Trademark Dilution Act. This act does not suggest that the mere registration of multiple domain names is an indication of bad faith, but allows a court to weigh the fact that a person has registered multiple domain names that infringe or dilute the trademarks of others as part of its consideration of whether the requisite bad-faith intent exists." (At p 13)

¹⁴⁵⁸ The Judiciary Committee was of the opinion that "[t]he more distinctive or famous a mark has become, the more likely the owner of that mark is deserving of the relief available under this act." (At p 13)

¹⁴⁵⁹ S 1125(d)(1)(B)(i).

¹⁴⁶⁰ www.infowar.com/law/99/law_121599a_j.shtml.

existence of such a bad-faith intent. Finally, they note that the last factor may suggest either bad-faith or an absence thereof depending on the circumstances.¹⁴⁶¹ It follows that the Act balances the rights of trade mark owners with the fair use of domain names, incorporating a third party's trade mark name.¹⁴⁶²

In *Northern Light Tech Inc v Northern Lights Club*¹⁴⁶³ the First Circuit of Appeal maintained that "profit" could arise in two circumstances, namely a) where the defendant, by registering a confusingly similar domain name was hoping to divert custom to his domain name and b) by registering such a web site in the hope that the trade mark proprietor would be "willing to pay [him] to end the diversion of Internet traffic from their website to the defendants' sites." In *Sporty's Farm v Sportman's Market*¹⁴⁶⁴ the Second Circuit of Appeal found "bad faith intent to profit" present where X registered his competitor's trade mark name as his domain name for the purpose of keeping the latter from using that particular domain name. In *People for the Ethical Treatment of Animals Inc v Doughney*¹⁴⁶⁵ the Fourth Circuit of Appeal noted that where the respondent "made statements to the press and on his website recommending that [the appellant] attempt to 'settle' with him and 'make him an offer'" an intent to profit was present. Finally, in *Ford Motor Company et al v Greatdomains.com Inc et al*¹⁴⁶⁶ the court noted that bad faith intent could be inferred from the facts.¹⁴⁶⁷

¹⁴⁶¹ S. 1948—Section-by-Section Analysis, *Statements on Introduced Bills and Joint Resolutions, Congressional Record*. A copy can be downloaded from www.aipla.org/html/s1948analysis.html.

¹⁴⁶² www.infowar.com/law/99/law_121599a_j.shtml

¹⁴⁶³ 236 F.3d 57 (1st Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/1st/001641.html>.

¹⁴⁶⁴ 202 F.3d 489 (2nd Cir. 2000). A copy can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html.

¹⁴⁶⁵ 263 F.3d 359 (4th Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/4th/case/001918P&exact=1>.

¹⁴⁶⁶ *Supra*.

¹⁴⁶⁷ The court held: "Because defendants easily can conjure up a 'legitimate' use for a domain name that incorporates a trademark, plaintiffs frequently will find it difficult, if not impossible, to obtain evidence probative of 'bad faith intent' without court sanctioned discovery. Indeed, obtaining information relevant to almost all of the bad faith factors set forth in the statute requires direct testimony from the defendant. Accordingly, the court concludes that, at least where facts showing a *prima facie* case of 'intent to profit' have been alleged, the element of bad faith generally will not come into play until the summary judgment stage. Thus, the lesson of the ACPA is that registrants of domain names that incorporate a protected trademark who no longer have a legitimate use for the domain name must, in most cases, let their registration lapse, rather than offer it for sale, if they hope to completely avoid the burden of litigating through at least the summary judgment stage."

However, the Act also provides an "escape clause" for those individuals whose conduct would otherwise constitute bad faith, by providing that bad faith is absent where the defendant believed and had reasonable grounds to believe that the use of the disputed domain name constituted a fair use or was otherwise lawful.¹⁴⁶⁸

In terms of the Act, a US court is empowered to order forfeiture, cancellation, or transfer of the domain name to the owner of the trade mark, where the civil action concerns the registration of, trafficking in, or use of a domain name.¹⁴⁶⁹ The Act also provides for (1) the recovery of the defendant's profits and any damages sustained by the plaintiff, as well as (2) the recovery of the costs of the action.¹⁴⁷⁰ The court is further empowered to award punitive damages, not exceeding three times the actual damages suffered by the plaintiff.¹⁴⁷¹ The Act, in addition, stipulates that before final judgment is rendered by the trial court, "the plaintiff may elect, at any time, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just."¹⁴⁷² Only under given circumstances is a court empowered to grant an interdict.¹⁴⁷³

The Act further provides that where the defendant violates the above-mentioned provisions or where his domain name violates any right of a registered trade mark¹⁴⁷⁴ and either the court does not enjoy jurisdiction over the defendant or the plaintiff is not able to find the defendant,¹⁴⁷⁵ the plaintiff (i.e. the trade mark proprietor) may proceed

¹⁴⁶⁸ S 1125(d)(1)(B)(ii). See *Northern Light Tech Inc v Northern Lights Club (supra)*. In *Virtual Works Inc v Volkswagen of America Inc* 238 F.3d 264 (4th Cir. 2001) the Fourth Circuit of Appeal maintained that a "defendant who acts even partially in bad faith in registering a domain name is not, as a matter of law, entitled to benefit from the Act's safe harbor provision." A copy of this judgment can be downloaded from <http://pub.bna.com/lw/001356.htm>.

¹⁴⁶⁹ S 1125(d)(1)(C).

¹⁴⁷⁰ S 1117(a).

¹⁴⁷¹ S 1117(a).

¹⁴⁷² S 1117(d).

¹⁴⁷³ See paragraph 2.2.3.4.5.2 of this chapter.

¹⁴⁷⁴ The Fourth Circuit of Appeal held in *Harrods Limited v Sixty Internet Domain Names* Civ 00-2414 (4th Cir. 2002) that such *in rem* proceedings can also be used where the plaintiff institutes action for trade mark infringement and/or dilution. A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/002414p.html>.

¹⁴⁷⁵ An example is where the plaintiff cannot find the defendant due to false and fictitious contact information given during the registration of the domain name in question. The US Judiciary Committee observed that "[a] significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false

against both the defendant, i.e. the person committing the cybersquatting, as well as *the domain name itself*, where he (the trade mark owner) -

- ⇒ sent a notice of the alleged violation and intent to proceed against the defendant (i.e. the registrant of the domain name) to the postal and e-mail address provided by the defendant to the registrar; and subsequently
- ⇒ published notice of the envisaged proceedings, as the court directed, after the institution of the action.¹⁴⁷⁶

Where the plaintiff proceeds with his action against the domain name itself (*actio in rem*), the court is only empowered to grant an order for the forfeiture, cancellation or transfer of the said domain name to the owner of the trade mark in question.¹⁴⁷⁷

The Act further provides that where the plaintiff knowingly makes a material misrepresentation that the defendant's domain name is identical to, confusingly similar to, or dilutive of his (the plaintiff's) mark, the former is liable for any damages, including costs and attorney's fees, incurred by the defendant as a result of such action.¹⁴⁷⁸ Therefore, the Act penalises reverse domain name hijacking.¹⁴⁷⁹ The Act also stipulates that -

"[a]ny person who registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party, shall be liable in a civil action by such person."¹⁴⁸⁰

This encompasses instances where cybersquatters register the names of famous people (such as Hollywood stars) as domain names. However, the Act establishes an exception to this prohibition namely where someone registers -

information in their registration applications in order to avoid identification and service of process by the mark owner." H.R. 106-412, p 14.

¹⁴⁷⁶ S 1125(d)(2)(A). See also Eisenberg 2000.

¹⁴⁷⁷ S 1125(d)(2)(D). In *Alitalia-Linee Aeree Italiane Spa v Casinotalia.com* 128 F.Supp.2d 340 (E.D. Va. 2001) the court held that a plaintiff is barred from proceeding "simultaneously against a defendant-registrant personally to obtain statutory damages and *in rem* against the domain name to obtain any of the ACPA's forms of injunctive relief." A copy of this judgment can be downloaded from <http://pub.bna.com/lw/00394.htm>. See also Van Duch 2001.

¹⁴⁷⁸ S 1114(2)(D)(iv).

¹⁴⁷⁹ Discussed in paragraph 2.2.3.4.4 of this chapter.

¹⁴⁸⁰ S 1129(1)(A).

- in good faith a domain name consisting of the name of another living person, or a name substantially and confusingly similar thereto, and
- such name is used in, is affiliated with, or is related to, a work of authorship protected under the *Copyright Act*; and
- where the person registering the domain name is the copyright owner or licensee of the work, and
- he intends to sell the domain name in conjunction with the lawful exploitation of the work; and
- such registration is not prohibited by a contract between the registrant and the named person.¹⁴⁸¹

A practical example of this is where the copyright proprietor (author) that wrote a book on Bill Clinton's misfortunes, registers the domain name www.billclinton.com to promote his book. Mr Clinton cannot institute any proceedings in terms of the Act against the copyright owner. This section clearly does not apply where someone registers the domain name www.shakespeare.com seeing that it only deals with scenarios where the names of living persons are registered as domain names.

With regard to the remedies that can be granted in such instances, the court is empowered to grant the same remedies as mentioned above.¹⁴⁸²

When this thesis was written, a plethora of judgments had been delivered concerning the interpretation and application of *ACPA*. However, for the purpose of this study, these judgments are not relevant seeing that no legislation similar to *ACPA* obtains in South Africa.

2.2.3.4.5.2. Liability of domain name registrars and registries

Section 1114(2)(d) provides that a domain name registrar, domain name registry, or other domain name registration authority can only be subjected to an interdict where such entity has -

- "not expeditiously deposited with a court, in which an action has been filed regarding the deposition of the domain name, documents for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

¹⁴⁸¹ S 1129(1)(B).

¹⁴⁸² S 1129(2).

- transferred, suspended, or otherwise modified the domain name during the pendency of the action, except under order of the court; or
- willfully failed to comply with any such court order."¹⁴⁸³

Furthermore a domain name registrar or registry is not liable where it complies with a court order in terms of *ACPA* or where it implements a reasonable policy, prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of, another's trade mark.¹⁴⁸⁴ Where it takes such action, namely refusing to register, removing from registration, transferring, temporarily disabling or permanently cancelling a domain name, upon an intentional and material misrepresentation by a third party that the said domain name is identical to, confusingly similar to, or dilutive of, his (i.e. the third party's) mark, the third party is liable for any damages incurred by the domain name owner as a result of such action. The court may further grant an interdict to the latter, including the reactivation of the domain name or the transfer of the domain name to him.¹⁴⁸⁵

Where a domain name has been suspended, disabled or transferred, in terms of the registrar's or registry's policy, the domain name owner is permitted to institute an action to establish that his registration or use of the domain name in question is not unlawful.¹⁴⁸⁶

In addition, a domain name registrar or registry is not liable for the registration or maintenance of a particular domain name "absent a showing of bad faith intent to profit from such registration or maintenance of the domain name."¹⁴⁸⁷

2.2.3.5. When do domain names constitute trade marks?

The following question arose: When does a domain name constitute a trade mark? When a domain name constitutes a trade mark, it can be registered in the US *Federal Register of Trade Marks* or a court can protect it as a common law trade mark.

US courts maintain that a domain name can be used for both trade mark and non-trademark purposes namely a) to identify the source of specific goods and services or

¹⁴⁸³ S 1114(2)(d)(i)(II).

¹⁴⁸⁴ S 1114(2)(d)(ii).

¹⁴⁸⁵ S 1114(2)(d)(iv).

¹⁴⁸⁶ S 1114(2)(d)(v).

¹⁴⁸⁷ S 1114(2)(d)(iii).

b) to act merely as an address on the Internet. Only in the case of (a) is the domain name used as a trade mark and does it qualify for trade mark registration.¹⁴⁸⁸ More specifically, US courts maintain that where an entity employs its domain name to disseminate advertisements of its services, such domain name qualifies as a trade mark. However, merely using a domain name as the equivalent of a telephone number does not suffice.¹⁴⁸⁹ For example, US courts have maintained that because the domain name www.aol.com is worldwide recognised as a source identifier of America Online's services, it can be registered as a trade mark.¹⁴⁹⁰

Furthermore, a Top Level Domain (e.g. ".com") is generic and consequently does not, on its own, act as a trade or service mark seeing that it does not indicate to the consumer who the provider of the service is. Only the second level domain indicates the source.¹⁴⁹¹

The US *Patent & Trademark Office* (PTO) has also provided guidance as to the registration of domain names as trade marks. It has stipulated that it only accepts

¹⁴⁸⁸ See the minority judgment of justice Merritt in *Data Concepts Inc v Digital Consulting Inc* 150 F.3d 620 (6th Cir. 1998). A copy of this judgment can be downloaded from www.law.emory.edu/6circuit/aug98/98a0241p.06.html.

¹⁴⁸⁹ In *Data Concepts Inc v Digital Consulting Inc* (*supra*) justice Merritt, in his minority judgment, was of the opinion that "Data Concepts' vague assertion that it received customer inquiries through the [Internet] address that resulted in revenue is not enough to establish that its use of dcicom.com domain name constituted 'use' of the DCI trademark. For instance, there is no evidence in the record indicating whether Data Concepts disseminated advertisements of its services displaying the dcicom.com address or whether the company's customers or employees simply passed the dcicom.com address along to potential customers in the same way someone might give out a telephone number ... (domain names, like telephone numbers, street addresses, and radio station call letters, which permit one to locate and communicate with a place or a person, do not, without more, function as trademarks). Thus, it is unclear whether Data Concepts used the dcicom.com domain name merely as a means of communication or whether the company used the name to identify its goods and services."

¹⁴⁹⁰ See *America Online Inc v The Christian Brothers et al* 98 Civ. 8959 (S.D.N.Y. 1998) [a copy of this judgment can be downloaded from www6.law.com/ny/links/aol.html]; *America Online Inc v Bluecard Publishing et al* no 98-905-A (E.D. Va. 1998) [a copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dljunk/bluecardreport.pdf>].

¹⁴⁹¹ See *Image Online Design Inc v Core Association et al* 120 F.Supp.2d 870 (C.D. Cal. 2000). A copy of this judgment can be downloaded from www.icann.org/tlds/correspondence/iod-v-core-22jun00.htm. The court continued to state that the "www" and the TLD only signify the IP address. This is supported by *Brookfield Communications v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999) where the Ninth Circuit Court stated that "like trademarks, second-level domain names communicate information as to source. A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>.

domain names for registration where the domain name is used as a source identifier and not merely for informational purposes. Generally speaking, the applicant must offer services *via* his domain name.¹⁴⁹² Furthermore, the PTO has noted that -

“when a trademark ‘is composed, in whole or in part, of a domain name, neither the beginning of the [Uniform Resource Locator] (http://www.) nor the TLD have any source indicating significance. Instead, those designations are merely devices that every Internet site provider must use as part of its address.’ ... Today, advertisements for all types of products and services routinely include a URL for the web site of the advertiser. Just as the average person with no special knowledge recognizes ‘800’ or ‘1-800’ followed by seven digits or letters as one of the prefixes used for every toll-free phone number, the average person familiar with the Internet recognizes the format for a domain name and understands that ‘http,’ ‘www,’ and a TLD are a part of every URL.”¹⁴⁹³

Therefore, it is crucial that the applicant must indicate the extent to which he is using the domain name. If he is only uses the domain name for sending and receiving e-mail messages, he does not use it to identify the source of specific goods or services. Only when he uses the domain name to establish a web site where he advertises and sells his goods and/or services, does the domain name qualify as a trade mark.

In *Shade’s Landing Inc v Williams*¹⁴⁹⁴ the court addressed the question whether a particular domain name constituted a common law trade mark. The plaintiff operated a web site at www.home-market.com (from 1996) where he provided computer-based services related to the real estate industry. The defendant, in turn, operated a web site at www.home-market.net (from 1998) where he provided web site development services for real estate agents. Both were competitors with regard to web page development for real estate agents, but in different states and therefore not in direct competition.¹⁴⁹⁵ The plaintiff asserted that the defendant’s similar domain name was likely to cause confusion about the source of his (the defendant’s) services and further alleged that the defendant was attempting to misdirect the plaintiff’s clients. The plaintiff owned no registered trade mark. It alleged that it had a common law trade

¹⁴⁹² Cabell 2000.

¹⁴⁹³ The *Patent and Trademark Office Examination Guide No. 2-99* (Sept. 29, 1999)” quoted in *Chatam International Inc v Bodum Inc* 157 F.Supp.2d 549 (E.D. Pa. 2001) [a copy of this judgment can be downloaded from www.strick.com/chambord.htm] & *Image Online Design Inc v Core Association et al* (*supra*).

¹⁴⁹⁴ 76 F.Supp.2d 983 (D. Minn. 1999). A copy of this judgment was obtained from Westlaw.

mark in its domain name and consequently sought an interdict in terms of section 1125(a) of the *Lanham Act*.¹⁴⁹⁶

The court stated that it would only protect a common law trade mark if it was distinctive in the mind of consumers.¹⁴⁹⁷ The court classified the domain name as a distinctive mark. With regard to the question whether the domain name had acquired secondary meaning, the plaintiff alleged that its web site address appeared as the first listing in search results, generated by Internet search engines, under the term "Home-Market." The plaintiff further contended that Internet users accessed the web site established for this domain name at least 1 500 times during an unidentified two week period. The court responded by stating that the plaintiff failed to show that the domain name acquired a secondary meaning:

"[T]hese facts alone are not a sufficient basis upon which to find that 'Home-Market.com' has become 'so associated in the public mind' with plaintiff's services at that site that it distinguishes them from other services and identifies them as coming from a 'single source.' ... The high placement of plaintiff's web site in search engine listings shows that plaintiff has gone to great lengths to register it with search engine providers and to use effective metatags so that consumers searching for the key phrase 'Home-Market' can find it easily. It does not show, however, that many consumers have actually found or searched for plaintiff's services using that phrase such that it has become associated with plaintiff's web site in the public mind ... Moreover, although plaintiff claims that at least 1,500 people accessed the Home-Market.com web site over a two week period, plaintiff does not indicate whether this two week period occurred before or after defendant began using the Home-Market.net web site. This evidence therefore fails to show that plaintiff's web site acquired a secondary meaning before defendant's alleged infringement began. Furthermore, the record also reflects that more than 183,000 people accessed defendant's web site from the date of its inception sometime in 1998 through September 7, 1999. This represents a period of 88 weeks at most, for a total of over 4,100 incidents per two week period. Plaintiff's evidence thus does not demonstrate that the public's association of the phrase 'Home-Market' with its services is presently any stronger than its association of that phrase with defendant's services. Finally ...[plaintiff] has not marketed the web site through any other medium outside the Internet during the three years that the site has

¹⁴⁹⁵ 76 F.Supp.2d 983 (D. Minn. 1999):991.

¹⁴⁹⁶ This particular section is discussed in paragraph 2.1 in chapter five.

¹⁴⁹⁷ 76 F.Supp.2d 983 (D. Minn. 1999):987.

been in operation.”¹⁴⁹⁸

2.2.3.6. Unauthorised use of trade marks as domain names

As will be seen from various judgements discussed below, many entrepreneurs have attempted to capitalise on consumer confusion as a strategy to lure potential customers to their web sites. The conflict as well as interaction between domain names and trade marks are well-illustrated by the following *dictum* in *Sanlam Limited v Selat Sunda Incorporated*:¹⁴⁹⁹

“The point about the Internet and domain names, however, is that their effect is global. If a person relies on the fact that a trademark is registered in one country and therefore, there can be no breach of its rights in the registration of a domain name in another country, however well known the trademark is outside the country of registration, he must be wrong. The registration of the domain name prevents the person who has the trademark even in one country from registering that mark as a domain name to promote its business as long as the existing registration of the other continues ... It is well to bear in mind that domain names being of an international nature, they should be considered from an international perspective.”

2.2.3.6.1. Using plaintiff's trade mark name as a domain name – unlawful competition

Although the heading indicates “unlawful competition”, it should be understood in its broad meaning. The next subparagraphs deal with instances where the defendant, either a competitor, a non-competitor or a cybersquatter, registered a domain name that was identical or confusingly similar to the plaintiff's registered or common law trade mark name.

2.2.3.6.1.1. Merely adding “.com” to a trade mark

Numerous instances arose where Internet users registered domain names incorporating third parties' trade mark names. The following judgments, each discussed under their own heading, illustrate how US courts applied their legal principles to these scenarios.

¹⁴⁹⁸ 76 F.Supp.2d 983 (D. Minn. 1999):989-990.

¹⁴⁹⁹ WIPO case no D2000-0895. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0895.html>.

2.2.3.6.1.1.1. Where non-competing parties have identical trade mark names in different areas of commerce

In *Hasbro Inc v Clue Computing Inc*¹⁵⁰⁰ the plaintiff was the proprietor of the trade mark "Clue" for a detective game, since 1950. In 1994 the defendant "Clue Computing Inc", an ISP, registered the domain name "www.clue.com". The plaintiff sued the defendant for trade mark infringement¹⁵⁰¹ as well as dilution. The First Circuit of Appeal confirmed the court *a quo*'s reasoning, that:

⇒ With regard to the allegation of trade mark infringement, "there was no significant evidence to establish the likelihood of confusion necessary for conventional trademark infringement ... [there was] very little similarity between Hasbro's products and services and those of Clue Computing ... all that Hasbro showed was that over a period of years a couple of Internet surfers looking for Hasbro's Clue® site had stumbled upon the Clue Computing site, whose content strongly indicated that the site had little to do with Hasbro's business." The court was further of the opinion that any initial interest confusion was legally insignificant.

⇒ With regard to the allegation of trade mark dilution, the court found "on the merits that the Clue® mark was not famous, that Clue Computing's use of the domain name did not blur or tarnish Hasbro's mark, and that in any event the equities would not justify an injunction."

In *Network Network v CBS Inc*¹⁵⁰² the plaintiff sought a declaratory order that it was not infringing the defendant's trade mark rights. The defendant first registered the mark "TNN"¹⁵⁰³ in 1987 for cable television. The plaintiff, in turn, had been using the mark "TNN" as a common law service mark since 1988 for IT consulting and training practice. The plaintiff registered the domain name www.tnn.com in 1994. It immediately began using the domain name for e-mail purposes and several months later it created a web site for that domain name. In 1998 the defendant accused the plaintiff, due to the establishment of the above domain name, of both trade mark infringement and dilution.

¹⁵⁰⁰ 232 F.3d 1 (1st Cir. 2000). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=1st&navby=case&no=001297>.

¹⁵⁰¹ Although the action was instituted in terms of section 1125(a), the judgment remains valid as regards trade mark infringement in terms of section 1114(1)(a).

¹⁵⁰² 54 USPQ.2d 1150 (C.D. Cal. 2000). A copy of this judgment was obtained from Westlaw.

¹⁵⁰³ An Acronym for "The Nashville Network".

With regard to the aspect of dilution, the court held that because defendant failed to complain about the plaintiff's registration of the disputed domain name for nearly four years, this indicated that it "did not sense a threat of dilution from [plaintiff's] use of the domain until relatively recently. Regardless of when [defendant] discovered that [plaintiff] had registered the domain name, it certainly should have been aware of the existence of the Internet, of the practice of registering domain names, and of the likelihood that an existing organization with the initials TNN would seek the most obvious domain name for its website - just as [defendant] now wishes it had done ... The length of time of concurrent usage of 'tnn' before [defendant] complained indicates that [plaintiff's] activity did not seriously dilute the value of [defendant's] trademark."¹⁵⁰⁴

With regard to the issue of trade mark infringement, the court held that because the parties were not competitors, the rational buying public would not associate the parties. The defendant contended that the plaintiff's domain name caused substantial confusion. In support of this contention it proffered "several declarations of Internet users who attempted to reach [defendant's] home page by entering 'www.tnn.com' on their web browsers, and were disappointed upon arriving at [plaintiff's] home page."¹⁵⁰⁵

The court responded by noting that -

"[t]here is a difference between inadvertently landing on a website and being confused. Thousands of Internet users every day take a stab at what they think is the most likely domain name for a particular website. Given the limited number of letters in the alphabet, and the tendency toward the use of abbreviations in commerce generally and in domain names in particular, it is inevitable that consumers will often guess wrong. But the fact that aficionados of The Nashville Network may initially type 'tnn.com' into their browsers in the hope of locating Grand Ole Opry programming information does not, standing alone, demonstrate confusion."¹⁵⁰⁶

Furthermore, the court maintained that five complaining e-mails failed to prove actual confusion. Put differently, they failed to prove that the "reasonable prudent consumer" was likely to be confused or that ongoing consumer confusion resulted.¹⁵⁰⁷ The court proceeded to state that it "can conceive of few, if any, circumstances in which a person of average intelligence, seeking information on NASCAR racing schedules, would be

¹⁵⁰⁴ 54 USPQ.2d 1150 (C.D. Cal. 2000):1153.

¹⁵⁰⁵ 54 USPQ.2d 1150 (C.D. Cal. 2000):1155.

¹⁵⁰⁶ 54 USPQ.2d 1150 (C.D. Cal. 2000):1155.

¹⁵⁰⁷ 54 USPQ.2d 1150 (C.D. Cal. 2000):1155.

seriously confused upon reaching Network's website which, by its terms, offers 'Strategic Planning, design, implementation, and management of Broadband Voice/Data/Video Networks.' »¹⁵⁰⁸

The court also noted that the "initial interest confusion" doctrine did not apply to the facts because the parties were not competitors: Their products were entirely distinct.¹⁵⁰⁹ In fact the court maintained that "[d]issimilarity of goods and services resolves the initial interest confusion question. A trademark violation based on initial interest confusion involves the junior user capitalizing on the senior user's goodwill. The senior user's customers, at least tangentially in the market for the junior user's services, accidentally access the infringing site while in search of information on the senior user's products. Thus, relatedness of products is an important component in the analysis, even if the products need not be closely related. The *Brookfield* initial interest confusion analysis envisions an Internet user in search of one specific product who inadvertently comes upon a related one and uses that product instead."¹⁵¹⁰

In *Chatam International Inc v Bodum Inc*¹⁵¹¹ both plaintiff and defendant had been legitimately using the registered trade mark "Chambord" for their respective goods for more than twenty years; plaintiff for its liqueur and fruit preserves, and defendant for its coffee and tea makers.¹⁵¹² Defendant subsequently registered the domain name www.chambord.com, where it advertised its coffee and tea makers. Defendant did not sell or wish to sell its liqueur by means of the Internet. The plaintiff instituted a claim for trade mark infringement as well as dilution against the defendant.

With regard to the question whether a likelihood of confusion existed, the court stated that a "consumer would be unlikely to associate a liqueur and a housewares product or expect plaintiff to enlarge its business to include coffee and tea makers. Moreover, the commercial styles and approaches employed by the parties are substantially different. Plaintiff's advertising appeals to romance and elegance ... Defendant's emphasizes functionality and contemporary design."

¹⁵⁰⁸ 54 USPQ.2d 1150 (C.D. Cal. 2000):1155.

¹⁵⁰⁹ 54 USPQ.2d 1150 (C.D. Cal. 2000):1157.

¹⁵¹⁰ 54 USPQ.2d 1150 (C.D. Cal. 2000):1157-1158.

¹⁵¹¹ 157 F.Supp.2d 549 (E.D. Pa. 2001). A copy of this judgment can be downloaded from www.strick.com/chambord.htm.

¹⁵¹² Therefore both had legally protectable marks for their non-competing products. Both had been using the same mark for more that 20 years, without actual confusion arising.

The court proceeded to identify the issue: "If '.com' then does not really matter in the formulation of a trademark, what is left as a legal issue is the effect on the public and the marketplace of the initial and exclusive access to defendant's products - as well as the potential for dilutional effect on plaintiff's mark. These issues involve consideration of what has become known by the rubric 'initial interest confusion.' Initial interest confusion, factually and legally, is the gravamen of this case and of the broader problems presented by the exclusivity of domain names."

With regard to the question whether the initial interest confusion doctrine applied, the court stated that because the parties did not compete "a consumer attempting to access an upscale liqueur product is unlikely to be dissuaded, or unnerved, by the sight of coffee makers and other housewares, having first brought up the coffee maker's screen ... Internet surfers are inured to the false starts and excursions awaiting them in this evolving medium. And while more governmental and industry-driven regulation could make it easier on the public, what this case may represent is that the traditional commercial advantage of getting out ahead at the front of the marketplace is not confined to competitive products. In this sense, the Internet, in its presently exclusive construct, is itself a form of product - and more regulatory protection may well be advisable."¹⁵¹³

In *Checkpoint Systems Inc v Check Point Software Technologies Inc*¹⁵¹⁴ the plaintiff, Checkpoint Systems, was involved in the electronic surveillance industry and owned the registered trade mark "Checkpoint". The defendant, Check Point Software, was involved in the computer industry, specialising in creating firewall technology, and owned the US registered trade mark "Check Point". When the plaintiff attempted to register the domain name www.checkpoint.com it discovered that the defendant had already registered this domain name, and subsequently sued the defendant for trade mark infringement. The plaintiff had registered its trade mark in 1967 and the defendant its mark in the 1990's.

With regard to the question whether a likelihood of confusion existed, the Third Circuit of Appeal firstly held that the defendant's domain name was confusingly similar to the plaintiff's mark. However, the following factors indicated that no substantial likelihood

¹⁵¹³ Other factors were that a number of Internet web sites using the name "Chambord" were registered to third parties.

¹⁵¹⁴ 269 F.3d 270 (3rd Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/3rd/case/002373&exact=1>.

of confusion would arise:

- a) The plaintiff's trade mark was well-known only in the physical surveillance industry. Its mark did not have a secondary meaning in the defendant's market, namely the information technology market.
- b) Because both parties' products were expensive and only bought by corporate entities and highly technical information specialists, the consumers were presumed to exercise a higher degree of care when they bought these products.
- c) The parties were not competitors. Even though both were involved in the security industry (one in the physical security industry and the other one in the network access security market), they operated in separate and distinct segments of this field. Furthermore, (1) their products were not substitutes for each other; (2) their products were advertised in different magazines and were promoted in entirely different trade shows; and finally (3) there was no overlap in the places they marketed their products. Therefore, consumers were not likely to assume that the products originated from the same source and there was no "strong likelihood that users and consumers of the parties' products were likely to come across advertisements about the other party's products."

The plaintiff further contended that the "initial interest confusion" doctrine applied.¹⁵¹⁵ The court maintained that because the parties were not competitors and because the plaintiff failed to prove an intent on the part of the defendant to trade on the plaintiff's goodwill, any initial interest confusion that occurred was trivial.¹⁵¹⁶ However, the court approved the court *a quo's* statement that merely because the parties are not competitors, does not mean that this doctrine does not apply.

In *Hartog & Co v Swix.com et al*¹⁵¹⁷ the plaintiff had been the proprietor of the registered trade mark "SWIX", since 1949, in the US as well as in several other countries, including Switzerland. The plaintiff used this mark in connection with its ski waxes. In 1996 the defendant registered in Switzerland the mark "SwiX" for Internet services. The plaintiff did not complain. Also in 1996, the defendant registered the

¹⁵¹⁵ The plaintiff had received a few e-mails and calls that were intended for the defendant.

¹⁵¹⁶ The plaintiff could only prove some twenty instances over a period of five years. The court noted that "[g]iven the size of these companies, and the large number of e-mails, customer inquiries, and other communications they receive on a daily basis, these isolated instances of initial interest confusion counsel against a finding of likely confusion."

¹⁵¹⁷ 136 F.Supp.2d 531 (E.D. Va. 2001). A copy of this judgment can be downloaded from www.burkardlaw.com/nss-folder/unlawfuldomainnames1/Hartog.PDF.

domain name www.swix.com which it commenced using for *bona fide* business purposes. The plaintiff submitted that the above-mentioned domain name diluted its trade mark in that Internet users seeking its (the plaintiff's) web site at www.swix.com would probably become frustrated when they found the defendant and would look no further. The court simply held that even if this was true it "would not establish actionable dilution under the Lanham Act where two legitimate businesses use similar names in dissimilar ventures." The court proceeded to state that the disputed domain name did not lessen the capacity of the plaintiff's mark to identify and distinguish plaintiff's ski waxes.

Finally, the recent case of *Harrods Limited v Sixty Internet Domain Names*¹⁵¹⁸ warrants mentioning. Both parties to the dispute used the word "Harrods" as their trade mark. The appellant traded in the UK and the main respondent traded in South America. The respondent registered numerous domain names incorporating the word "Harrods". With regard to the question whether the respondent registered the domain names in bad faith, the Fourth Circuit of Appeal held that "even recognizing the rights of concurrent users of a mark, a legitimate concurrent user still violates the other user's trademark rights if it uses the shared mark in a manner that would cause consumer confusion, such as by using the mark in the other's geographic area." The court proceeded to state that that "if a concurrent user registers a domain name with the intent of expanding its use of the shared mark beyond its geographically restricted area, then the domain name is registered in bad faith as outlined in the ACPA."¹⁵¹⁹ In a footnote the court made the following valuable observation:

"A more difficult problem, one not presented in this case, is created when a concurrent mark user registers a domain name incorporating the shared mark with the intent only to use the domain name within its limited geographic area, but the registrant's site is nonetheless accessed by users outside the permissible geographic area. If the registrant in this situation is deemed to violate the other user's trademark, then it is

¹⁵¹⁸ Civ 00-2414 (4th Cir. 23/8/2002). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/4th/002414p.html>.

¹⁵¹⁹ This is especially the case where the defendant registers the said domain name with the intent to profit from the plaintiff's well-known (identical) trade mark: "This crosses the line from a permissible intent to use Harrods BA's own South American 'Harrods' trademark on the Internet to an impermissible intent to profit online from the protected mark of Harrods UK". Furthermore, the court held that where the respondent registered hundreds of domain names with terms closely mirroring products sold by its foreign counterpart but not by itself such fact constituted strong evidence of bad faith intent to divert Internet consumers from the latter's web site to its own web site.

unclear how (territorial) concurrent users of a mark can maintain an Internet presence using their mark. This is one of the difficulties that courts and legislatures will eventually have to face as they work to harmonize the geographically limited nature of trademark law with the global nature of the Internet as a medium.”

It can, therefore, be concluded from the above judgments that whenever X and Y use the same trade mark in different areas of commerce and one of them registers a domain name consisting of the trade mark name plus dot-com, the courts are reluctant to hold that the “registering party” is infringing the trade mark rights of the other party, irrespective of whether the “registering party” owns a registered or a common law trade mark. The courts further reason that, where the parties are non-competitors by reason of the fact that they sell unrelated products, no likelihood of initial interest confusion will result in that when the Internet user looking for the one party reaches the other party's web site he will immediately realise that this web site is unrelated to (the party's) performance which he is searching for. Consequently, in these instances no diversion of custom occurs.

2.2.3.6.1.1.2. Where non-competing parties have similar trade mark names

In *Teletech Customer Care Management Inc v Tele-Tech Co Inc*¹⁵²⁰ the plaintiff (Teletech Customer Care Management Inc) was the owner of the registered (since 1982) and well-known trade mark “TELETECH”. It provided “integrated telephone and Internet customer care worldwide”. Defendant (Tele-Tech Co Inc), a contractor providing engineering and installation services to the telecommunications industry, had used the (common law) mark “Tele-Tech” since 1978. The latter registered two domain names namely www.teletech.com and tele-tech.com. The plaintiff alleged trade mark infringement and sought a preliminary injunction.¹⁵²¹

The court firstly noted, referring to the domain name www.teletech.com, that defendant was using plaintiff's federally registered service mark as a domain name. The court proceeded to state that -

“Defendant's use of the ‘teletech.com’ domain name prevents Plaintiff TeleTech from using its registered service mark and company name as its domain name ... Plaintiff's inability to use the TELETECH (R) company name and registered service mark as its

¹⁵²⁰ 977 F.Supp. 1407 (C.D. Cal. 1997). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/domain/dncases/teletech.htm>.

¹⁵²¹ In South African terms the plaintiff sought a temporary interdict.

domain name is causing hardship to Plaintiff Customers and potential customers of Plaintiff are unable to locate Plaintiff's website by typing in 'teletech.com' as part of the Uniform Resource Locator (URL) ... An Internet domain name may include a hyphen ... Use of a hyphen would distinguish the domain name 'tele-tech.com' from the domain name 'teletech.com.'

Defendant contended that plaintiff's presence on the Internet was not hindered by his employment of the plaintiff's name and registered service mark as its domain name, because Internet users could still locate plaintiff's web site using search engines, rather than typing in plaintiff's domain name. The court simply responded by stating that "[t]hat method of searching the Internet appears to generate as many as 800 to 1000 matches, however. That number of locations is likely to deter web browsers from searching for Plaintiff's particular website ... users of the Internet who have become familiar with [the TELETECH] mark will probably assume that TeleTech's website will be found at 'teletech.com.' "

The court concluded that the defendant was guilty of trade mark infringement because a likelihood of confusion existed: "Consumers and others are likely to be confused by the Defendant's unauthorized use of 'teletech.com' as its domain name, because persons who attempt to locate the Plaintiff's website by typing in 'teletech.com' as the domain name will instead be connected to the Defendant's website. While reading the Defendant's website may dispel this confusion, there is at least the initial confusion as to the source of the website that the user has accessed ... Since Defendant's 'teletech.com' domain name does not include a hyphen, it is identical to Plaintiff's registered service mark and company name."

The court also held that defendant diluted plaintiff's trade mark.¹⁵²² The court further maintained that the defendant was permitted to use the domain name www.tele-tech.com.¹⁵²³

In *Alta Vista Corp Ltd v Digital Equipment Corp*¹⁵²⁴ the plaintiff (Alta Vista Corporation) owned the registered service mark "Alta Vista" for literary services. The defendant

¹⁵²² Without providing reasons.

¹⁵²³ "Use of a hyphen would distinguish the domain name 'tele-tech.com' from the domain name 'teletech.com.' Domain names such as 'teletech.com' are used to identify the location of servers on the Internet. Because the hyphen is an additional character in the domain name, its inclusion or omission changes the location of the server to which an inquiry is made."

¹⁵²⁴ 44 F.Supp.2d 72 (D. Mass. 1998). A copy of this judgment was obtained from Westlaw.

(Digital Equipment Corporation) introduced, two years after the plaintiff began using its mark, the service mark "AltaVista" for its search engine "AltaVista". The defendant was unaware of the plaintiff's mark.¹⁵²⁵ Plaintiff instituted action for trade mark infringement, more than two and half years after defendant began using its mark, averring that the latter was guilty of reverse confusion,¹⁵²⁶ and sought a preliminary injunction barring the defendant from using the words "alta vista" for its search engine. The defendant, in turn, contended that no likelihood of confusion existed because the parties were not competitors.

Firstly, the court held that the plaintiff was the senior user of the mark "Alta Vista" and the defendant the junior user.¹⁵²⁷ With regard to the issue of confusion, the court held that no likelihood of confusion existed because:

- 1) Their marks were not similar in their respective contexts: "I agree with [defendant] that when viewed in their respective contexts, the marks would be hard to confuse. Take, for example, their appearance on the Web. A Web user who arrives at [defendant's] AltaVista search site can easily tell that the service offered is an Internet search service. Likewise, a Web user who arrives at [plaintiff's] site can easily tell that the service offered is that of a literary agency."¹⁵²⁸
- 2) The parties were not competitors.¹⁵²⁹
- 3) No substantial evidence of actual confusion was proffered by the plaintiff.¹⁵³⁰

With regard to the relative harm that would befall either plaintiff or defendant if the preliminary injunction was denied or granted, the court held that:-

- a) "It should be relatively easy for [plaintiff] to explain to its clients, potential clients, and business contacts that it is not affiliated in any way with [defendant's] AltaVista search engine. It could include a brief statement to that effect on its brochures and on its Web page. Indeed, [plaintiff] already takes a few minutes to explain to new clients and potential clients that there is no connection between itself and Defendant's AltaVista search service. There is no reason to think that a brief explanation cannot clear up any confusion that may exist ... The harm they will

¹⁵²⁵ Both companies used the words "alta vista" because of its Spanish meaning.

¹⁵²⁶ See paragraph 2.1.3.3 of this chapter where the concept "reverse confusion" is explained.

¹⁵²⁷ 44 F.Supp.2d 72 (D. Mass. 1998):75.

¹⁵²⁸ 44 F.Supp.2d 72 (D. Mass. 1998):76.

¹⁵²⁹ 44 F.Supp.2d 72 (D. Mass. 1998):77-78.

¹⁵³⁰ 44 F.Supp.2d 72 (D. Mass. 1998):79.

suffer seems most likely to be the minimal cost of setting the record straight for those people who are curious to know if there is any connection between [plaintiff] and [defendant].”¹⁵³¹

- b) “By contrast, the cost to Defendant of changing the name of its search engine subsidiary would be quite substantial. First, the change would have to be global. Because the Internet is a global network of computers, there is no way to change the name of the search engine only in New York and Los Angeles. Second, it would cost millions of dollars to replace ‘AltaVista’ on the Web sites where it now appears, and on all the printed materials and packaging containing the name. Third, it would also cost millions of dollars to advertise a new name to give it the kind of name recognition that ‘AltaVista’ already has for [defendant]. It is worth noting that it would be imperative to spend such large quantities of money to advertise the name change because [defendant’s] income depends on traffic on its search engine site, which of course depends on name recognition. Fourth, it would be very difficult to change the AltaVista name on all the Web sites that now contain it because the links are run independently, and because it would be difficult for [defendant] to even figure out who runs all the different sites. Fifth, it would undermine the good will [defendant] has built up in the name to change it because Internet users would find an error message if they tried to use their old bookmarked sites, and this could cause them to wonder if [defendant’s] search engine had simply been shut down.”¹⁵³²

Consequently, the court refused to grant the injunction.

The facts of *Brookfield Communications Inc v West Coast Entertainment Corp*¹⁵³³ were that Brookfield (the appellant) was the registered owner of the trade mark “MovieBuff”. It used this trade mark to sell computer software featuring a searchable database containing entertainment-industry related information. The respondent (West Coast) was a video rental store that had been using the term “Movie Buff” for marketing its products, prior to the appellant’s trade mark registration. The respondent’s registered trade mark was “The Movie Buff’s Movie Store” and was registered seven years longer than the appellant’s registered trade mark.

¹⁵³¹ 44 F.Supp.2d 72 (D. Mass. 1998):80-81.

¹⁵³² 44 F.Supp.2d 72 (D. Mass. 1998):81.

¹⁵³³ 174 F.3d 1036 (9th Cir. 1999). A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>.

The respondent registered, three years after the appellant had registered its trade mark ("MovieBuff"), the domain name www.moviebuff.com where it was intending to offer a searchable entertainment database similar to the appellant's. The appellant applied for an interdict enjoining the respondent from using the above-mentioned domain name in that, so it averred, it would infringe its (the appellant's) registered trade mark. The respondent's defence was twofold: a) That it was the senior user of the words "Movie Buff" and b) that the planned use of the domain name www.moviebuff.com would not cause a likelihood of confusion with appellant's trade mark "MovieBuff". The appellant was only required to indicate that the respondent was using a mark confusingly similar to its registered trade mark.

With regard to the first defence the Ninth Circuit of Appeal noted that appellant's "registration of the mark ... constitutes *prima facie* evidence of the validity of the registered mark and of [its] exclusive right to use the mark on the goods and services specified in the registration ... Nevertheless, [respondent] can rebut this presumption by showing that it used the mark in commerce first, since a fundamental tenet of trademark law is that ownership of an inherently distinctive mark such as 'MovieBuff' is governed by priority of use."

In the US the position obtains that the first to use a mark is deemed the "senior" user and has the right to enjoin "junior" users from using confusingly similar marks in the same industry and market or within the senior user's natural zone of expansion.¹⁵³⁴

The court was of the opinion that the respondent's first defence failed in that "The Movie Buff's Movie Store" and www.moviebuff.com differed to a great extent and consequently it could not allege that it was the senior user of www.moviebuff.com. It followed that the appellant was the senior user because it marketed "MovieBuff" products well before the respondent began using the domain name www.moviebuff.com. The court further held that the respondent had not used the mark www.moviebuff.com at all: It had not used it to distinguish its goods or services in commerce because, although it had registered the domain name, the appellant had prevented it from doing so. The court further stated that the mere intent to use a mark commercially did not suffice.

With regard to the second defence, the court remarked that the appellant shouldered the obligation to indicate that consumers were likely to be confused as to the source or

¹⁵³⁴ See the *Brookfield* case.

affiliation under the given circumstances.¹⁵³⁵ The court firstly noted that “ ‘MovieBuff’ and ‘moviebuff.com’ are, for all intents and purposes, identical in terms of sight, sound, and meaning”.¹⁵³⁶ Furthermore, the consuming public was likely to somehow associate the respondent’s performance with the appellant’s performance in that both “companies offer [similar] products and services relating to the entertainment industry generally, and their principal lines of business both relate to movies specifically”.¹⁵³⁷ The court further noted that “[t]he use of similar marks to offer similar products accordingly weighs heavily in favor of likelihood of confusion.”¹⁵³⁸

As part of the enquiry into the likelihood of confusion, the court noted, with regard to the question whether the appellant’s trade mark was famous and worthy of protection, that the appellant’s mark was not descriptive in that it failed to describe the product or its purpose. However, it was suggestive and therefore strong enough to warrant trade mark protection.¹⁵³⁹ The court also held that this factor, coupled with the fact that the “Moviebuff” trade mark was a weak mark,¹⁵⁴⁰ was of little importance in the likelihood of confusion analysis because the “products involved are closely related and the [respondent’s] domain name is nearly identical to the [appellant’s] trademark.”¹⁵⁴¹

The court was further of the opinion that the respondent’s did not adopt the www.moviebuff.com mark with the specific purpose of infringing the appellant’s trade mark, neither did the respondent adopt the mark with the knowledge that it was the appellant’s trade mark, when it registered the domain name, nor did the respondent register the domain name with the intent to confuse any customers.¹⁵⁴² The court maintained that except for the last mentioned factors, all the above mentioned factors

¹⁵³⁵ 174 F.3d 1036 (9th Cir. 1999):par 16.

¹⁵³⁶ 174 F.3d 1036 (9th Cir. 1999):par 15.

¹⁵³⁷ 174 F.3d 1036 (9th Cir. 1999):par 17.

¹⁵³⁸ 174 F.3d 1036 (9th Cir. 1999):par 18. The court stated (par 20) that many forms of consumer confusion are likely to result: “People surfing the Web for information on ‘MovieBuff’ may confuse ‘MovieBuff’ with the searchable entertainment database at ‘moviebuff.com’ and simply assume that they have reached Brookfield’s web site ... Alternatively, they may incorrectly believe that West Coast licensed ‘MovieBuff’ from Brookfield ... or that Brookfield otherwise sponsored West Coast’s database ... Other consumers may simply believe that West Coast bought out Brookfield or that they are related companies ... Consumers may wrongly assume that the ‘MovieBuff’ database they were searching for is no longer offered, having been replaced by West Coast’s entertainment database”.

¹⁵³⁹ 174 F.3d 1036 (9th Cir. 1999):par 10.

¹⁵⁴⁰ The plaintiff could not prove that its mark enjoyed widespread recognition.

¹⁵⁴¹ 174 F.3d 1036 (9th Cir. 1999):par 21.

¹⁵⁴² 174 F.3d 1036 (9th Cir. 1999):par 22.

indicated a likelihood of confusion and consequently ruled that the respondent was prohibited from using the domain address.¹⁵⁴³ The court further maintained that:

“In the Internet context, in particular, courts have appropriately recognized that the intentional registration of a domain name knowing that the second-level domain is another company’s valuable trademark weighs in favor of likelihood of confusion.”¹⁵⁴⁴

Finally, the court enunciated that “[w]hen a firm uses a competitor’s trademark in the domain name of its web site, users are likely to be confused as to its source or sponsorship.”¹⁵⁴⁵

It follows that the following conclusions can be made from the judgments studied above:

1. Where A is not a competitor of B and they both have similar trade marks and A commences using a domain name consisting of B’s trade mark name plus a TLD (such as “.com”) for the advertising of similar products to the products sold by B, A’s web site address causes confusion and consequently he is guilty of trade mark infringement.
2. Where A and B are not competitors and their trade marks differ by a space between the relevant words constituting their trade mark names (such as “Alta Vista” and “Altavista”) the owner of the trade mark that includes the “space” is allowed to register a domain name excluding the space seeing that domain names cannot include spaces, provided that his web site makes it clear that he is not the other entity and/or affiliated with the latter.
3. Where A and B have similar trade mark names which do not cause confusion in the physical world, such as “Teletech” and “Tele-tech” and one of them wants to register a domain name, the domain name must as far as possible correspond to the registrant’s trade mark name in order to avoid confusion. Therefore, the proprietor of the trade mark “Tele-tech” is allowed to register the domain name www.tele-tech.com because it corresponds closely to his trade mark name.
4. The fact that the defendant, who *bona fide* adopted a particular name as well a domain name, has to incur large expenses to change such name and all

¹⁵⁴³ 174 F.3d 1036 (9th Cir. 1999):par 25.

¹⁵⁴⁴ 174 F.3d 1036 (9th Cir. 1999):par 22.

¹⁵⁴⁵ 174 F.3d 1036 (9th Cir. 1999):par 33.

corresponding references, is an extremely important "public interest" consideration which strengthens its case, as the junior use of the mark in question.

5. Therefore, the general rule appears to be that, where non-competitors with different trade marks are involved, an entrepreneur or business is only allowed to register a domain name of which the Second Level Domain corresponds exactly with his or its trade mark name, unless technicalities pertaining to the domain name registration process prevent the entrepreneur or business from registering such a domain name.

2.2.3.6.1.1.3. Where a non-competitor registers the trade mark of a third party

The question arose whether Internet users who employ third parties' common law or registered trade mark names as domain names, for their commercial but non-competing web sites, are guilty of trade mark dilution and/or infringement. The following judgments address this question.

In *Juno Online Services LP v Juno Lighting Inc*¹⁵⁴⁶ the defendant was the owner of the registered trade mark "JUNO" and had been using this mark since 1976 for "recessed and track lighting". Plaintiff, an ISP, registered the domain name www.juno.com in 1994. In 1995 the plaintiff attempted to obtain the trade mark "JUNO" for Internet services. The defendant informed the plaintiff that it planned to oppose the latter's trade mark application. The plaintiff subsequently instituted action for a declaratory order. The defendant alleged that plaintiff was guilty of trade mark infringement and trade mark dilution. Defendant then obtained the domain name www.juno-online.com. Plaintiff, in turn, alleged that defendant was guilty of trade mark infringement, to which the latter answered that because he had merely acquired the www.juno-online.com domain name and had not used it¹⁵⁴⁷ he did not use the domain name "in commerce".

With regard to the plaintiff's trade mark infringement proceedings concerning the domain name www.juno-online.com, the court responded as follows: "The mere 'warehousing' of the domain name [i.e. registering a domain name in the hope of reselling it to the applicant¹⁵⁴⁸] is not enough to find that defendant placed the mark on

¹⁵⁴⁶ 979 F.Supp. 684 (N.D. ILL. 1997). A copy of this judgment can be downloaded from www.louandy.com/CASES/Juno_v_Juno.html.

¹⁵⁴⁷ Stated differently, he merely reserved the domain name.

¹⁵⁴⁸ See paragraph 2.2.3.4.1 of this chapter.

goods or 'used or displayed [the mark] in the sale or advertising of services' as required ... Merely obtaining a domain name, without setting up a web site or e-mail service, is not enough to constitute 'trade or commerce.' " Therefore, the defendant was not guilty of trade mark infringement. Furthermore, according to the court, no likelihood of confusion existed because defendant had "not been accused of representing something to potential buyers or to the public".

One issue that the court failed to address was whether the plaintiff was allowed to use the domain name www.juno.com. It would seem that the court tacitly accepted that the plaintiff was permitted to use the said domain name because both parties had used the mark JUNO for quite some time. The one who first registered the domain name enjoyed all the rights.

The facts of *New York State Society of Certified Public Accountants v Eric Louis Associates Inc*¹⁵⁴⁹ were that the plaintiff had used the unregistered (common law) service mark "NYSSCPA" since 1984 for identifying its services to its professional accounting members and operated a web site at www.nysscpa.org since 1997. Defendant, specialising in permanent and temporary placement of accounting and other professionals, registered the domain name www.nysscpa.com in January 1999 and shortly thereafter established a web site for the domain name. Defendant's web site clearly stated that it was not affiliated with the plaintiff and provided a hyperlink to the latter's web site. The web site also used "NYSSCPA" as a metatag.¹⁵⁵⁰ The plaintiff alleged that the defendant's conduct diluted the value of his trade mark.

The court found that the NYSSCPA trade mark was famous.¹⁵⁵¹ The court further maintained that "there can be little doubt that Defendant's use of Plaintiff's mark was for commercial purposes. Defendant employed the 'nysscpa.com' domain name and the 'NYSSCPA' meta-tag for the purpose of attracting potential clients to its web site. Furthermore, Defendant attempted to sell the 'nysscpa.com' domain name to Plaintiff."¹⁵⁵² The court was further of the opinion that the defendant's conduct diluted the value of the plaintiff's trade mark by blurring because -

"the 'NYSSCPA' meta-tag is identical the Society's NYSSCPA mark, and the 'nysscpa.com' domain name is nearly identical to the Society's NYSSCPA mark, and ...

¹⁵⁴⁹ 79 F.Supp.2d 331 (S.D.N.Y. 1999). A copy of this judgment was obtained from Westlaw.

¹⁵⁵⁰ This aspect is further addressed in paragraph 2.2.4 of this chapter.

¹⁵⁵¹ 79 F.Supp.2d 331 (S.D.N.Y. 1999):344.

¹⁵⁵² 79 F.Supp.2d 331 (S.D.N.Y. 1999):344.

that the parties' respective web sites are in close proximity".¹⁵⁵³

Furthermore, confusion was present in that the defendant's domain name and metatag caused initial interest confusion:¹⁵⁵⁴ "Person's using them [the NYSSCPA.com domain name as well as the word NYSSCPA in an Internet search] are expecting to arrive at the Society's web site. When they arrive instead at Defendant's web site, they cannot help being confused - even if only momentarily."¹⁵⁵⁵ The court also maintained that the defendant diluted the plaintiff's trade mark by means of tarnishment in that the defendant's use of the plaintiff's trade mark as a metatag as well as a domain name suggested an "affiliation between the Society [a non-profit society] and a for-profit commercial entity engaged in placing accountants".¹⁵⁵⁶

US courts have also maintained that where a non-competitor incorporates a third party's trade mark in a domain name used for displaying lewd content, the former dilutes the value of the third party's trade mark. For example, in *Archdiocese of St. Louis et al v Internet Entertainment Group Inc*¹⁵⁵⁷ the plaintiffs were the owners of the common law trade mark "Papal Visit 1999" which they used to commemorate the Pope's 1999 visit to St Louis. The defendant registered the domain name www.papalvisit1999.com for which it established an adult entertainment web site. The court maintained that the defendant was guilty of trade mark dilution: "Defendant's use of plaintiffs' common law trademarks and tradename as its Internet domain names tarnishes the plaintiffs' family of marks by associating them with adult entertainment venues that are inconsistent with the positive and spiritual uplifting image plaintiffs have striven to create and maintain in connection with the Pope's upcoming visit to St. Louis."¹⁵⁵⁸

From these judgments the following conclusions can be made:

¹⁵⁵³ 79 F.Supp.2d 331 (S.D.N.Y. 1999):345.

¹⁵⁵⁴ 79 F.Supp.2d 331 (S.D.N.Y. 1999):346.

¹⁵⁵⁵ 79 F.Supp.2d 331 (S.D.N.Y. 1999):342.

¹⁵⁵⁶ 79 F.Supp.2d 331 (S.D.N.Y. 1999):346.

¹⁵⁵⁷ 34 F.Supp.2d 1145 (E.D. Mo. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/Papalvisit.html>.

¹⁵⁵⁸ Another example is *Hasbro Inc v Internet Entertainment Group Ltd et al* 40 USPQ.2d 1479 (W.D. Wash. 1996) where the plaintiff was the owner of the registered trade mark "Candy Land" for children's toys. The defendant registered the domain name "www.candyland.com" where it operated a sexually explicit Internet site. The plaintiff contended that this constituted trade mark dilution. The court agreed. A copy of this judgment can be downloaded from www.loundy.com/CASES/Hasbro_v_IEG.html.

- When X uses the trade mark name of Y, a non-competitor, as a domain name for his web site, X is guilty of trade mark dilution in that he blurs the distinctiveness of Y's trade mark name. Where X uses the said domain name for pornography purposes, X also tarnishes the reputation of Y's trade mark name. Similar considerations arise where a commercial organisation uses a non-profit organisation's trade mark for commercial purposes. X is also guilty of trade mark infringement in that he causes initial interest confusion. The fact that X's web site clearly indicates that he is not connected with Y is insufficient.
- Where X merely registers a domain name incorporating Y's trade mark name, but does not establish a web site for this domain name, X does not use his mark (the said domain name) in regard to any goods or services. Consequently he does not use it in commerce as required by both sections 1114(1)(c) and 1125(a).

2.2.3.6.1.1.4. Where a competitor registers the trade mark of a rival

The question arose whether competitors were allowed to register domain names incorporating the trade mark names of their business rivals. The following nine judgments illustrate how US courts solved this issue under various circumstances.

In *Inset Systems Inc v Instruction Set Inc*¹⁵⁵⁹ the plaintiff developed and marketed computer software and other related services throughout the world. The defendant, in turn, provided computer technology and support to thousands of organisations throughout the world. Plaintiff (Inset Systems) was the owner of the registered trade mark "Inset". Thereafter, defendant (Instruction Set) obtained the domain name www.inset.com, which it used to advertise its goods and services. The defendant also used the telephone number "1-800-US-INSET". The plaintiff contended that the defendant was guilty of trade mark infringement. The court maintained that "[i]f a company uses a domain which is identical to the name or trademark of a company, an Internet user may inadvertently access an unintended company. Thereafter, the Internet user may not realize that the advertisement is actually from an unintended company, or the Internet user may erroneously assume that the source of information is the intended company. As a result, confusion in the marketplace could develop." Accordingly, the court held that the defendant was guilty of trade mark infringement.

¹⁵⁵⁹ 937 F.Supp. 161 (D. Conn. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/Inset_v_Instruction.html.

In *Actmedia Inc v Active Media International Inc*¹⁵⁶⁰ the plaintiff, Actmedia, was the owner of the registered and well-known trade mark "Actmedia" used for advertising and promotional services.¹⁵⁶¹ Defendant, Active Media, a company operating in the same market and providing web design and development services, registered the domain name "www.actmedia.com".¹⁵⁶² The plaintiff alleged that the defendant committed trade mark infringement and dilution. The court maintained that the defendant's reservation of the disputed domain name precluded the plaintiff from reserving an Internet domain name incorporating its registered trade mark. The court further stated that respondent was guilty of trade mark dilution in that the said domain name created a likelihood of dilution of the distinctive quality of the plaintiff's trade mark. With regard to the trade mark infringement claim, the court held that the defendant's use of the disputed domain name, namely providing services similar to plaintiff, caused a likelihood of confusion "in the marketplace that Plaintiff and Defendant are affiliated; and ... that Plaintiff sponsors or approves Defendant's commercial activities."

In *Comp Examiner Agency Inc v Juris Inc*¹⁵⁶³ the defendant was the owner (since 1988) of the registered trade mark "Juris", which it used for law office management software and related services. The plaintiff registered and used the domain name www.juris.com to sell software and related services to professionals in the legal, insurance, forensic businesses and related professions. Therefore, both parties sold the same or similar products to the same or similar customers. The defendant sought an interdict enjoining the plaintiff from using the disputed domain name on the basis of alleged trade mark infringement. The court held that the plaintiff was using an identical mark to the defendant's registered trade mark and consequently infringed upon its trade mark in that it was likely to cause confusion as to the source or sponsorship of those goods and service. The court granted an order in favour of defendant.

¹⁵⁶⁰ 1996 WL 466527 (N.D. ILL. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/ActMedia_v_Active_Media.html.

¹⁵⁶¹ Plaintiff commenced using its trade mark in 1972.

¹⁵⁶² Unfortunately, the court did not elaborate on the defendant's conduct. For a few additional facts see www.finnegan.com/summ/cases/actmedia.htm.

¹⁵⁶³ 1996 US Dist LEXIS 20259 (C.D. Cal. 1996). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/juris1.html. For additional facts, see www.finnegan.com/summ/cases/comp.htm & www.fleitkain.com/page4pub.html.

In *Lozano Enterprises v La Opinion Publishing Company et al*¹⁵⁶⁴ the facts were that the plaintiff traded as "La Opinion" and owned the famous and registered "La Opinion" trade mark which it had been using for its newspaper in the US since 1926. The defendants started a newspaper entitled "La Opinion de San Antonio",¹⁵⁶⁵ in a town in Texas. The defendants then registered the domain names www.laopinion.com, www.laopinion-sa.com, www.laopinion-losangeles.com and www.laopinion.net.

The plaintiff alleged that the defendant was guilty of trade mark infringement. The court maintained that "a defendant infringes plaintiff's trademark where defendant uses plaintiff's name as a defendant's Internet domain name." The court further maintained that a likelihood of confusion existed because -

"[p]laintiff and defendants both provide newspapers. Where goods are related or complementary, the danger of consumer confusion is heightened ... Defendants have used the words 'La Opinion' ... as their Internet domain name (e.g., 'laopinion.com')... The marketing channels for plaintiff and defendants are similar. Plaintiff plans to have a Web site and would use, except for defendant's improper actions, the Internet domain name 'laopinion.com.' ... This Court presumes that defendant intended to deceive the public because defendant adopted plaintiff's mark."

The court made no distinction between the various domain names. The plaintiff also alleged that the defendant was guilty of trade mark dilution. The court simply maintained that "[a] defendant who uses Plaintiff's name as defendant's Internet domain name violates the Federal Anti-Dilution Act." Again, the court made no distinction between the various domain names.

In *Green Products Co v Independence Corn By-Products Co*¹⁵⁶⁶ the plaintiff was the owner of the registered trade mark "Green Products". It owned the domain names www.green-products.com and www.greenproductscs.com which it employed to market its products. Both plaintiff and defendant were involved in the corn by-products industry. Defendant registered seven domain names of which five were formed by using either the trade mark names or business names of its competitors. One of them was www.greenproducts.com. The defendant averred that this was done for the

¹⁵⁶⁴ 44 USPQ.2d 1764 (C.D. Cal. 1997). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/laopinion.html>.

¹⁵⁶⁵ The court failed to mention when the defendants commenced with their newspaper.

¹⁵⁶⁶ 992. F.Supp. 1070 (N.D. Iowa 1997). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/green.html>.

purpose of comparative advertising. The plaintiff argued that the defendant was guilty of trade mark infringement. The defendant, in turn, contended that "the Court should only compare the similarity of domain names and web sites linked to those domain names - not the similarity of [its] domain name and Green Products' trademark - because [it] is not 'selling a product on store shelves using the mark "greenproducts.com".' " It further stated that it would take every precaution to ensure that there was no consumer confusion. The court responded to this argument by stating that -

"[t]he Court finds ICBP's argument clever, but ultimately unpersuasive. ICBP's argument is analogous to saying that ICBP has the right to hang a sign in front of its store that reads, 'Green Products.' When customers enter the store expecting to be able to see (and possibly, to buy) products made by Green Products, ICBP then announces, 'Actually, this store isn't owned by Green Products; it's owned by ICBP. We don't sell anything made by Green Products, but as long as you're here, we'll tell you how our products are better than Green Products.' In essence, ICBP is capitalizing on the strong similarity between Green Products' trademark and ICBP's domain name to lure customers onto its web page."

With regard to the issue of a likelihood of consumer confusion, the defendant argued that the court should not focus on the parties' similar corn by-products, but on their domain names and respective web sites: "[T]he relevant 'products' for the likelihood of confusion analysis are not corncob products because ICBP does not sell any corncob products with the mark 'greenproducts.com' on a label or package design." Instead, so the defendant argued, the court should analyse whether the web site established for www.greenproducts.com was proximate to the web site established for www.greenproducts.com and www.greenproductsco.com. The court responded to this argument as follows:

"ICBP's argument basically boils down to the idea that the Court should view the domain names as mere addresses which - along with the web sites attached to each name - are products in and of themselves. The Court disagrees. There is a close competitive proximity between the products that the two companies sell, and there is also a close competitive proximity between the domain name 'greenproducts.com' and the trademark 'Green Products'. The domain name 'greenproducts.com' identifies the internet site to those who reach it, 'much like a person's name identifies a particular person, or, more relevant to trademark disputes, a company's name identifies a specific company.' ... Because customers who do not know what a company's domain name is

will often guess that the domain name is the same as the company's name,¹⁵⁶⁷ a 'domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base.'... Alternatively, even if this Court were persuaded that it should only compare the alphanumeric domain names (and not the products that each company sells, nor the similarity between ICBP's domain name and Green Products' trademark), this Court would still find a close proximity between the domain name 'greenproducts.com' and any of the alternative domain names that ICBP suggests, such as 'green-products.com', 'greenproductsc.com', or 'greenproducts-co.com.' Under either analysis, there is a close competitive proximity, and that close competitive proximity further increases the opportunity of consumer confusion."

Defendant further contended that "there will be no consumer confusion because internet users will immediately know that the web site belongs to ICBP once the actual web page appears on the screen (after users have typed the domain name 'greenproducts.com')." The court rejected this contention, maintaining that -

"the use of plaintiff's trademark as defendant's own domain name is likely to cause consumer confusion as to who owns the site. Just as customers entering a store that advertises 'Green Products' as its store name would be initially confused to find, upon entering the store, that ICBP actually owned it, so will customers typing the domain name 'greenproducts.com' be initially confused to find that ICBP owns the web site."

The court stated that its own interpretation of "consumer confusion" was unique: "Here, ICBP did not intend to sell its corn by-products by passing them off as having been made by Green Products. However, ICBP did intend to pass off its domain name as though it belonged to Green Products. As a result of the confusion in thinking that Green Products' web site could be found through the 'greenproducts.com' domain name, ICBP could deceptively lure potential customers onto its own turf, where customers would be told how ICBP is better than Green Products. This Court finds that such a deceptive use of a competitor's trademark as a way to lure customers away from the competitor is a kind of consumer confusion."

The court continued to state that defendant's ownership of the disputed domain name, even without an adjoining web site, could cause consumer confusion about the corporate status of Green Products:

"Currently, if internet users browsing the web type the domain name

¹⁵⁶⁷ This sentence was confirmed in *Ford Motor Company v Ford Solutions Inc* 103 F.Supp.2d 1126 (N.D. Iowa 2000):1128. A copy of this judgment was obtained from Westlaw.

'greenproducts.com', they are told that '[n]o documents match the query.' After reading this message, users might randomly input other domain names, guessing that Green Products is registered under some variation of its trademark. Other users might try to find out who owns the domain name 'greenproducts.com' by using various functions on the web where people can type specific domain names and find out who owns them¹⁵⁶⁸ ... Users who do this will learn that ICBP owns the 'greenproducts.com' web site, and they will also learn the address and phone number of ICBP. Potential customers who see this information may be confused into thinking that ICBP has taken over Green Products, or that Green Products has merged into ICBP. As a result, customers may decide to buy from ICBP, believing that Green Products no longer exists or that ICBP now owns it. The consumer confusion thereby caused by ICBP's ownership of the domain name 'greenproducts.com' during the pendency of litigation would cause Green Products to lose customers."

Finally, the court also held that "even though one way to achieve a competitive market is through comparative advertising, the public interest is not well served when potential customers are lured onto a competitor's web site under the guise of comparative advertising. If [the defendant] were to prevail at trial and be awarded ownership of the domain name 'greenproducts.com', such a result would have far-reaching consequences for both internet browsers and for companies seeking to advertise on the web."¹⁵⁶⁹

In *Public Service Co of New Mexico v Nexus Energy Software Inc*¹⁵⁷⁰ the plaintiff was the owner of the registered trade mark "Energy place", registered for informational services "regarding the most efficient and cost-effective use of energy resources". The defendant, a competitor, registered the domain name www.energyplace.com which it used to offer consumers various services to analyse their energy needs. It used the unregistered mark "eENERGYplace" for the web site established for this domain name.¹⁵⁷¹ The plaintiff sued the defendant for trade mark infringement. The defendant alleged that the plaintiff's trade mark was generic, or descriptive and had not acquired secondary meaning, and therefore not entitled to trade mark protection. It averred that many US businesses used the term "Energy Place" in their names. The court maintained that this alleged fact did not indicate that the term was generic as in "used

¹⁵⁶⁸ The court refers here to the WHOIS database, explained in paragraph 2.2.3.3 of this chapter.

¹⁵⁶⁹ The court took the public interest into consideration because the plaintiff sought an injunction.

¹⁵⁷⁰ 36 F.Supp.2d 436 (D. Mass. 1999). A copy of this judgment was obtained from Westlaw.

¹⁵⁷¹ The US PTO refused registration of this mark due to a likelihood of confusion with the plaintiff's trade mark.

by consumers for sites where they can find information regarding energy information, products, and services.¹⁵⁷² The court held that the mark was suggestive.¹⁵⁷³ Consequently, the court was of the opinion that both the defendant's mark and domain name were confusingly similar to the plaintiff's trade mark.¹⁵⁷⁴

In *Advance Magazine Publishers Inc v Vogue International et al*¹⁵⁷⁵ the plaintiff was the publisher of the well-known fashion magazine "Vogue" as well as the magazine "Teen Vogue". The plaintiff was also the proprietor of the well-known and registered trade mark "Vogue".¹⁵⁷⁶ The defendants registered the domain names www.teenvogue.com, www.teenvogue.net and www.vogue-international.com where they offered clothing, cosmetics and fashion accessories for sale. The plaintiff contended that the defendants were guilty of trade mark infringement. The court first noted that the disputed domain names were confusingly similar to the plaintiff's trade mark.¹⁵⁷⁷ Thereafter the court held that a likelihood of confusion was present due to the fact that the parties' marks were confusingly similar as well as the fact that there was a significant overlap in their business spheres.¹⁵⁷⁸ Finally, the court noted, for the purpose of *ACPA* proceedings, that the defendants' web site and domain name diluted the plaintiff's trade mark reputation, whenever Internet users, be they consumers or advertisers, associated defendants' web site and products with plaintiff in that the quality of defendants' web site and the type of goods they offered for sale were not comparable to the quality of plaintiff's web site and performance.¹⁵⁷⁹ Furthermore, plaintiff was prejudiced because it was unable to control communications from defendants to consumers who believed that they were communicating with plaintiff.¹⁵⁸⁰

In *Online Partners.Com Inc v AtlanticNet Media Corp*¹⁵⁸¹ the plaintiff's registered and well-known trade mark was Gay.Net, registered and used for publications as well as

¹⁵⁷² 36 F.Supp.2d 436 (D. Mass. 1999):438.

¹⁵⁷³ 36 F.Supp.2d 436 (D. Mass. 1999):439.

¹⁵⁷⁴ 36 F.Supp.2d 436 (D. Mass. 1999):439. Confusing similarity was present because the marks in question were virtually identical, the parties offered identical services and they competed on the Internet, although for customers in different US geographical regions. (At 439)

¹⁵⁷⁵ 123 F.Supp.2d 790 (D.N.J. 2000). A copy of this judgment was obtained from Westlaw.

¹⁵⁷⁶ Unfortunately, the court failed to mention the goods for which this mark was registered.

¹⁵⁷⁷ 123 F.Supp.2d 790 (D.N.J. 2000):796.

¹⁵⁷⁸ 123 F.Supp.2d 790 (D.N.J. 2000):797-798.

¹⁵⁷⁹ 123 F.Supp.2d 790 (D.N.J. 2000):801.

¹⁵⁸⁰ 123 F.Supp.2d 790 (D.N.J. 2000):801.

¹⁵⁸¹ 2000 WL 101242 (N.D. Cal. 2000). A copy of this judgment was obtained from Westlaw.

Internet services. It also operated a web site at www.gay.net. The web site established for this particular domain name offered various services, such as chat rooms. When an Internet user became a subscriber of this service, he was allowed access to sexually explicit material. The plaintiff had received extensive and positive media coverage. The defendant registered the domain name www.gaynet.com where he offered direct competing services such as chat rooms as well as sexually explicit material, which material could be viewed whenever an Internet user arrived at the web site's home page. The plaintiff instituted action for both trade mark infringement and dilution.

The court was of the opinion that the defendant was guilty of trade mark infringement in that its domain name constituted a "very similar mark in connection with the offering of the same service" and consequently caused a likelihood of confusion or deception.¹⁵⁸² Furthermore, the court held that the defendant's domain name, which incorporated the plaintiff's trade mark name, diluted the value of the latter's trade mark.¹⁵⁸³ In addition, the defendant's domain name and web site tarnished the plaintiff's trade mark due to the controversial nature of the defendant's web site.¹⁵⁸⁴

Finally, in *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation*¹⁵⁸⁵ the appellant was owner of the registered trade mark "Horseshoe Bay", registered and used for property development. The respondent registered the domain name www.horseshoebay.com, which it used for selling real estate. The respondent had never done business as "Horseshoe Bay". The appellant instituted action for trade

¹⁵⁸² In particular the court noted that "users of the Internet in the United States and in California, familiar with plaintiff and plaintiff's Internet publication offered under plaintiff's trademark GAY.NET and Federally Registered Trademark, who come across defendant's Web site at the domain name 'gaynet.com', with erotic advertising and erotic pictures, are likely to believe that such erotic pictures and advertising is done with the approval of or under the authorization of plaintiff and in connection with or the sponsorship or approval of plaintiff's Internet Web site under the domain name 'gay.net' and plaintiff's Federally Registered Trademark."

¹⁵⁸³ In particular the court stated that "[d]efendant's use of the 'gaynet.com' domain name and GAYNET.COM mark incorporating plaintiff's GAY.NET service mark in connection with the provision of chatroom and subscription services, also dilutes plaintiff's GAY.NET mark by blurring. To the extent that defendant develops consumer recognition for its services under the GAYNET.COM mark, the capacity of plaintiff's GAY.NET mark to serve as a unique identifier of plaintiff as GAY.NET, is diminished."

¹⁵⁸⁴ The court noted that "defendant's prominent use of GAYNET.COM without even screening for adult, non-children viewers in connection with its Web site promoting and selling erotic or pornographic images, tarnishes the GAY.NET mark."

¹⁵⁸⁵ 2001 Tex. App. LEXIS 5355 (Tex Ct. App. 2001). A copy of this judgment can be downloaded from www.law.com.

mark infringement and dilution.

The Texas Court of Appeal first noted that the disputed domain name was identical to the appellant's trade mark. Thereafter the court held that a likelihood of confusion was present in that Internet users accessing the respondent's web site, at the above-mentioned web site address, seeking the appellant's online presence, might labour under the wrong impression that the respondent's business was sponsored by or connected with the appellant's business and consequently conclude a transaction with the respondent.¹⁵⁸⁶ Furthermore, the court was of the opinion that the respondent's domain name also caused initial interest confusion in that even if Internet users would realise that the respondent's web site was unconnected with the appellant's business, they might have continued to "stay" at the respondent's web site, seeing that it provided competing services. Finally, the court maintained that the respondent was guilty of trade mark dilution in that by its action it prevented the appellant from using its own mark to identify itself and its services on the Internet. Furthermore, the disputed domain name lessened the appellant's trade mark capacity to identify and distinguish the latter and its services from third parties and their services.

From the above judgments it can be concluded that where X registers the trade mark name of competitor Y as his domain name, X is guilty of trade mark infringement in that he causes confusion or deception as to source, affiliation and/or sponsorship.¹⁵⁸⁷ From such registration the court will be able to infer that X had the intent to deceive. In such instances initial interest confusion is clearly present in that potential customers

¹⁵⁸⁶ The court noted that "a consumer interested in purchasing real estate from [plaintiff] might go the Internet and type in 'horseshoebay.com,' hoping that the trade name under which the consumer knows the company will be its website name. Once at the site, the consumer might think that she has reached [plaintiff], or a business sponsored by or affiliated with [plaintiff], and begin the process or purchase through [defendant]. In this way ... [defendant] could capture a ... customer [searching for plaintiff] precisely because it registered a domain name it knew was associated with its competitor's business."

¹⁵⁸⁷ See also *Arkansas Best Corp et al v Carolina Freight Corp et al* 60 F.Supp.2d 513 (W.D.N.C. 1999):515-516. A copy of this judgment was obtained from Westlaw. See further *Spear, Leeds & Kellogg v Rosado* 122 F.Supp.2d 403 (S.D.N.Y. 2000) where the plaintiff was the proprietor of the registered trade mark "Redibook" as well as the common law trade mark "Redi". The defendant, a cybersquatter, registered the domain names www.redibook.com, www.redibook.net and www.redibook.org. At these domain names, the defendant purported to render similar services as the plaintiff did. The court was of the opinion that a likelihood of confusion existed because "[defendant's] site seeks to impersonate [plaintiff's] mark by using the identical REDIBOOK mark, that [defendant's] web site purports to offer services identical to those provided by [plaintiff] under its REDIBOOK and REDI marks". (At 405). A copy of this judgment was obtained from Westlaw.

will assume that Y's online presence can be found by keying in Y's trade mark name plus dot-com. It will not assist X to aver that the web site established for the said domain name clearly indicates that the domain name belongs to him. In such instances he lures potential customers to his web site by using his competitor's trade mark name. In effect, X passes off his domain name as belonging to Y, the proprietor of the trade mark in question. Furthermore, X is also guilty of trade mark dilution in that (1) he dilutes the distinctive quality of Y's trade mark and (2) prevents Y from reflecting his trade mark in a corresponding domain name.

2.2.3.6.1.1.5. Where a cybersquatter registers the trade mark of a third party

The question arose whether cybersquatters who registered domain names incorporating the trade mark names of third parties were guilty of trade mark infringement and/or dilution. The following cases illustrate how US courts resolved the issue whether the registration of domain names by cybersquatters constitutes "commercial use in commerce" and further whether these domain names dilute the trade mark's reputation.

In *Intermatic Inc v Toeppen*¹⁵⁸⁸ the plaintiff (Intermatic) owned the well-known common law trade mark "Intermatic", which it used for selling its products throughout the US, including the state Illinois. Toeppen, a cybersquatter and Illinois resident, registered the domain name www.intermatic.com.¹⁵⁸⁹ Plaintiff contended that defendant's conduct constituted trade mark dilution. Two questions of law arose namely (1) whether defendant's use of the Intermatic trade mark was a "commercial use in commerce", as required by the *Lanham Act*, and (2) whether dilution was likely to occur as a result of such use.

With regard to the question whether a "commercial use" was present, the court noted that "[t]he use of the first level domain designation '.com' does not in and of itself constitute a commercial use. The Internet is constantly changing and evolving. Currently the '.com' designation is the only one available for both commercial and private use." However, the court held that commercial use was present because defendant's "intended use for registering the Intermatic mark was to eventually sell it

¹⁵⁸⁸ 947 F.Supp. 1227 (N.D. ILL. 1996). A copy of this judgment can be downloaded from www.louandy.com/CASES/Intermatic_v_Toeppen.html.

¹⁵⁸⁹ It is unclear from the facts for which purpose the defendant used this domain name when the trial commenced. However, it is clear that the disputed domain name had a web site.

back to Intermatic or to some other party. Toeppen's desire to resell the domain name is sufficient to meet the 'commercial use' requirement".

With regard to the question whether there was a commercial use "in commerce" the court remarked that "Toeppen's use of the Internet satisfies the 'in commerce' requirement [because] Internet communications transmit instantaneously on a worldwide basis there is little question that the 'in commerce' requirement would be met in a typical Internet message, be it trademark infringement or false advertising.' " Finally, the court maintained that the defendant's use of the said domain name was likely to cause dilution of the plaintiff's trade mark:

"Toeppen's conduct has caused dilution in at least two respects. First, Toeppen's registration of the intermatic.com domain name lessens the capacity of Intermatic to identify and distinguish its goods and services by means of the Internet. Intermatic is not currently free to use its mark as its domain name. This is not a situation where there were competing users of the same name by competing parties and a race to the Internet between them. This case involves one party, Intermatic, with a long history of trademark use, and a second, Toeppen, who has effectively enjoined Intermatic from using its trademark by the payment of \$100 to register the 'intermatic.com' domain name. This activity clearly violates the Congressional intent of encouraging the registration and development of trademarks to assist the public in differentiating products ... It would seriously undermine the trademark policy to prevent a company from exercising its mark by reason of Toeppen's conduct. Such conduct lessens the capacity of Intermatic to identify its goods to potential consumers who would expect to locate Intermatic on the Internet through the 'intermatic.com' domain name ... If Toeppen were allowed to use 'intermatic.com', Intermatic's name and reputation would be at Toeppen's mercy and could be associated with an unimaginable amount of messages on Toeppen's web page ... Dilution of Intermatic's mark is likely to occur because the domain name appears on the web page and is included on every page that is printed from the web page ... The all inclusive nature of the domain name all but guarantees that 'intermatic.com' will appear on the web page and any printouts ... The fact that 'intermatic.com' will be displayed on every aspect of the web page is sufficient to show that Intermatic's mark will likely be diluted."

In *Panavision International LP v Toeppen*¹⁵⁹⁰ the appellant was the proprietor of two registered trade marks namely "Panavision" and "Panaflex", registered for motion

¹⁵⁹⁰ 141 F.3d 1316 (9th Cir. 1998). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=uscircs/9th/9755467.html>.

picture camera equipment. The respondent registered two domain names www.panavision.com and www.panaflex.com and subsequently offered to sell them to the appellant. The respondent established a web site for these domain names displaying photographs of the City of Pana in the state Illinois. The appellant alleged that the respondent was guilty of trade mark dilution. Respondent, in turn, contended that his conduct did not constitute "commercial use" of the appellant's trade mark and secondly that this use did not cause dilution of the latter's trade mark.

The Ninth Circuit of Appeal court maintained that using a trade mark as a domain name, and nothing more, cannot constitute commercial use. However, the court continued to state that -

"Toeppen's argument misstates his use of the Panavision mark. His use is not as benign as he suggests. Toeppen's 'business' is to register trademarks as domain names and then sell them to the rightful trademark owners. He 'act[s] as a "spoiler," preventing Panavision and others from doing business on the Internet under their trademarked names unless they pay his fee.' ... As the district court found, Toeppen traded on the value of Panavision's marks. So long as he held the Internet registrations, he curtailed Panavision's exploitation of the value of its trademarks on the Internet, a value which Toeppen then used when he attempted to sell the <Panavision.com> domain name to Panavision ... Toeppen made a commercial use of Panavision's trademarks. It does not matter that he did not attach the marks to a product. Toeppen's commercial use was his attempt to sell the trademarks themselves."¹⁵⁹¹

With regard to the issue of dilution, the defendant contended that "he is not diluting the capacity of the Panavision marks to identify goods or services ... even though Panavision cannot use <Panavision.com> and <Panaflex.com> as its domain name addresses, it can still promote its goods and services on the Internet simply by using some other 'address' and then creating its own web page using its trademarks."¹⁵⁹²

The court rejected this argument, noting that -

"Toeppen's premise that a domain name is nothing more than an address [is incorrect]. A significant purpose of a domain name is to identify the entity that owns the web site. 'A customer who is unsure about a company's domain name will often guess that the domain name is also the company's name.' ... Using a company's name or trademark

¹⁵⁹¹ 141 F.3d 1316 (9th Cir. 1998);par 26-28. See also the court a quo's judgment in this regard: *Panavision International v Toeppen* 945 F.Supp. 1296 (C.D. Cal. 1996);1303. A copy of this judgment was obtained from Westlaw.

¹⁵⁹² 141 F.3d 1316 (9th Cir. 1998);par 29.

as a domain name is also the easiest way to locate that company's web site. Use of a 'search engine' can turn up hundreds of web sites, and there is nothing equivalent to a phone book or directory assistance for the Internet ... Moreover, potential customers of Panavision will be discouraged if they cannot find its web page by typing in '<Panavision.com>,' but instead are forced to wade through hundreds of web sites. This dilutes the value of Panavision's trademark ... 'Prospective users of plaintiff's services who mistakenly access defendant's web site may fail to continue to search for plaintiff's own home page, due to anger, frustration or the belief that plaintiff's home page does not exist.' ... Toeppen's use of <Panavision.com> also puts Panavision's name and reputation at his mercy ... We conclude that Toeppen's registration of Panavision's trademarks as his domain names on the Internet diluted those marks within the meaning of the Federal Trademark Dilution Act."¹⁵⁹³

In *Minnesota Mining and Manufacturing Co v Taylor*¹⁵⁹⁴ the plaintiff was the owner of the registered and famous trade mark "Post-it". The defendant registered the domain names www.post-it.com, www.post-its.com and www.postit.com.¹⁵⁹⁵ The plaintiff instituted action against the defendant for trade mark infringement and dilution. The court was of the opinion that the defendant was guilty of trade mark dilution in his "registration, use, and attempts to sell the domain names ... are likely to dilute the distinctive quality of the famous 'Post-it'(R) mark".¹⁵⁹⁶ The court was further of the opinion that the defendant was guilty of trade mark infringement in that the domain names were the same or substantially identical to plaintiff's trade mark and further evidence indicated that defendant intended to cause consumer confusion in order to extort money from the plaintiff.¹⁵⁹⁷

In *Morrison & Foerster v Wick*¹⁵⁹⁸ the plaintiff was the proprietor of the well-known and registered trade mark "Morrison & Foerster", registered and used for legal services.

¹⁵⁹³ 141 F.3d 1316 (9th Cir. 1998);par 30-34. The court *a quo* simply stated that "Toeppen's conduct, which prevented Panavision from using its marks in a new and important business medium, has diluted Panavision's marks within the meaning of the statute." See *Panavision International v Toeppen* (supra):1304

¹⁵⁹⁴ 21 F.Supp.2d 1003 (D. Minn. 1998). A copy of this judgment was obtained from Westlaw.

¹⁵⁹⁵ Unfortunately the judgment fails to state whether the defendant established a web site for these domain names.

¹⁵⁹⁶ 21 F.Supp.2d 1003 (D. Minn. 1998):1005.

¹⁵⁹⁷ 21 F.Supp.2d 1003 (D. Minn. 1998):1005. Unfortunately, we are not informed what this evidence was.

¹⁵⁹⁸ 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>.

The defendant, a cybersquatter,¹⁵⁹⁹ registered the domain names www.morrisonfoerster.com and www.morrissonandfoester.com. The web pages established for these domain names contained a few slogans as well as a few hyperlinks to other anti-Semitic and racist domain names such as "www.LetsDoSomeillegalSteroids.com and www.NoIrishNeedApply.com. The plaintiff contended that the defendant was guilty of trade mark infringement and dilution and further violated *ACPA*'s provisions. Although the court only dealt with the provisions of *ACPA*, the court's conclusions equally apply to trade mark infringement and dilution proceedings.

The court firstly held that because ampersands cannot be used in domain names, the defendant's disputed domain names were virtually identical to the plaintiff's trade mark name. The court proceeded to state that prejudice was present in that the defendant harmed the plaintiff's goodwill by tarnishment:

"[The defendant's use of [plaintiff's] mark in his domain names demonstrates his intent to divert customers from [plaintiff's] online location ... Any user attempting to find [plaintiff's] web site in this manner, entering www.morrisonandfoerster.com or www.morrisonfoerster.com, would instead find [defendant's] web sites rather than the official Morrison & Foerster web site ... Also, I conclude that if the public believed these to be Morrison & Foerster's sites, [defendant's] web sites would harm the goodwill represented by Morrison & Foerster's mark. As noted above, [defendant's] sites contain many hyperlinks to Anti-Semitic, racist, and offensive domain names. [Defendant's] sites refer to attorneys as parasites and are derogatory of the legal profession. Although some might profess to agree with [the defendant], the likelihood of confusion is great. Because [defendant] has placed his web sites at domain names identical or confusingly similar to [plaintiff's] mark, a user may wonder about [plaintiff's] affiliation with the sites or endorsement of the sites."

The court was further of the opinion that the defendant's use of the disputed domain names constituted commercial use: "[Plaintiff] points to [defendant's] use of the domain name www.NamelsForSale.com, in registering the web sites in question. Use of this name gives rise to reasonable inference of intent to sell the domain names for a profit. Further, the www.NamelsForSale.com homepage proudly states, 'Name the property, product or service you want to donate, sell, buy, or rent. *Free matching service for donators, sellers, buyers and renters.*' ... Although [defendant] testified that he never

¹⁵⁹⁹ When the current proceedings were instituted against the defendant he had already registered the names of over 90 law firms as domain names.

intended to use these web sites for profit ... his testimony is not credible in light of the nature of these webpages. I find it more likely than not that, as [defendant] himself admits, he had not yet had an opportunity to pursue financial gain from these domain names because he was too busy litigating these and similar matters.”

In *E & J Gallo Winery v Spider Webs Ltd et al*¹⁶⁰⁰ the plaintiff was the owner of the well-known and registered trade mark “Ernest & Julio Gallo”, used and registered for the sale of beverages. The defendants, cybersquatters,¹⁶⁰¹ registered the domain name *www.ernestandjuliogallo.com*. The plaintiff contended that the defendants were guilty of trade mark dilution. When these proceedings were instituted, the defendants had not yet established a web site for their domain name. However, during the trial the defendants established a web site containing a number of articles critical of alcohol consumption. The web site also commented on the present trial proceedings.

The court, relying on the *Intermatic v Toeppen* judgment, noted that “ ‘ernestandjuliogallo.com’ is displayed on every page printed off of the web site accessed by that domain nameand on the pages printed off the SpinTopic web site when accessed by the same name. Hence, as in *Intermatic Inc.*, these facts are sufficient to show the likelihood of dilution of Gallo’s mark ... The value of a trademark is diluted when the domain name does not belong to the company sharing that name because potential customers ‘will be discouraged if they cannot find its web page by typing “[plaintiff’s name]. com,” but instead are forced to wade through hundreds of web sites.’ ... Moreover, ‘[i]f [defendants] were allowed to use “[plaintiff’s name].com,” [plaintiff’s] name and reputation would be at [defendants’] mercy and could be associated with an unimaginable amount of messages on [defendants’] web page.’ ... [Defendants’] ownership of the domain name ERNESTANDJULIOGALLO.COM gives [defendants] exclusive control over the use of [plaintiff’s] trademark ‘ERNEST & JULIO GALLO’ on the Internet, effectively preventing [plaintiff] from ensuring the ability of its mark to serve as a unique identifier for its goods and services ... [Defendants have] effectively usurped [plaintiff’s] trademark, as [plaintiff] is not free to use its mark as its domain name.”¹⁶⁰²

¹⁶⁰⁰ 129 F.Supp.2d 1033 (S.D. Tex. 2001). A copy of this judgment was obtained from Westlaw.

¹⁶⁰¹ When the proceedings were instituted against the defendants, they had registered approximately 2 000 domain names incorporating the trade mark names of third parties.

¹⁶⁰² 129 F.Supp.2d 1033 (S.D. Tex. 2001):1040-1041. On appeal the Fifth Circuit of Appeal held in *E & J Gallo Winery v Spider Webs Ltd et al* 286 F.3d 270 (5th Cir. 2002) that because the defendant’s domain name prevented the plaintiff from using its mark to identify its goods and services online, the defendant’s

Finally, the case of *Jack In The Box Inc v Jackinthebox.org et al*¹⁶⁰³ is instructive. The plaintiff was the owner of the registered trade mark "Jack in the Box", registered and used for fast food services.¹⁶⁰⁴ The defendant registered the domain name www.jackinthebox.org and www.jackinthebox.net, but created no web sites for these domain names. The question arose whether the defendant was using these domain names in commerce, for the purpose of section 1114(1)(a).¹⁶⁰⁵ The court, after holding that the domain name in question would lead to confusion, mistake or deception,¹⁶⁰⁶ answered this question in the affirmative:

"The act of registration was in connection with the sale of the right to use the domain name, arguably either a good or service. This sale (from the domain name registrar to the unknown registrants) constituted 'use in commerce.' A domain name registrant need not actually develop a working website for the illegal use of the mark to constitute commercial use. The act of registering a domain name is a commercial act because it involves a sale between the registrant and the registrar. The infringing domain name is used in this commercial act because it itself becomes the good or service that is sold. It thus meets the definition of 'use in commerce' under 15 U.S.C. § 1127, 15 U.S.C. § 1114(1)(a), and 15 U.S.C. § 1125."¹⁶⁰⁷

From the above judgments, it can be concluded that:

- (A) The fact that the defendant registered a domain name with the suffix dot-com does not *per se* mean that his use of the domain name constitutes commercial use.
- (B) Conflicting judgments pertain to the issue whether merely registering a domain name constitutes commercial use. At least one court has stated that merely registering a domain name constitutes a commercial use in that the registration of a domain name is a commercial transaction.
- (C) When the defendant registers a domain name with the intent to sell it, commercial use is present.
- (D) When the defendant, a cybersquatter, registers a domain name consisting of the plaintiff's trade mark name, dilution is present in that (1) he prevents the plaintiff

conduct constitute trade mark dilution. (At 280). A copy of this judgment was obtained from Westlaw. A copy of this judgment can also be obtained from www.ca5.uscourts.gov/opinions/OpinHome.cfm.

¹⁶⁰³ 143 F.Supp.2d 590 (E.D. Va. 2001). A copy of this judgment was obtained from Westlaw.

¹⁶⁰⁴ For additional facts, see www.finnegan.com/summ/cases/Jack%20in%20the%20box.htm.

¹⁶⁰⁵ Which establishes liability for trade mark infringement.

¹⁶⁰⁶ 143 F.Supp.2d 590 (E.D. Va. 2001):592.

¹⁶⁰⁷ 143 F.Supp.2d 590 (E.D. Va. 2001):592.

from reflecting his trade mark name in a domain name and consequently using its trade mark to identify its performance online; (2) the plaintiff's customers and potential customers cannot easily locate the plaintiff by simply keying in the latter's trade mark name plus dot-com and consequently these Internet users are now forced to use search engines to find the plaintiff's online presence, and as a result some of them may simply fail to continue to search for the plaintiff's web site; and (3) such registration lessens the capacity of the plaintiff's trade mark to identify and distinguish the plaintiff's performance. Furthermore, where the defendant uses the said domain name in connection with racist or pornographic material or content, such use tarnishes the plaintiff's trade mark reputation.

- (E) When the defendant, a cybersquatter, registers a domain name consisting of the plaintiff's trade mark name plus dot-com a likelihood of consumer confusion is present. Prejudice may be in the form of a diversion of traffic away from the plaintiff's web site.¹⁶⁰⁸
- (F) A strong policy consideration in favour of granting an interdict ordering the defendant to transfer the domain name to the plaintiff is that the plaintiff should not be required to leave his trade mark's reputation at the mercy of third parties.

2.2.3.6.1.1.6. Registering a general term as a domain name that is also a trade mark

The question arose whether X was allowed to register a generic term as his domain name, where a third party enjoyed trade mark rights in that particular generic term. The following three cases addressed this issue.

In *Cardservice International Inc v McGee et al*¹⁶⁰⁹ the plaintiff was the proprietor of the trade mark "Cardservice International". Both the plaintiff and the defendant provided credit and debit card services. The defendant then registered the domain name www.cardservice.com, at which site he advertised merchant card services through a company held out to be "EMS - Card Service on the Caprock". The plaintiff averred

¹⁶⁰⁸ See e.g. *Quokka Sports Inc v Cup Intern Ltd* 99 F.Supp.2d 1105 (N.D. Cal. 1999). The plaintiff was the owner of the registered trade mark "America's Cup". The defendant registered the domain name www.americascup.com, where it masqueraded the plaintiff's official web site, established for www.americascup.org. The court held that a likelihood of confusion was present and that prejudice was present in the form of a diversion of traffic away from the plaintiff's official web site. A copy of this judgment was obtained from Westlaw.

¹⁶⁰⁹ 950 F.Supp. 737 (E.D. Va. 1997). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/cardsvc1.txt.

that the defendant was guilty of trade mark infringement, while the latter (more or less) averred that he was (like the plaintiff) offering card services and because the domain name registration system does not allow any spaces between the words "card" and "service" he registered www.cardservice.com as his domain name and further stated that due to the "first-come-first-serve" domain name registration rule, he was entitled to the domain name. The court first responded to the latter argument by stating that -

"[h]olders of valid trademarks under federal law are not subject to company policy, nor can the rights of those trademark holders be changed without congressional actions. If trademark laws apply to domain names, anyone who obtains a domain name under Network Solutions' [now ICANN's] 'first-come-first-served' policy must do so subject to whatever liability is provided for by federal law."

The court further noted that a likelihood of confusion existed between plaintiff's registered trade mark and defendant's use of the disputed domain name as well as the mark "Card Service" on the web site established for the aforementioned domain name. According to the court, they were strikingly similar. The court went on to hold that even though defendant's use of the term "Card Service" did not exactly duplicate "Cardservice", "minor differences between the registered mark and the unauthorized use of the mark do not preclude liability under the Lanham Act when the unauthorized use is likely to cause confusion ... The use of the term 'cardservice' in Defendant's domain name exactly duplicates the registered mark 'Cardservice'." The court proceeded to conclude that -

"[b]ecause of McGee's use of 'cardservice.com', Cardservice International has no access to an internet domain name containing its registered mark, and must use a different domain name. Cardservice International's customers who wish to take advantage of its internet services but do not know its domain name are likely to assume that 'cardservice.com' belongs to Cardservice International. These customers would instead reach McGee and see a home page for 'Card Service'. They would find that McGee's internet site offers advertisements for and provides access to the same services as Cardservice International - credit and debit card processing. Many would assume that they have reached Cardservice International or, even if they realize that is not who they have reached, take advantage of McGee's services because they do not otherwise know how to reach Cardservice International. Such confusion is not only likely, but, according to McGee, has actually occurred at least four or five times since he began using 'cardservice.com' ... Such a result is exactly what the trademark laws were designed to protect against. Cardservice International has obtained a trademark

to ensure that the name 'cardservice' will be associated by consumers only with Cardservice International. Regardless of the fact that McGee's business is small compared to Cardservice International's, confusion will result among consumers who are seeking Cardservice International by searching for its trademark as a domain name on the internet. The fact that Cardservice International has been awarded a trademark means that it should not be forced to compete with others who would also use the words 'cardservice'. The terms of the Lanham Act do not limit themselves in any way which would preclude application of federal trademark law to the internet. Unauthorized use of a domain name which includes a protected trademark to engage in commercial activity over the internet constitutes use 'in commerce' ... of a registered mark ... Such use is in direct conflict with federal trademark law ... Accordingly, the Court finds that McGee's use of 'cardservice.com' and 'Card Service on the Caprock' constitutes trademark infringement."¹⁶¹⁰

In *CD Solutions Inc v CDS Networks et al*¹⁶¹¹ the plaintiff sold and manufactured CD-ROM compact discs and registered the domain name www.cds.com. The defendant was the owner of the registered trade mark¹⁶¹² "CDS". Both defendant and its holding company used this mark for the services they provided to the computer industry. The defendant was an ISP and its holding company provided computer documentation services to software manufacturers. The defendant argued that the plaintiff's domain name constituted an infringement of its registered trade mark. It would appear from the judgment that when litigation commenced both plaintiff and defendant offered CD-ROM services. However, the defendant had not extended the registration of its trade mark to CD-ROMs.

The plaintiff requested the court to take judicial notice of the fact that the term "CDs" commonly refers to compact disc products, as a commonly known abbreviation, and

¹⁶¹⁰ The court made the following order: "[T]he Defendants, their agents, servants, employees, successors, assigns, any others working in concert with the Defendants, including but not limited to internet 'search engines', and anyone else with actual notice of this injunction, shall forthwith and as soon as possible cease all direct or indirect use of the words 'cardservice', 'card service', or any variation thereof ... in the Defendants' internet identification, domain name, advertising, text, operation, or maintenance of any internet site, or in any communications over the internet in relation to business activities, or in the provision of any services through the internet. It is further ORDERED that the Defendants shall forthwith and as soon as possible relinquish all interests in the domain names 'cardservice.com'".

¹⁶¹¹ 15 F.Supp.2d 986 (D. Or. 1998). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/cds.html>.

¹⁶¹² From 1988.

secondly requested a declaratory order that its Internet address did not infringe the defendant's trade mark. Plaintiff contended that it used the term "cDs" merely as a descriptive name of the products it sold.

With regard to the judicial notice issue, the court remarked that it -

"may take judicial notice of the fact that a term is used commonly by the public. Under Federal Rule of Evidence 201, a fact may be judicially noticed when it is not subject to reasonable dispute ... The underlying dispute in plaintiff's summary judgment motion is whether plaintiff's use of 'CDs' (pronounced see-deez) as its Internet domain name infringes upon defendants' trademark of 'CDS' (pronounced see-dee-ess). Even if the term CDs can be a generic description of compact disc products, it also has other meanings (certificates of deposit or congressional districts, for example). Defendants also contend that 'CDs' is not the only common term for compact discs - 'CD's' - with the apostrophe - also is understood to mean compact discs, and therefore, there is not one generic term that means 'compact disc.' The motion to take judicial notice is denied."

With regard to the alleged infringements, the court stated that "[u]nlike a patent or copyright, a trademark does not confer on its owner any rights. There is no prohibition against the use of trademarks or service marks as domain names. Only uses that infringe or dilute an owner's trademark or service mark are prohibited." Furthermore, with regard to the strength of defendant's trade mark, the court remarked that " 'CDS' or 'cDs' are the initials to defendants' businesses, and as such are descriptive of those businesses ... On the other hand, however, 'CDs' is a generic term that means a number of things and is commonly used. While 'CDS' may have acquired a slight secondary meaning with their consumers, who will think of defendants when they see 'CDS,' the court concludes that the mark itself now denotes a term in common usage, and is not entitled to protection as a strong mark." The court further held that "defendants cannot now expand their trademark rights to generic descriptions existing in our everyday language. Whereas 'CDS' are initials of defendants' companies, defendants' registration of the trademark in 1988 described a business pertaining to 'desktop publishing and printing.' Defendants now seek to expand the scope of this mark's protection to preclude the use of 'CDs' in reference to compact disc products and services, and this renders the mark invalid as being generic." The result was that the court maintained that no likelihood of confusion existed and granted an order in favour of plaintiff.

In *Richards v Cable News Network Inc*¹⁶¹³ the plaintiff, a reggae musician, was the owner of the registered trade mark "World Beat" which he used for his reggae music. The defendant (CNN) commenced a weekly international music program on its television show called "World Beat", which covered a broad range of news and events in the music world. The defendant also maintained at its web site, established for www.cnn.com, "a subsite using the name WORLD BEAT to refer to its television program as well as to provide a variety of international music information. See <http://www.cnn.com/WorldBeat>". The plaintiff contended that the defendant's use of the words "World Beat" constituted trade mark infringement.

The court maintained that the trade mark registration did not grant the plaintiff a monopoly in the words "World Beat" in that a) it was only registered for production, sale and distribution of pre-recorded music and b) the mark "World Beat" had also been registered, by third parties, on the federal trade mark registered for other products such as musical instruments, clothing and magazines.¹⁶¹⁴

The court was, for the following reasons, of the opinion that no likelihood of confusion existed: 1) The parties to this dispute were not competitors; 2) The marks differed in that the plaintiff's mark consisted of a picture in addition to the words World Beat, whereas the defendant only used the words "World Beat",¹⁶¹⁵ and 3) The mark "World Beat" was, in the music industry, a weak mark in that it was randomly used to describe a genre of music.¹⁶¹⁶

It is difficult to infer any principle from the above-mentioned judgments. It appears that when the court has to answer the question whether the defendant is allowed to register or keep a domain name consisting of generic terms constituting a third party's registered or common law trade mark name, the answer depends on four considerations, namely (1) the facts of each case, (2) whether the parties are competitors, (3) policy considerations such as where the equities lie, and (4) to what

¹⁶¹³ 15 F.Supp.2d 683 (E.D. Pa. 1998). A copy of this judgment was obtained from Westlaw.

¹⁶¹⁴ 15 F.Supp.2d 683 (E.D. Pa. 1998):688.

¹⁶¹⁵ 15 F.Supp.2d 683 (E.D. Pa. 1998):690: "While the marks are thus both in the same general field of music, they are not sufficiently similar to create a likelihood of confusion".

¹⁶¹⁶ 15 F.Supp.2d 683 (E.D. Pa. 1998):691. At 694 the court concluded that "the term WORLD BEAT is a 'multi-use' term which, while used to denote a variety of different meanings, would seem to have become generic to describe a genre of music. Therefore, to the extent that CNN (or any other business or individual) invokes the term WORLD BEAT to denote a style or genre of music, such use could not be silenced under trademark law".

extent does the trade in question require the term or terms - for example, the terms "CD" and "CDs" are so common in the music production industry that no-one can acquire any monopoly rights in these terms with regard to music products.

2.2.3.6.1.1.7. Registering a part of a third party's trade mark as one's domain name

The question arose whether the law permits one to register a word or two as one's domain name where this word or words form part of a third party's common law or registered trade mark name.

In *Washington Speakers Bureau Inc v Leading Authorities Inc*¹⁶¹⁷ the plaintiff was the proprietor of the well-known, common law trade mark "Washington Speakers Bureau". The defendant, a direct competitor of the plaintiff, registered four domain names that incorporated the plaintiff's trade mark name, namely www.washingtonspeakers.com, www.washington-speakers.com, www.washingtonspeakers.net and www.washington-speakers.net. Both businesses were involved in the public speakers industry. The defendant motivated its registration of the aforementioned domain names by averring that it planned to have various domain names pointing at specialised web pages: "For example, a user typing in orlandospeakers.com would reach a Leading Authorities webpage with a special focus on Orlando, Florida, and the services Leading Authorities offered there. This page would also provide a link to Leading Authorities' primary webpage or pages." Several of the domain names defendant registered during this period bore close resemblance to the names of other competing speaker bureau and lecture agencies around the world.

The plaintiff instituted action for trade mark dilution and infringement. The defendant's defence was that the term "Washington Speakers" was generic. With regard to the question whether a likelihood of confusion existed the court noted that:

- The phrase "washingtonspeakers" did not "precisely duplicate" the protected trade mark "Washington Speakers Bureau." The court further noted that even though the trade mark "Washington Speakers Bureau" was distinctive and therefore protected, the plaintiff was not known as Washington Speakers, it did not refer to itself as such, and its consumers did not associate this phrase with it (i.e. the plaintiff): "[T]he individual segments of the 'Washington Speakers Bureau' mark appear

¹⁶¹⁷ 33 F.Supp.2d 488 (E.D. Va. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property/domain/wash299.html>.

relatively weak and WSB has failed to establish the strength of these segments by a preponderance of the evidence. This weakness suggests that if an allegedly infringing mark is similar only to a segment of the 'Washington Speakers Bureau' mark, it is less likely to confuse consumers, since they would not tend to associate this weak segment with [plaintiff]."

- The defendant did not copy the dominant part of the plaintiff's trade mark: "When common words that are likely to be chosen to describe similar products form part of a mark, use of those words in a competing product's mark will not cause confusion unless the secondary meaning of the first mark is so extensive in the relevant market that any use of these terms will lead to consumer confusion as to the source of a product. Thus, the duplication of the phrase 'Washington speakers' in Leading Authorities' domain names deserves no special weight in the confusion calculus. 'Washington speakers' is a descriptive term composed of common words likely to be used to describe the services offered by Washington lecture agencies representing political speakers. Absent a persuasive demonstration of secondary meaning inherent in that term as distinct from 'Washington Speakers Bureau,' it cannot be construed as a dominant element of the mark ... When the words duplicated are not the dominant part of a mark, the significance of the similarity is lessened. In other words, if the allegedly infringing mark duplicates only a weak segment of the original mark, consumer confusion is less likely."
- The "facts of Internet life¹⁶¹⁸ make it somewhat more likely that consumers seeking [plaintiff] on the web will find [defendant's] website advertising similar services and become confused. Because there is a limit on the number of letters that may be used in a domain name, users attempting to deduce [plaintiff's] web address might simply drop the last word in [plaintiff's] name, try to access the site at www.washingtonspeakers.com (or ... the other variations owned by [defendant]), and mistakenly arrive at [defendant's] website. Absent an Internet analog to directory assistance, [defendant's] domain names might in this way cause significant confusion."
- The fact that both parties employed the Internet to advertise their services increased the likelihood of confusion.

¹⁶¹⁸ Namely that an Internet user would normally commence searching for a particular entity by keying in its name in the URL.

- Defendant intended to profit from the trade marks of its competitors in that it registered several domain names that were virtually identical to its competitors' trade mark names. This factor, according to the court, was crucial. For this reason, confusion was presumed.

The court concluded that a likelihood of confusion existed. The defendant also raised "fair use" as a defence, stating that the "washingtonspeakers" domain names were protected as descriptive fair use. The court differed, stating that defendant's adoption of the domain names in question was not undertaken in good faith. Good faith is a prerequisite for success under the "fair use" defense.

Therefore, the following answer can be submitted to the above posed question: One is allowed to register a word or words, forming part of a third party's common law or registered trade mark name, as one's own domain name, provided that -

- A) the word or words in question is descriptive of one's business and/or performance; and
- B) this word or words have not acquired secondary meaning indicating only the third party. Otherwise consumer confusion will result. Explained differently, it must not be the dominant part of the third party's trade mark name; and
- C) one must use this word or words *bona fide*, meaning that no intent to confuse and/or to capitalise on the reputation pertaining to the trade mark in question must be present.

2.2.3.6.1.1.8. Fair use - descriptive of defendant's service or products

In *Radio Channel Networks Inc v Broadcast.com Inc*¹⁶¹⁹ the plaintiff operated a web site (www.radiostation.com) where it provided a directory of radio stations and information about products advertised on various radio stations. Its trade mark "Radio Channel" was registered on the Supplemental Register and not on the Federal Register.¹⁶²⁰ The defendant provided streaming media programming at its web site

¹⁶¹⁹ 1999 WL 124455 (S.D.N.Y. 1999). A copy of this judgment was obtained from Westlaw.

¹⁶²⁰ It seems that when a mark is refused registration in the Federal Register, one may register the mark on the Supplemental Register. Therefore, only marks that are not distinctive and have not acquired a secondary meaning can be registered on the Supplemental Register. See p 3 of the judgment. It appears that this distinction can be compared to the South African Trade Mark Register prior to 1993, which consisted of a Part A and B. Trade marks that were inherently distinctive or which had become distinctive by means of continuous use qualified for registration in Part A. On the other hand, a mark that

www.broadcast.com.¹⁶²¹ One of its streaming services was called the "Radio Channel", by means of which one could listen to radio broadcasts via the Internet. The plaintiff contended that the defendant was guilty of trade mark infringement. The defendant, in turn, submitted that the use of the term "Radio Channel" was protected as fair use.

The court maintained that the defence of fair use was valid in that the defendant used the disputed term in its descriptive sense, namely to describe its service.^{1622 1623}

2.2.3.6.1.2. Adding both a suffix and ".com" to a trade mark name

2.2.3.6.1.2.1. Competitors

The question arose whether the law permits A to register a domain name consisting of his competitor's trade mark name with the addition of two suffixes, the one being a Top Level Domain. The following judgments address this question.

In *Paccar Inc v Telescan Technologies LLC*¹⁶²⁴ the plaintiff was the owner of two registered and well-known trade marks, namely "Peterbilt" and "Kenworth", which it employed for manufacturing heavy trucks and truck parts. The defendant, owner of several web sites by means of which it provided truck locator services, registered an additional nine domain names which included the plaintiff's trade mark names, such as www.peterbilttrucks.com. On each of these web sites a disclaimer appeared, stating that: "This website provides a listing service for name brand products and has no affiliation with any manufacturer whose branded products are listed here."¹⁶²⁵ The plaintiff contended that the defendant was guilty of trade mark infringement and

was not distinctive but which could become distinctive by means of use qualified for registration in Part B.

¹⁶²¹ This means that it transmitted live and on-demand programming to visitors to its site, including radio broadcasts. See p1.

¹⁶²² The court stated that "[t]he transmission of streaming programming may suitably be described as 'channeling.' The word 'channel' thus captures a certain characteristic of defendant's Internet service and is, broadly speaking, used in its 'descriptive sense.' ... In addition, it is apparently common for Internet websites to be organized into 'channels', with various descriptive terms or phrases placed in front of the word 'channel' to describe the contents of a particular sections of the website." (At 4)

¹⁶²³ This was confirmed on appeal. See *Radio Channel Networks Inc v Broadcast.com Inc et al* (2nd Cir. 1999). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/November99/s99-7334.html.

¹⁶²⁴ 115 F.Supp.2d 772. (E.D. Mich. 2000). A copy of this judgment was obtained from Westlaw.

¹⁶²⁵ 115 F.Supp.2d 772. (E.D. Mich. 2000):775.

dilution.

The court held that the defendant's domain names were "very similar" to the plaintiff's marks: "In each domain name, there is an exact character match to both the Peterbilt and Kenworth marks ... Moreover, the mere addition of characters following the marks [such as peterbilttrucks.com, kenworthusedtrucks.com¹⁶²⁶] does not eliminate the likelihood of confusion here ... the additions of 'truck,' 'newtrucks,' or 'usedtrucks' to the marks Peterbilt or Kenworth, do not distinguish [defendant's] domain names from [plaintiff's] marks. Because Peterbilt and Kenworth are so closely associated with trucks, 'peterbilttrucks.com' is not appreciably different from 'peterbilt.com.'"¹⁶²⁷

The court further held that the parties were competitors by reasoning that (1) both parties offered a used-truck locator database through the Internet and (2) the defendant employed the above-mentioned domain names to provide services related to plaintiff's products, namely locating new and used Peterbilt and Kenworth trucks for sale.¹⁶²⁸

The court also stated that a likelihood of confusion existed: "[S]imultaneous use of the Internet as a marketing and advertising tool renders it more likely that customer confusion will result. Because of the ease in which the Internet allows users to surf for information, 'Web surfers are more likely to be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store's ownership.' ... Also, because the marks Peterbilt and Kenworth are in the domain names of TeleScan's web sites, as opposed to simply being shown on the web page itself, a consumer is likely to mistakenly believe that [plaintiff] sponsored the web site and database, or that they are related companies."¹⁶²⁹

With regard to the disclaimer, the court maintained that the presence of a disclaimer on defendant's web sites did not remedy any infringement caused by the disputed domain names: "An infringing domain name has the potential to misdirect consumers as they look for web sites associated with the owner of a trademark ... A disclaimer that purports to disavow association with the trademark owner after the consumer has reached the site comes too late; the customer has already been misdirected. This

¹⁶²⁶ Own emphasis.

¹⁶²⁷ 115 F.Supp.2d 772. (E.D. Mich. 2000):777.

¹⁶²⁸ 115 F.Supp.2d 772. (E.D. Mich. 2000):778.

¹⁶²⁹ 115 F.Supp.2d 772. (E.D. Mich. 2000):778.

problem, denoted as 'initial interest confusion,' ... is a form of confusion protected by the Lanham Act."¹⁶³⁰

The defendant argued that truck purchasers were sophisticated purchasers and consequently would not be easily confused or deceived. The court responded by stating that the relevant customer in this circumstance was the average Internet user, not a sophisticated truck dealer, because the type of confusion engendered by infringing domain names results "because 'Internet users do not undergo a highly sophisticated analysis when searching for domain names.' ... Accordingly, the degree of customer care here favors a likelihood of confusion."¹⁶³¹

The defendant further submitted that the use of plaintiff's trade mark names on its web site was protected as fair use. The court responded by stating that defendant "goes beyond merely using the Peterbilt and Kenworth marks on its web page; it uses them in its domain name. Due to the nature of the Internet, and the way in which Internet surfers search for information on the Web, a domain name is significantly different than a classified advertisement. The use of the name of a truck in a classified advertisement communicates information as to the source of the truck, not information as to the seller of the truck. Words in domain names, however, do communicate information as to the nature of the entity sponsoring the web site ... Using the name Peterbilt or Kenworth in a domain name sends a message to Internet users that the web site is associated with, or sponsored by the company owning the trademarks Peterbilt and Kenworth ... the domain names here describe the web site, not the trucks. Consequently, it is not a fair use."¹⁶³²

The court continued to state that even if defendant did not adopt the domain names with the intent to deceive the public, it certainly intended to derive a benefit from the reputation of the Peterbilt and Kenworth marks: "[Defendant] put the words Peterbilt and Kenworth into its domain names solely because they were associated with Peterbilt and Kenworth trucks ... [defendant's] use of the Peterbilt and Kenworth marks in its domain names ... increase the likelihood that someone looking for a Peterbilt or Kenworth truck specifically, will come upon [defendant's] web sites first, thereby increasing the value of its web site."¹⁶³³

¹⁶³⁰ 115 F.Supp.2d 772. (E.D. Mich. 2000):778.

¹⁶³¹ 115 F.Supp.2d 772. (E.D. Mich. 2000):778.

¹⁶³² 115 F.Supp.2d 772. (E.D. Mich. 2000):779.

¹⁶³³ 115 F.Supp.2d 772. (E.D. Mich. 2000):779.

Therefore, the court concluded that trade mark infringement was present.¹⁶³⁴ With regard to the trade mark dilution claim, defendant averred that no dilution of plaintiff's trade mark occurred because the goods defendant sold were manufactured by the plaintiff. The court answered this argument by stating that "[t]he issue is the web site itself, not the trucks. Here, there is sufficient evidence to believe that a consumer may mistakenly associate [defendant's] web sites with [plaintiff's] trademarks. Since [plaintiff] has no power to influence or control what appears on [defendant's] web sites, it is effectively 'at the mercy' of [defendant]." Thus, the court concluded, defendant's use of plaintiff's trade marks in the former's domain names constituted trade mark dilution.¹⁶³⁵

The court, however, suggested that one option which the defendant could follow was to use the plaintiff's trade marks in the post-domain path of a ULR; e.g. www.telescan.com/peterbilt. According to the court this was permissible.¹⁶³⁶

Finally, the court maintained that "[i]t is in the public's interest to protect consumers from confusion and protect the right of a trademark owner to control its own product's reputation ... Accordingly, it is in the public's interest to prevent Internet users' confusion over the contested web sites."¹⁶³⁷

Likewise, other courts have also maintained that minor differences between the plaintiff's trade mark name and the disputed domain name, used for advertising and/or selling similar goods or services, did not sufficiently distinguish the said domain name from the trade mark name to avoid consumer confusion. For example, in *Playboy Enterprises Inc v AsiaFocus International Inc et al*¹⁶³⁸ the defendants included the plaintiff's registered and well known trade mark names in their web site addresses www.asian-playmates.com and [www.\[i\].playmates-asian.com](http://www.[i].playmates-asian.com), which they used for selling adult entertainment photographs. The court maintained that "[t]hrough the defendants' willful deception, consumers have been misled into believing the asian-playmates Web

¹⁶³⁴ 115 F.Supp.2d 772. (E.D. Mich. 2000):779.

¹⁶³⁵ 115 F.Supp.2d 772. (E.D. Mich. 2000):780.

¹⁶³⁶ 115 F.Supp.2d 772. (E.D. Mich. 2000):780. The court noted that "[defendant] could potentially maintain the same list of Peterbilt dealers, supported by its telescan.com web site, without using Peterbilt or Kenworth in the domain name itself." (At 780)

¹⁶³⁷ 115 F.Supp.2d 772. (E.D. Mich. 2000):780.

¹⁶³⁸ 1998 US Dist LEXIS 10359 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/playboy.html>.

site is connected with, or somehow sponsored by, [plaintiff]." Therefore their conduct was likely to cause consumer confusion and thus constituted trade mark infringement. Furthermore, the court noted that "[a]lthough the defendants' use of the term 'playmate' as the main component of the domain names asian-playmates.com and playmates-asian.com did not exactly duplicate [Playboy's] mark, minor differences between the registered mark and the unauthorized use of the mark do not preclude liability".¹⁶³⁹

However, the recent appeal case of *Entrepreneur Media Inc v Smith d/b/a EntrepreneurPR*¹⁶⁴⁰ is instructive and indicates that US courts are starting to understand the functioning of the Internet and how Internet users employ the Internet. The appellant published the magazine "Entrepreneur" and was the proprietor of the registered trade mark "ENTREPRENEUR" for various publications. It also owned the domain names www.entrepreneur.com and www.entrepreneurmag.com. The respondent, a competitor, registered the domain name www.entrepreneurpr.com. The appellant alleged that the respondent was guilty of trade mark infringement. The Ninth Circuit of Appeal, however, reasoned that no likelihood of confusion was present:

"Here, [respondent's] second-level domain name, 'entrepreneurpr,' is *not* exactly the same as [appellant's] mark, 'ENTREPRENEUR.' As a result, a consumer attempting to reach [appellant's] Web site by typing in its magazine's name followed by '.com' would *not* reach [respondent's] Web site. Nor would a simple spelling or typographical error likely lead a consumer attempting to access [appellant's] Web site to [respondent's] Web site. This observation concerning the functional similarity of domain names is largely dispositive ... Similarity of marks or lack thereof are context-specific concepts. In the Internet context, consumers are aware that domain names for different Web sites are quite often similar, because of the need for language economy, and that very small differences matter. Even if we were to look beyond the functional aspects of domain name similarity, however, and consider the domain name as it might appear in text - that is, as an advertisement of the Web site or in a newspaper article discussing it - we

¹⁶³⁹ See also *Playboy Enterprises Inc v Calvin Designer Label et al* 985 F.Supp. 1220 (N.D. Cal. 1997) where the defendants used the plaintiff's famous and registered trade mark names "Playboy" and "Playmate" as part of their domain names on the Internet (www.playboyxxx.com and www.playmatelive.com) where they sold adult entertainment photographs. The plaintiff alleged that the defendants were infringing its trade mark rights. The court maintained that the defendants committed trade mark infringement by using the disputed domain names. A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/calvin1.html.

¹⁶⁴⁰ 279 F.3d 1135 (9th Cir. 2002). A copy of this judgment can be downloaded from www.law.com/regionals/ca/opinions/feb/0056559.shtml.

would still conclude that [respondent's] domain name is not as a matter of law similar to [appellant's] mark. In the context of his domain name, it is true, [respondent] cannot rely on the capitalization of 'PR,' as used in his company name, to show visual dissimilarity between his mark and [appellant's], because 'Web addresses are not caps-sensitive' and therefore will appear in print without case differentiation ... The differences in sound and meaning between 'ENTREPRENEUR' and 'EntrepreneurPR,' however, as discussed in the context of [respondent's] company name, still have import in the domain name context. Overall, we conclude that a juror could reasonably find [respondent's] entrepreneurpr.com domain name dissimilar from [appellant's] ENTREPRENEUR mark."

It should be mentioned here that the court held earlier that the appellant's mark was a weak mark in that it described both the subject matter as well as the intended audience of the appellant's magazine. Furthermore, the court maintained that "[w]hile the public and the trademark owner have an interest in preventing consumer confusion, there is also a broad societal interest in preserving common, useful words for the public domain. We do not want to prevent the commercial use of descriptive words to name products, as straightforward names are often the most useful identifiers.

Therefore, the following conclusions can be made:

- 1) The defendant is only allowed to use the plaintiff's trade mark name in his domain name when (1) he can sufficient eliminate any possible confusion by adding a suffix and (2) he uses the domain name *bona fide*.
- 2) Where the defendant fails to do so, he is guilty of trade mark infringement as well as dilution. Trade mark infringement is present because Internet users associate a domain name incorporating the plaintiff's trade mark name with the plaintiff. Stated differently, they will believe that the defendant's web site is sponsored by, affiliated with or connected to, the plaintiff.¹⁶⁴¹ Trade mark dilution, on the other hand, is present because (1) the defendant prevents the plaintiff from employing that particular web site to advertise his business/performance, provided the disputed

¹⁶⁴¹ See also *Azta Corp v MGM Casino* 59 USPQ.2d 1460 (E.D. Va. 2001) where the plaintiff was of the proprietor of the registered and famous trade mark "Tropicana", registered and used for casinos. The defendant, a business competitor, registered the domain name www.tropicanacasino.com, where it conducted an online casino. The court was of the opinion that the defendant's domain name together with the fact that the defendant operated an online casino at this domain name caused a likelihood of confusion amongst Internet consumers: "Defendant's web site uses Plaintiff's mark in its entirety in connection with the identical services provided by Plaintiff, namely Internet gambling." (At 1463). A copy of this judgment was obtained from Westlaw.

domain name relates to plaintiff's business, (2) the plaintiff has no control over the defendant's web site content, and/or (3) the defendant's domain name, incorporating the plaintiff's trade mark name, lessens the latter's trade mark power to exclusively identify plaintiff as its owner.¹⁶⁴² The law does not require the plaintiff to leave his trade mark reputation in the hands of the defendant.

- 3) Public interest invariably favours the protection of consumers against fraud and confusion as well as the protection of trade mark reputation.
- 4) Finally, the fact that the product sold is expensive is irrelevant when determining whether Internet users will be confused by the disputed domain name.

2.2.3.6.1.2.2. Non-competitors

In *Mattel Inc v Internet Dimensions Inc et al*¹⁶⁴³ the plaintiff was the owner of the registered and well-known trade mark "Barbie", registered and used for dolls and related goods. The defendant registered the domain name www.barbiesplaypen.com which it used for adult entertainment purposes. The plaintiff alleged trade mark dilution. The court first stated that because the defendant sold membership to this particular adult web site, the defendant's use of the dispute mark, i.e. the domain name, constituted a commercial use in commerce. The court was further of the opinion that the "diversion of internet users to a site presenting pornographic images, if viewed by a consumer hoping to view information about one of Mattel's products, may well tarnish the image of Mattel's BARBIE products in the minds of those consumers."¹⁶⁴⁴ The court further stated that "a mark can be tarnished when its likeness is placed in the context of sexual activity, obscenity, or illegal activity".

2.2.3.6.1.2.3. Cybersquatters

The question arose whether cybersquatters could avoid trade mark infringement and/or dilution proceedings by adding suffixes to the plaintiffs' trade mark names and using the combined terms in their (the cybersquatters') domain names.

¹⁶⁴² *Aztar Corp v MGM Casino (supra)*:1464.

¹⁶⁴³ 55 USPQ.2d 1620 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MattelvInternetDimensions.htm>.

¹⁶⁴⁴ The court noted that "The BARBIE doll has been associated with wholesomeness by generations of preteen girls ... The 'models' on the 'barbiesplaypen.com' site ... can in no way be described as engaging in 'wholesome' activities."

In *America Online Inc v AOLCARD.com et al*¹⁶⁴⁵ the plaintiff was the owner of the well-known and registered trade mark "AOL", registered and used for Internet services. The defendant, a cybersquatter, registered various domain names which included the term "AOL", e.g. www.aolcard.net, www.aol.mastercard.org and www.aoluser.com. The defendant also started using these domain names in interstate commerce. The court simply stated that the defendant's "use of the domain name[s] imitates the famous name and mark AOL and is likely to cause confusion among customers that visit its Web site ... [Defendant] has misled and confused consumers, diluted the mark, and irreparably harmed Plaintiff."

In *Victoria's Cyber Secret Ltd Partnership v V Secret Catalogue Inc*¹⁶⁴⁶ the defendant was the owner of the registered and well-known "Victoria's Secret" trade mark, registered and used for lingerie and other related goods. It also established a web site for its domain name www.victoriasecret.com, which is one of the most popular and profitable web sites in e-tailing. Plaintiff registered four domain names, namely www.victoriassensexsecret.com, www.victoriassexysecret.com, www.victoriasexsecret.com and www.victoriasexysecret.com, which it was planning to use as adult entertainment web sites. The plaintiff maintained that because funds were lacking, no web site had been established for these domain names. The defendant contended that the plaintiff was guilty of trade mark infringement and dilution.

With regard to the trade mark infringement claim, the court was of the opinion that the similarity between defendant's trade mark and plaintiff's domain names was overwhelmingly. In fact, the court labelled the plaintiff's domain names as intentional misspellings of both defendant's domain name and trade mark name.¹⁶⁴⁷ The court maintained that the domain names were confusingly similar to defendant's trade mark in that a) "[t]he taking of an identical copy of another's famous and distinctive trademark for use as a domain name creates a presumption of confusion among Internet users as a matter of law",¹⁶⁴⁸ b) the addition of the generic words "sex" or "sexy" between the words "Victoria's" and "Secret" still rendered the marks nearly

¹⁶⁴⁵ Civil Action no 00-229-A (E.D. Va. 2000). A copy of this judgment can be downloaded from <http://legal.web.aol.com/decisions/dlip/aolcarddecision.pdf>. The district court judge merely confirmed the magistrate judge's recommendations and findings. A copy of the latter can be downloaded from <http://legal.web.aol.com/decisions/dlip/aolcardreport.pdf>.

¹⁶⁴⁶ 161 F.Supp.2d 1339 (S.D. Fla. 2001). A copy of this judgment was obtained from Westlaw.

¹⁶⁴⁷ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1350.

¹⁶⁴⁸ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1351.

identical to defendant's domain name and trade mark name because "the slight differences between domain names and registered marks, such as the addition of minor or generic words to the disputed domain names are irrelevant",¹⁶⁴⁹ (c) "[s]imilarity of the Internet trade channel is significant because Internet consumers often do not have the opportunity to exercise the degree of care they might ordinarily use if the goods/services were before them. Plaintiff VCS's complete incorporation of the VICTORIA'S SECRET Mark into Plaintiff VCS's domain names and trade name is likely to cause consumers to erroneously believe that Plaintiff VCS's future websites are authorized by, or affiliated with, Defendant's Victoria's Secret, or are part of Victoria's Secret's Internet operation",¹⁶⁵⁰ and (d) it was clear from the evidence that plaintiff intentionally adopted the defendant's trade mark with an intent to profit.¹⁶⁵¹

The court further stated that "Plaintiff's domain names potentially may divert Internet consumers looking for Victoria's Secret's website to its own websites. Thereafter, consumers are likely to be confused, misled or deceived into the mistaken belief that VCS's websites are endorsed by Victoria's Secret, which will undoubtedly harm the goodwill and reputation symbolized by the VICTORIA'S SECRET Mark."¹⁶⁵²

The court also maintained that the plaintiff was guilty of trade mark dilution, either in the form of blurring or tarnishment in that the disputed domain names were likely to dilute the "extraordinary distinctiveness and uniqueness of the famous VICTORIA'S SECRET Mark".¹⁶⁵³ The court further maintained that it was apparent that plaintiff selected defendant's trade mark as the name for its web sites to "trade off the fame and immense goodwill enjoyed by the VICTORIA'S SECRET Mark ... [Plaintiff's] registration of its domain names which incorporate fully the VICTORIA'S SECRET Mark for adult entertainment websites is likely to tarnish and blur Defendants Victoria's Secret most valuable possession, their mark."¹⁶⁵⁴ Specifically, the court held that tarnishment was present because the plaintiff's domain name could "be used for

¹⁶⁴⁹ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1351.

¹⁶⁵⁰ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1352. The court added that "the additional channels of trade used by [defendant] do not negate a finding in its favor with respect to this factor because direct competition between the parties is not required." (At 1352)

¹⁶⁵¹ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1353. The court stated at 1353: "Plaintiff VCS' intentional misspellings of the VICTORIA'S SECRET Mark was for the purpose of making a future profit on adult entertainment websites".

¹⁶⁵² 161 F.Supp.2d 1339 (S.D. Fla. 2001):1347-1348.

¹⁶⁵³ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1354.

¹⁶⁵⁴ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1355.

entertainment of a lascivious nature suitable only for adults".¹⁶⁵⁵ The court added that blurring existed in that "Plaintiff VCS's continued intention to use the VICTORIA'S SECRET Mark for Plaintiff's future websites constitutes a classic example of dilution by blurring the VICTORIA'S SECRET Mark because, if allowed, consumers may no longer perceive the VICTORIA'S SECRET Mark as representing a single source or origin."¹⁶⁵⁶

The court also maintained, with regard to the issue of dilution, that "Plaintiff VCS's use is commercial and in commerce as a result of its registration of its domain names, stated intent to commence use of the four domain names for adult entertainment websites as well as its offer to transfer these domain names to Victoria's Secret ... and its extensive preparations to operate these websites, which include forming a partnership and entering into service contracts with third parties".¹⁶⁵⁷

Therefore, it can be stated that a cybersquatter is guilty of trade mark infringement and dilution where he employs the plaintiff's common law or registered trade mark name in his domain name, and fails to distinguish this domain name by adding a suffix to sufficiently eliminate any possible initial interest confusion.¹⁶⁵⁸ The addition of generic words to the plaintiff's trade mark name is insufficient. Where the cybersquatter's domain name fails to distinguish his web site from the plaintiff's trade mark name, confusion is present in that Internet users will assume that the cybersquatter's domain name is connected or affiliated with the plaintiff's trade mark. Furthermore, dilution is present in that the cybersquatter blurs the distinctiveness of the plaintiff's trade mark in that the plaintiff's trade mark name will no longer indicate or represent a single source.¹⁶⁵⁹ Where the cybersquatter uses the disputed domain name for lewd content,

¹⁶⁵⁵ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1355.

¹⁶⁵⁶ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1355.

¹⁶⁵⁷ 161 F.Supp.2d 1339 (S.D. Fla. 2001):1355.

¹⁶⁵⁸ For e.g. in *Ford Motor Co v Lapertosa* 126 F.Supp.2d 463 (E.D. Mich. 2001) the court was of the opinion that the defendant's domain name www.fordrecalls.com was confusingly similar to the plaintiff's registered and famous trade mark "Ford", seeing that the word "recalls" is often used in conjunction with automobiles. (At 466). A copy of this judgment was obtained from Westlaw.

¹⁶⁵⁹ E.g. in *Mattel Inc v Adventure Apparel* 2001 WL 1035140 (S.D.N.Y. 2001) the court was of the opinion that the defendant's domain names, www.barbiesbeachwear.com and www.barbiesclothing.com, which it used for selling various apparel, diluted the plaintiff's famous trade mark "Barbie", registered and famous for specific toys. A copy of this judgment was obtained from Westlaw.

he dilutes as well as tarnishes the plaintiff's trade mark reputation.¹⁶⁶⁰

Finally, the following interesting observations have been made:

- (1) Where the defendant's domain name incorporates the name of a famous trade mark, a presumption of confusion arises; and
- (2) Consumer confusion is more likely to arise in the context of the Internet seeing that the parties' respective performances cannot be compared side-by-side.

2.2.3.6.1.2.4. Criticism – adding the word “sucks” to a trade mark name

Instances have emerged where dissatisfied customers or clients registered a domain name incorporating the business' trade mark name together with the word “sucks”, which domain name they subsequently used to criticise the business or its products and/or services. This practice of adding “sucks.com” to a trade mark name or a business' name is known as “cybergripping”.¹⁶⁶¹ Only two judgments have indirectly addressed the questions surrounding the legitimacy of cybergripping. They are discussed in turn.

In *Bally Total Fitness Holding Co v Faber*¹⁶⁶² the applicant was the owner of the registered trade mark “Bally”. The defendant displayed the words “Bally Sucks” on his web site where he criticised the applicant. The court posed the following hypothetical question: Does the law permit a third party to register and operated the domain name www.ballysucks.com as a forum to criticise the trade mark proprietor? Would this cause a likelihood of confusion? The court maintained, albeit *obiter*, that “this would not necessarily be a violation as a matter of law ... no reasonably prudent Internet user would believe that ‘Ballysucks.com’ is the official Bally site or is sponsored by Bally.”¹⁶⁶³

¹⁶⁶⁰ *Ford Motor Co v Lapertosa (supra)*:466-467.

¹⁶⁶¹ See *Lucent Technologies Inc v LucentSucks.com* 95 F.Supp.2d 528 (E.D. Va. 2000) [a copy of this judgment can be downloaded from <http://eol.law.harvard.edu/ilaw/DomainNames/Lucent.htm>]; *Bridgestone Firestone Inc et al v Myers* WIPO case no D2000-0190 [a copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0190.html>]. See also Kolker 2001.

¹⁶⁶² 29 F.Supp.2d 1161 (C.D. Cal. 1998). A copy of this judgment was obtained from Westlaw. An abbreviated version of this judgement can be downloaded from <http://gozips.uakron.edu/~dratler/cyberlaw/materials/bally.htm>.

¹⁶⁶³ 29 F.Supp.2d 1161 (C.D. Cal. 1998):1165.

In *Lucent Technologies Inc v LucentSucks.com*¹⁶⁶⁴ the plaintiff was the owner of the registered trade mark "Lucent", registered for telecommunications equipment and services. The respondent registered the domain name www.lucentSucks.com where it displayed and sold pornographic photographs. The respondent contended that its domain name was protected by its constitutional right to freedom of speech. The court remarked, *obiter*, that "[w]e need not rule on this argument, because we have found other grounds for dismissal. Nevertheless, we note that defendant's position has some merit ... Defendant argues persuasively that the average consumer would not confuse [lucentSucks.com](http://www.lucentSucks.com) with a web site sponsored by plaintiff." In a footnote, the court also stated that "[r]egistering domain names in the form of [company name plus] [sucks.com](http://www.sucks.com) to provide a forum for critical commentary is not uncommon, and is part of an Internet phenomenon known as 'cybergripping.' "

Therefore, it can be concluded that where X registers a domain name consisting of Y's trade mark name plus the suffix "sucks.com", X is not guilty of trade mark infringement in that no likelihood of confusion exists. Furthermore, "commercial use", as required by section 1114(1)(c), will normally be absent. With regard to the question whether X is guilty of trade mark dilution, it can safely be stated, although no US court has stated so, that "commercial use in commerce", as required by section 1125(c), will normally be absent.

2.2.3.6.1.3. Adding both a prefix and ".com" to a trade mark name

The question arose whether the law permits X to use a domain name incorporating Y's trade mark name, to which he adds both a prefix as well as a Top Level Domain.

2.2.3.6.1.3.1. Non-competitors

In *BigStar Entertainment Inc v Next Big Star Inc et al*¹⁶⁶⁵ the plaintiff was the proprietor of the well-known, common law trade marks "BigStar" and "www.bigstar.com"¹⁶⁶⁶ and was involved in the rental and sale of videos. It owned the domain name www.bigstar.com where it offered, along with information about the film industry, chat

¹⁶⁶⁴ *Supra*.

¹⁶⁶⁵ 105 F.Supp.2d 185 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>.

¹⁶⁶⁶ According to plaintiff, it received over 3 million unique visits to its web site, located at www.bigstar.com in January 2000.

rooms and interviews with movie celebrities. Movies could also be rented by means of this web site. Defendant Next Big Star conducted an entertainment talent search by means of its web site established for the domain name www.nextbigstar.com. By means of this web site it planned to conduct its talent contest and offered related information, chat rooms and interviews with celebrities under the mark "Next Big Star". Neither the plaintiff's nor the defendant's trade mark was registered. The plaintiff alleged that the defendant was guilty of trade mark infringement, both by means of the trade mark it employed for its services as well as by means of the web site it employed for this purpose. Although the action was instituted in terms of section 1125(a), which regulates the US statutory passing-off action,¹⁶⁶⁷ the principles enunciated by the court apply equally to trade mark proceedings in terms of section 1114(1)(a). The only difference being that a federally registered trade mark is required before trade mark proceedings can be instituted in terms of section 1114(1)(a).

Firstly, the court enunciated that when the question of law is whether trade mark infringement has occurred by means of the Internet -

"the proper starting point for comparison should be between the parties' respective trademarks, rather than their domain addresses. The trademarks provide a broader dimension for analysis. Website addresses by themselves, characterized by the style of uniformly lower case lettering and compressed wording, do not adequately express certain nuances of common meaning and understanding of words in the marks at issue in this case. In fact, here, a contrast based on the web addresses alone, unaided by the clarifying word meaning conveyed by the parties' corresponding trademarks, would tend to distort intended connotations."

The court maintained that no likelihood of confusion existed because:

⇒ The parties were not competitors: "BigStar aims for movie buffs; those who want to watch movies and to learn about the celebrities who produce, direct and act in them. Next Big Star, in the hope of finding tomorrow's performers, targets aspiring actors, singers, comedians and dancers all of whom share a search for outlets for their talents and ambitions. ... The interviews and chat rooms at defendants' site are intended to promote the talent contest. Whatever similarities may exist between the two secondary services are of little consequence for two reasons. Many websites provide chat rooms. More importantly, these services do not compete for the Internet user looking generally for information regarding celebrities because the

¹⁶⁶⁷ Discussed in paragraph 2.1 of chapter 5.

scope of information and interviews provided by defendants is much more narrow than that of plaintiff ... These services are simply not the main components of either business, nor are they the means by which either company derives direct income.”

⇒ The two marks were not the same in that the word “next” distinguished them.

⇒ No initial interest confusion existed because “defendants’ domain name (‘nextbigstar.com’) is not ‘virtually identical’ to plaintiff’s trademarks or website (‘bigstar.com’). Defendants are not using ‘bigstar.com’ as their domain name. Instead, they are using ‘nextbigstar.com’, a domain name which, when examined in the light-of the entire context relevant here ... is neither identical to the BigStar marks in terms of sight, sound or meaning, nor one the ordinary, reasonably informed relevant purchaser could not regard as exactly the same ... Where only two entities are claiming rights to exactly the same or essentially similar mark on the Web, there is a strong likelihood that a prospective customer initially searching for the senior business may be diverted to the junior. But in a case such as here where there is evidence of use by third parties of other ‘bigstar’ web addresses, the likelihood of confusion attributed to initial interest diversion by any one of the users of the mark becomes more speculative and difficult to substantiate, except by strong evidentiary demonstration.”

⇒ It was unlikely that an appreciable number of “ordinary, reasonably informed potential customers searching for ‘bigstar.com’ to purchase a video or obtain movie star information who mistakenly navigate to the talent search at ‘nextbigstar.com’ would be confused in that they would assume, despite the dissimilarities in the marks, that the two websites are associated. Similarly, we view it as unlikely that numerous such prospective video customers, upon realizing an error in reaching the wrong website, would not resume their endeavor to find the product they originally sought by reason of some attraction to defendants’ talent competition. To the extent that the likelihood of some such confusion may nonetheless remain on account of this factor, the Court believes it would not be actionable under the circumstances presented by this case because the operation of the other *Polaroid* factors still weigh heavily against this finding.”

⇒ Their respective web pages differed completely.

Consequently, the court was of the opinion that the plaintiff failed to establish trade mark infringement.

2.2.3.6.1.3.2. Competitors

In *Referee Enterprises Inc v Planet Ref Inc et al*¹⁶⁶⁸ the plaintiff was the proprietor of the registered trade mark "Referee", which it had been using since 1975 on its sports magazine "Referee® Magazine". The individual in charge of the defendant companies was a sports veteran. The defendants registered the domain names ereferee.com, ereferee.org and ereferee.net, which were used for sport related issues. The plaintiff alleged that the defendant was guilty of trade mark infringement and dilution.

The court held that the defendants' use of these domain names was likely to violate the *Lanham Act* in that it would cause confusion or mistake or deceive the public as to the affiliation, connection or association of defendants with plaintiff as well as cause confusion as to the origin, sponsorship or approval of the defendant's goods, services and activities. The court further maintained that such use also constituted trade mark dilution.¹⁶⁶⁹

In *Prime Publishers Inc v American-Republican Inc*¹⁶⁷⁰ the parties were directcompeting Connecticut newspaper publishers. The plaintiff used the well-known common law trade mark "Voices" for its newspaper. The respondent used the mark "American-Republican" for its competing newspaper. Subsequently, the respondent registered the domain name www.ctvoices.com.¹⁶⁷¹ A web site was established for this domain name, but essentially not used for any purpose.¹⁶⁷² The defendant only promoted the web site established for www.ctvoices.com at its own web site, located at www.rep-am.com, by means of a hyperlink. The plaintiff averred that the defendant's domain name caused a likelihood of confusion as well as diluted its trade mark.¹⁶⁷³

¹⁶⁶⁸ 2001 US Dist LEXIS 9303 (E.D. Wis. 2001). A copy of this judgment can be downloaded from www.loundy.com/CASES/Referee_Ent_v_Planet_Ref.html.

¹⁶⁶⁹ Unfortunately, the court failed to motivate any of its findings.

¹⁶⁷⁰ 160 F.Supp.2d 266 (D. Conn. 2001). A copy of this judgment can be downloaded from www.ctd.uscourts.gov/Opinions/080701.GLG.PrimePub.pdf.

¹⁶⁷¹ The prefix "ct" was probably an abbreviation for "Connecticut".

¹⁶⁷² The metatag for this web site initially stated that the web site was a "source for news, current events, and community interaction."

¹⁶⁷³ Even though the plaintiff's trade mark dilution claim failed on the basis that its trade mark was not famous, the judgment remains valuable for considering whether the defendant's conduct diluted the plaintiff's trade mark reputation. Furthermore, the plaintiff instituted action for unfair competition in terms of section 1125(a). However, the judgment remains valuable as to whether a likelihood of confusion arose.

The court firstly held that the defendant's domain name was confusingly similar to the plaintiff's trade mark name. Thereafter the court held that the defendant's domain name -

- (a) might cause a likelihood of confusion amongst advertisers in that they might be confused as to the origin and/or affiliation of the defendant's domain name;¹⁶⁷⁴ and
- (b) diluted the plaintiff's trade mark reputation in that if consumers were dissatisfied in any way with the defendant's web site established for the said domain name or if this web site functioned badly, such conduct would harm the plaintiff's trade mark reputation.

2.2.3.6.1.3.3. Sellers and distributors

In *Ty Inc v Perryman*¹⁶⁷⁵ the appellant was the manufacturer of the well-known "Beanie Babies" stuffed animals. The respondent sold these "Beanie Babies" by means of a web site established for the domain name www.bargainbeanies.com. The respondent's web site clearly disclaimed any affiliation with the appellant. The appellant alleged that the respondent was guilty of trade mark dilution.

The Seventh Circuit of Appeal firstly noted that no confusion was present in that the respondent used the said domain name to sell original "Beanie Babies". With regard to the question whether dilution was present, the court held that "[w]e do not think that by virtue of trademark law producers own their aftermarkets and can impede sellers in the aftermarket from marketing the trademarked product" under the producer's trade mark. Earlier the court remarked that -

"You can't sell a branded product without using its brand name, that is, its trademark. Supposing that Perryman sold *only* Beanie Babies ... we would find it impossible to understand how she could be thought to be blurring, tarnishing, or otherwise free riding to any significant extent on Ty's investment in its mark. To say she was would amount to saying that if a used car dealer truthfully advertised that it sold Toyotas, or if a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in

¹⁶⁷⁴ The court noted that "[a] business advertiser located in the *Voices* market could be confused as to the origin of efforts to solicit advertising on behalf of 'ctvoices.com.' Such advertisers, unless sophisticated or cautious, could believe that a solicitation for advertising for 'ctvoices.com' for newspaper-related use in the *Voices* market was affiliated with Prime and its semi-weekly newspaper, *Voices*."

¹⁶⁷⁵ Case no 02-1771 (7th Cir 2002). A copy of this judgment can be downloaded from www.ca7.uscourts.gov/op3.fwx?submit1=showop&caseno=02-1771.PDF.

Toyotas, Toyota would have a claim of trademark infringement ... Perryman's principal merchandise is Beanie Babies, so that to forbid it to use "Beanies" in its business name and advertising (Web or otherwise) is like forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising."

2.2.3.6.1.3.4. Conclusion

Therefore, the following conclusions can be made:

- It can be gleaned from these and other judgments that US courts are reluctant to find initial interest confusion where the parties to the dispute are not competitors. In these instances the courts maintain that because the parties' respective performances differ the Internet user who arrives at the defendant's web site, and discovers that this is the wrong web site, will continue to search for the plaintiff's web site. Therefore there is no diversion of custom.
- Similar to the scenario where the defendant adds a suffix plus dot-com to the plaintiff's trade mark name, US courts only allow the defendant to use a domain name consisting of the plaintiff's trade mark name plus a prefix, where such domain name can adequately eliminate any confusion or association between the plaintiff trade mark and the defendant's domain name.
- Where the said prefix cannot distinguish the defendant's domain name from the plaintiff's trade mark name, trade mark dilution is present in that should the web site established for the defendant's domain name function badly or cause consumer dissatisfaction, such domain name will tarnish the plaintiff's trade mark reputation.
- Manufacturers cannot prevent sellers from using domain names that incorporate their trade mark names plus a prefix, where such domain names are used to sell the manufacturers' products.

2.2.3.6.1.4. Domain names that differ only in their TLDs

As already indicated earlier in the thesis,¹⁶⁷⁶ in *Shade's Landing Inc v Williams*¹⁶⁷⁷ the plaintiff had been operating a web site at www.home-market.com from 1996 where he provided computer-based services related to the real estate industry. The defendant, in turn, had been operating a web site at www.home-market.net from 1998 where he

¹⁶⁷⁶ See paragraph 2.2.3.5 of this chapter.

¹⁶⁷⁷ 76 F.Supp.2d 983 (D. Minn. 1999). A copy of this judgment was obtained from Westlaw.

provided web site development services for real estate agents. Both parties were competitors with regard to web page development for real estate agents, but in different states and, therefore, not in direct competition.¹⁶⁷⁸ The plaintiff asserted that defendant's similar domain name was likely to cause confusion about the source of his (the defendant's) services and further alleged that defendant was attempting to misdirect plaintiff's clients. The plaintiff owned no registered trade mark in its domain name. However, it alleged that it had a common law trade mark in its domain name. The plaintiff subsequently sought an injunction against the defendant in terms of 1125(a), alleging that the latter's domain name caused a likelihood of confusion. Although the plaintiff instituted proceedings in terms of section 1125(a), the requirements posed by this section correspond with those posed by section 1114(1)(a) for trade mark infringement.

The court firstly stated that the plaintiff enjoyed no common law rights in its domain name. The court continued to state *obiter* that even if the plaintiff had shown that it owned a protectable common law trade mark, it failed to show a likelihood of confusion among consumers as to the source of defendant's performance. The court was further of the opinion that due to the fact that only the TLDs differed, namely the one was a dot-com and the other one a dot-net domain name, a possibility of consumer confusion existed between the parties' services, but this possibility was not strong enough to constitute a substantial likelihood of confusion.¹⁶⁷⁹

"[N]one of the evidence suggests that defendant had an intent to deceive consumers into thinking that his services were those of plaintiff. There is no evidence that defendant even had knowledge of plaintiff's web site or the nature of its services before he began using the [disputed] address. Furthermore, plaintiff submits only the barest evidence of actual confusion, including the fact that one of defendant's clients accidentally sent an email intended for defendant to plaintiff's address. This incident resulted in no loss of business to plaintiff, and it does not appear that defendant's client was ever genuinely confused about the identity of the intended recipient of his message. The record contains no evidence of any consumer who began doing business with defendant in the mistaken belief that defendant sponsors the referral network available at Home-Market.com. The isolated misdirected email to which plaintiff refers is insufficient to establish that actual confusion between the parties'

¹⁶⁷⁸ 76 F.Supp.2d 983 (D. Minn. 1999):991.

¹⁶⁷⁹ 76 F.Supp.2d 983 (D.Minn. 1999):991.

services has occurred.”¹⁶⁸⁰

Furthermore, the likelihood of confusion was minimal because the defendant did not use his home page as such to market his services, and further the plaintiff primarily used its other web site to market its services.¹⁶⁸¹ In addition, the harm that defendant’s clients would have suffered if the court ordered the defendant to change his web site, outweighed the slight threat of harm posed by defendant’s web site.¹⁶⁸²

It can therefore be concluded that when the balance of hardship strongly favours the *bona fide* defendant, the court will not order the defendant to release the disputed domain name.

2.2.3.6.1.5. Using confusingly similar domain names

The question arose whether a trade mark proprietor could prohibit third parties from registering and using domain names that were confusingly similar to his registered or common law trade mark name. The following cases addressed this issue

2.2.3.6.1.5.1. Competitors registering similar domain names

In *Maritz Inc v Cybergold Inc*¹⁶⁸³ the question was whether the defendant’s trade mark “CYBERGOLD” and domain name www.cybergold.com infringed the plaintiff’s

¹⁶⁸⁰ 76 F.Supp.2d 983 (D.Minn. 1999):991.

¹⁶⁸¹ At 991-992 the court stated: “The potential for such confusion to arise is particularly low in light of the fact that defendant uses the ‘Home-Market.net’ web site primarily as an inactive host for the web pages that he develops for his clients ... Nevertheless, the possibility that plaintiff’s goodwill would be damaged or its clients misdirected as a result of such changes is minimal, because plaintiff markets the majority of its services through the ShadesLanding.com site.”

¹⁶⁸² At 991 the court maintained: “Against this slight threat of harm the Court must weigh the substantial harm that defendant is certain to experience if the Court grants the requested injunction. Defendant avers that he presently has fifty-five clients who are real estate agents practicing in the Minneapolis area. He further avers that each of these clients has created letterhead, business cards, lawn signs, and promotional brochures listing ‘Home-Market.net’ as the first part of his or her web site address. Requiring defendant to change his domain name would not only force all of defendant’s clients to reprint their marketing materials, but also might temporarily cause them to lose business during the transition from one domain name to another. The potential impact that these losses might have on defendant, through loss of goodwill with his existing clients, is substantial.”

¹⁶⁸³ 947 F.Supp. 1328 (E.D. Mo. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/Maritz_v_Cybergold2.html.

common law trade mark "GOLDMAIL" and domain name www.goldmail.com.¹⁶⁸⁴ Although the parties were competitors, they were unaware of each other's existence when they started using their respective trade marks for similar services, namely online subscription advertising services.¹⁶⁸⁵ Both parties commenced using their respective marks simultaneously. The plaintiff instituted proceedings alleging that the defendant's mark and domain name engendered an "ongoing confusion" between the Internet services of the two parties. The court was of the opinion that no likelihood of confusion would arise in this scenario:

"[T]he two marks are not phonetically similar in sound other than the use of the word 'gold.' An obvious difference is that 'gold' appears at the beginning of one mark and at the end the other; the other words – 'Cyber' and 'Mail' are not similar in sound or reading ... Nor do the marks present a similar appearance ... The computer graphics of each and the appearance of their marks were not similar. The closest similarity in visual appearance between the two occurs when the generic type internet addresses of 'www.goldmail.com' and 'www.cybergold.com' are compared, but that is largely a product of the function of the internet and its presentation of addresses. Both marks make use of the word 'gold' in their name, an apparent reference to the fact that their internet services are to provide financial rewards for reading advertisements. Thus, there is some similarity in meaning. It is relevant that gold is a common word, one that likely appears in many products and names, both on and off the internet. It is not unique in the sense that it is a seldom or infrequently used word in modern society. Consumers would be less likely to conclude that a product was from the same origin simply because a very common word was used on the product. On the whole, the Court finds that the two marks, while similar in their suggestive meaning, are not closely similar aurally or visually, and thus, overall, there is limited similarity between the two marks.

Furthermore, the plaintiff was unable to prove that the defendant had any intent to cause confusion between the two products as well as failed to produce evidence of confusion amongst Internet users, who were or would likely have been customers of the plaintiff. Therefore, the court concluded that the plaintiff failed to show that the

¹⁶⁸⁴ The action was instituted in terms of s 1125(a) which is discussed in paragraph 2.1 of chapter 5. The requirements of this section correspond with the requirements of section 1114(1)(a).

¹⁶⁸⁵ This means that subscribers were provided with advertisements aimed at their particular areas of interest and were rewarded for viewing those ads. For additional facts see www.finnegan.com/summ/cases/maritz.htm. It appears from the judgment that the defendant neither owned a registered nor a common law trade mark.

defendant's use of the CYBERGOLD mark created a likelihood of confusion among an appreciable number of ordinary buyers as to the source or association of the internet services of the two parties.

The court was also of the opinion that the balance of hardships favoured the defendant: "As of the date plaintiff filed its motion for preliminary injunction, defendant had already expended considerable effort in the development of its internet service under the CYBERGOLD mark. [Defendant] had developed extensive computer demonstrations and software for its anticipated online service. [Defendant] had also made releases to the national press using the CYBERGOLD mark. [Defendant] had also made numerous contacts and solicitations to potential advertisers who are potential customers of [defendant]. Thus, enjoining [defendant's] use of its name would undoubtedly cause considerable harm to [defendant], forcing it to modify its computer designs and graphics and more importantly, requiring it to redo many of its advertising and promotional efforts in obtaining customers and an internet audience. Even assuming that, as of the date this action was filed, [defendant] had not yet enrolled any internet users as members to its service, the record shows that [defendant] had already expended considerable effort and money in soliciting companies and businesses to advertise on its service."

In *CCBN.com Inc v c-call.com Inc*¹⁶⁸⁶ both parties provided competing online stock market information and financial services to investment professionals. The plaintiff provided such information by means of its web site located at www.streetevents.com and the defendant by means of its domain name www.streetfusion.com. The plaintiff's service was free whilst the defendant's service was expensive. The plaintiff alleged that it used its domain name as a service mark and that the defendant caused a likelihood of confusion by means of its domain name.¹⁶⁸⁷ The court firstly held that the defendant's domain name, which constituted a service mark, was similar to the plaintiff's common law service mark, namely its domain name. However, the court was of the opinion that because the defendant's service was extremely expensive¹⁶⁸⁸ and the plaintiff's service free, together with the fact that the plaintiff's service mark was

¹⁶⁸⁶ 73 F.Supp.2d 106 (D. Mass. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/CCBN.html>.

¹⁶⁸⁷ Note that the proceedings were instituted in terms of section 1125(a). Although the proceedings were not instituted in terms of section 1114(1)(a), which requires a registered trade mark, the court's conclusions remain of equal importance here.

¹⁶⁸⁸ The defendant charged up to \$400 000 for one year's subscription.

weak due to the fact that it had only been used for a short time, sophisticated investment professionals would not confuse the two services.¹⁶⁸⁹ Consequently no likelihood of confusion existed.

Finally, in *First Jewellery Co of Canada Inc et al v Internet Shopping Network LLC*¹⁶⁹⁰ the plaintiffs were the owners of the registered trade mark "First Jewellery", registered and used for jewellery. The plaintiffs sold their products to retailers. The defendant registered the domain name www.firstjewelry.com where it sold direct competing products to Internet users. The plaintiffs alleged trade mark infringement: "[A] likelihood of confusion will arise out of [defendant's] use of the domain name www.firstjewelry.com in that their wholesale customers who sell at retail will be (and that some have been) led to believe that plaintiffs are engaging in retail sales of the Internet in competition with their own customers."¹⁶⁹¹

The court maintained that the kind of confusion present in this case was actionable as trade mark infringement.¹⁶⁹² The court further held that the defendant's domain name was substantially the same as plaintiffs' trade mark and consequently caused a likelihood of confusion.¹⁶⁹³

From reading the above three judgments, the following two observations can be made:

- (1) US courts are increasingly willing to hold that, where a *bona fide* defendant expended considerable effort and money in developing his Internet service, the balance of hardship favours him and consequently no interdict should be granted against the defendant prohibiting him from operating the alleged infringing domain name.
- (2) Conflicting judgments apply to the question whether consumer sophistication should be taken into consideration when determining a likelihood of confusion in the Internet context. It was pointed out earlier¹⁶⁹⁴ that the court in *Paccar Inc v Telescan Technologies LLC* held that one should look at the consumer not as the sophisticated truck purchaser but as the average Internet user. However, in

¹⁶⁸⁹ As the court put it: "It is simply unrealistic to conclude that any initial confusion over service marks would translate into 'actual confusion in purchasing the parties' products.' "

¹⁶⁹⁰ 53 USPQ.2d 1838 (S.D.N.Y. 2000). A copy of this judgment was obtained from Westlaw.

¹⁶⁹¹ 53 USPQ.2d 1838 (S.D.N.Y. 2000):1840.

¹⁶⁹² 53 USPQ.2d 1838 (S.D.N.Y. 2000):1842.

¹⁶⁹³ 53 USPQ.2d 1838 (S.D.N.Y. 2000):1843-1844.

¹⁶⁹⁴ See paragraph 2.2.3.6.1.2.1 of this chapter.

CCBN.com Inc v c-call.com Inc the court held that due to the fact that the defendant's service was so extremely expensive, the criterion for determining a likelihood of confusion was the sophisticated investment professional.

2.2.3.6.1.5.2. Non-competitors registering confusingly similar domain names

In *Toys "R" Us v Akkaoui*¹⁶⁹⁵ the plaintiff was the owner of various famous and registered trade marks ending with the phrase "R Us", used in connection with children's toys. The defendant operated a web site at www.adultsrus.com where it featured and sold sexual devices and clothing under the name "Adults R Us". The plaintiff sought an interdict mandating the complete removal of the name "Adults R Us" from the Internet. The plaintiff contended that the defendant was guilty of trade mark dilution. The court simply held that " 'Adults R Us' tarnishes the 'R Us' family of marks by associating them with a line of sexual products that are inconsistent with the image Toys 'R' Us has striven to maintain for itself" by means of extensive advertising since the 1960s. The court consequently ordered the defendant to cancel the disputed domain name and to cease using the mark "Adults R Us".

In *Toys "R" Us v Feinberg*¹⁶⁹⁶ the plaintiff was, as noted above, the owner of a myriad of both registered and common law trade marks ending with "R Us". Its main business was the selling of children's toys. The defendant registered the domain name www.gunsareus.com where he sold firearms. The business name was first "Guns Are Us", but was subsequently changed to "We Are Guns". The plaintiff alleged that the defendant was guilty of trade mark infringement. The court held that a likelihood of confusion was absent in that 1) their businesses differed vastly¹⁶⁹⁷ and 2) the defendant did not use the letter "R". Therefore, the court took into consideration, not only the plaintiff's trade mark name and the disputed domain name, but also the business objectives of both parties in deciding whether the defendant's domain name infringed the plaintiff's trade mark.

The plaintiff also alleged that the defendant was guilty of trade mark dilution. The court rejected this claim, stating, with regard to the issue of blurring, that -

¹⁶⁹⁵ 40 USPQ.2d 1836 (N.D. Cal. 1996). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/domain/dncases/toysrus.htm>.

¹⁶⁹⁶ 26 F.Supp.2d 639 (S.D.N.Y. 1999). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/toys.html>

¹⁶⁹⁷ Stated differently, they were not competitors.

"[w]hile it is conceivable that the proliferation of trade names ending in ' "R" Us,' unassociated with plaintiffs, might cause such blurring, this case is nowhere near such a situation. This case involves a website that merely uses the letters 'gunsareus' as its internet domain name. Defendants neither make use of the single letter 'R' nor do they space or color the letters and words in a manner remotely related to plaintiffs. The name 'gunsareus' appears in all lower case letters with no spaces in between the letters. The Court finds that the use of such an internet domain name, without naming the website itself 'Guns "R" Us' or 'Guns Are Us,' will not, as a matter of law, blur the distinctiveness of plaintiffs' 'R' Us family of marks."

For these same reasons, the court held that the plaintiff also failed to prove tarnishment.

In *NVST.com Inc v Nvest LLP et al*¹⁶⁹⁸ the appellant was the proprietor of the registered trade mark "NVST", registered and used for research services and investment opportunities for wealthy individuals seeking equity stakes in emerging companies. The respondent traded as Nvest, in terms of a licence agreement with the appellant. The respondent provided investment products such as mutual funds and retirement planning services. Without the appellant's consent, the respondent registered the domain names www.nvestlp.com and www.nvestfunds.com. The appellant contended that the respondent's domain name was likely to cause confusion. The court was of a different opinion, maintaining that -

- (1) the parties' respective marks were not "very similar";¹⁶⁹⁹
- (2) the two parties provided very different services and consequently they had different clienteles; and
- (3) the parties' respective web pages looked considerably different, where entirely different products were offered.

It can, therefore, be concluded that, on the basis of the above-mentioned judgments, US courts allow closely "imitating" domain names when two requirements are present:

- (a) No substantial likelihood of confusion and/or association between the plaintiff's trade mark and the defendant's domain name exists or will arise; and

¹⁶⁹⁸ 2002 US App LEXIS 2336 (9th Cir. 2002). A copy of this judgment was obtained from LEXIS.

¹⁶⁹⁹ In fact, the court stated that "[t]he parties' respective marks differ by the inclusion of the letter 'e' in one mark where it is absent in the other. Moreover, NVST typically appears in all capital letters, while Nvest appear in title case."

(b) The defendant did not choose the disputed domain name to capitalise on the plaintiff's trade mark reputation.

Furthermore, in considering whether the defendant's domain name is confusingly similar to the plaintiff's trade mark, which can be his domain name, the courts take extraneous factors, such as whether their web sites differ and/or whether they offer non-competing performances by means of these web sites, into consideration where the defendant's domain name does not incorporate the plaintiff's trade mark name.

2.2.3.6.1.5.3. Cybersquatters

2.2.3.6.1.5.3.1. Registering confusingly similar domain names

In *Toys "R" Us Inc et al v Abir et al*¹⁷⁰⁰ the plaintiffs were the owners of various famous and registered trade marks ending with the phrase " 'R' Us", such as "Toys 'R' Us", registered and used for various toys. The defendants registered the domain name www.toysareus.com and thereafter contacted the plaintiffs and offered the domain name for sale, mentioning that if they failed to acquire the said domain name the defendants would commence selling competing goods by means of this domain name. When litigation ensued no web site had been established for the aforementioned domain name. The plaintiffs contended that the defendants were guilty of trade mark infringement and dilution.

The court first noted that the defendants' domain name was confusingly similar to the plaintiffs' trade mark name and would therefore likely cause confusion.¹⁷⁰¹ The court was further of the opinion that the defendants diluted the plaintiffs' trade mark because their domain name eliminated the capacity of the " 'R' Us" marks to identify and distinguish the plaintiffs' goods and services on the Internet.¹⁷⁰² Consequently, the defendants were guilty of trade mark infringement as well as trade mark dilution.

2.2.3.6.1.5.3.2. Typosquatting

The following four judgments deal with the question whether someone who engages in

¹⁷⁰⁰ 45 USPQ.2d 1944 (S.D.N.Y. 1997). A copy of this judgment was obtained from Westlaw.

¹⁷⁰¹ 45 USPQ.2d 1944 (S.D.N.Y. 1997):1948.

¹⁷⁰² 45 USPQ.2d 1944 (S.D.N.Y. 1997):1949.

typosquatting¹⁷⁰³ is guilty of either trade mark infringement and/or dilution.

In *Trade Media Holdings Ltd v Huang & Associates*¹⁷⁰⁴ both parties offered virtually identical services, namely Asian made products. The plaintiff was the owner of the registered trade mark "Asian Sources". The defendant registered the domain name www.asiansource.com which it used to offer its "Asian Sources" service. The plaintiff alleged that the defendant was guilty of trade mark infringement. The court agreed, stating that -

"[t]his Court finds that the evidence establishes that defendants used the ASIAN SOURCES mark in connection with the domain name for the www.asiansource.com web site ... Moreover, the likelihood of confusion is high when, as here, the plaintiff has used its mark to establish a domain name with virtually the identical address as defendant's allegedly infringing use. There can be no doubt that but for the presence or absence of an 's', the allegedly infringing mark here is identical to plaintiff's mark."¹⁷⁰⁵

The court also held that initial interest confusion was present: "[T]he mere existence of www.asiansource.com has the potential to lure customers who type the plaintiff's domain name incorrectly into their search engine or address field, thereby preventing such customers from purchasing goods and services on plaintiff's web site."¹⁷⁰⁶ With regard to the trade mark dilution claim the court maintained, albeit *obiter*, that the domain name www.asiansource.com had the potential to lessen the capacity of the plaintiff's mark to identify and distinguish its services.¹⁷⁰⁷

In *Bird v Parsons et al*¹⁷⁰⁸ the plaintiff was the proprietor of the registered trade mark "Financia", registered and used for computer software.¹⁷⁰⁹ Defendant A registered the domain name www.efinancia.com and, virtually immediately after registration, put the domain name up for sale at an auction web site, maintained by defendant B.¹⁷¹⁰ The plaintiff alleged that both defendants were guilty of trade mark infringement and

¹⁷⁰³ Typosquatting was discussed in paragraph 2.2.3.4.2 of this chapter.

¹⁷⁰⁴ 123 F.Supp.2d 233 (D.N.J. 2000). A copy of this judgment was obtained from Westlaw.

¹⁷⁰⁵ 123 F.Supp.2d 233 (D.N.J. 2000):240.

¹⁷⁰⁶ 123 F.Supp.2d 233 (D.N.J. 2000):243.

¹⁷⁰⁷ 123 F.Supp.2d 233 (D.N.J. 2000):243. However, the court did not reach a final conclusion on this issue, because it held that the plaintiff failed to prove that its mark was famous.

¹⁷⁰⁸ 127 F.Supp.2d 885 (S.D. Ohio 2000). A copy of this judgment was obtained from Westlaw.

¹⁷⁰⁹ Plaintiff also owned the domain names www.financia.com, www.financiaco.com, www.financia.net and www.financia.org.

¹⁷¹⁰ A web site was established for the said domain name advertising that the domain name was for sale.

dilution. The court maintained that the mere “[r]egistration of a domain name does not constitute use within the trademark laws ... The same logic applies to providing a site at which domain names can be sold.”¹⁷¹¹ Consequently, the court refused to hold the defendants guilty for trade mark infringement and dilution.¹⁷¹²

Another example of typosquatting is *Electronic Boutique Holdings Corp v Zuccarini*¹⁷¹³ where the plaintiff was the owner of the registered and well-known trade marks “Electronics Boutique” and “EB”, registered and used for electronic and computer products. It was also the proprietor of the well-known common law trade mark “ebworld.com”. The defendant, a notorious cybersquatter, registered the domain names www.electronicboutique.com, www.electronicbotique.com, www.ebwold.com and www.ebworl.com. The web sites established for these domain names contained various advertisements. Although the plaintiff instituted proceedings in terms of ACPA, the court’s judgment is of great value to the present discussion.

The court firstly held that the disputed domain names, which were all misspellings of the above-mentioned trade marks, were confusingly similar to the plaintiff’s said trade marks. Furthermore, the court held that the said domain names diluted the reputation of the plaintiff’s trade marks in that the possibility existed that Internet users who accessed the defendant’s web sites could discontinue their search for the plaintiff’s online presence.¹⁷¹⁴ The court was further of the opinion that the defendant registered the disputed domain names in bad faith in that he “specifically intended to prey on the confusion and typographical and/or spelling errors of Internet users to divert Internet users from EB’s website for his own commercial gain.”

¹⁷¹¹ 127 F.Supp.2d 885 (S.D. Ohio 2000):889.

¹⁷¹² This was confirmed on appeal. See *Bird v Parsons et al* 289 F.3d 865 (6th Cir. 2002): “Simply posting a domain name on an Internet auction site, therefore, is insufficient to establish the commercial use of a trademark.” A copy of this judgment can be downloaded from <http://pacer.ca6.uscourts.gov/cgi-bin/getopn.pl?OPINION=02a0177p.06>.

¹⁷¹³ 2000 US Dist LEXIS 15719 (E.D. Pa. 2000). A copy of this judgment can be downloaded from www.gigalaw.com/library/electronicboutique-zuccarini-2000-10-30-p1.html.

¹⁷¹⁴ The court held: “It is impossible to determine the number of potential and existing customers diverted from [plaintiff’s] website by [defendant’s] domain misspellings. A user-friendly website is important to [plaintiff’s] online success. There must be as few steps, or clicks, as possible between initially accessing [plaintiff’s] website and the completion of the transaction as each computer click represents a significant amount of time. Those who get lost in the advertisements may abandon their intention to purchase from [plaintiff]. Others simply may never find [plaintiff’s] website. These customers may not only be discouraged from shopping at [plaintiff] online, but may also be discouraged from shopping at [plaintiff’s] outlets in person as well.”

Finally, in *Northern Light Tech Inc v Northern Lights Club*¹⁷¹⁵ the appellant owned the domain name www.northernlight.com, which it used for operating a search engine. It also owned the registered trade mark "Northern Light" which it used on its web site. The respondent, a cybersquatter, registered the domain name www.northernlights.com. No web site was initially established for this domain name. Thereafter the appellant contacted the respondent with the view to purchase the domain name. No sale or licensing agreement followed. The respondent subsequently established a web site for the said domain name, which the First Circuit of Appeal described as follows: "Visitors to the site saw, among other things, a site-search function near the top of the screen that enabled users to perform a search of the northernlights.com site for specific words or phrases, as well as links to FlairMail and other members of the 'Northern Lights Community.' [Appellant's] Web site was placed third in the list of the Northern Lights Community 'Business Listings.' " Appellant had not agreed to this listing and subsequently instituted proceedings averring that the defendant's domain name constituted trade mark infringement.

The court merely confirmed the court *a quo*'s judgment,¹⁷¹⁶ namely that the respondent acted *male fide* in registering and maintaining the said domain name.¹⁷¹⁷ With regard to the issue of a likelihood of confusion, the court noted that the respondent's domain name was confusingly similar to the appellant's trade mark name and concluded that Internet users would likely be confused by the concomitant existence of the northernlight.com and northernlights.com domain names. Consequently, the court held that the respondent was guilty of trade mark infringement.

On the basis of these judgments, the following conclusions can be made:

- (1) Most courts simply stated that the defendants' misspelled domain names were confusingly similar¹⁷¹⁸ to the plaintiffs' trade mark names and that such domain

¹⁷¹⁵ 236 F.3d 57 (1st Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/1st/001641.html>.

¹⁷¹⁶ See *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000). A copy of this judgment was obtained from Westlaw.

¹⁷¹⁷ E.g. the respondent offered dubious explanations for registering the domain name in question.

¹⁷¹⁸ See also *Shields v Zuccarini* 254 F.3d 476 (3rd Cir. 2001) where the Third Circuit of Appeal held that the domain names www.joescartoon.com, www.joecarton.com, www.joescartons.com, www.joescartoons.com and www.cartoonjoe.com were confusingly similar to the appellant's trade marks "Joe Cartoon" and www.joecartoon.com. A copy of this judgment can be downloaded from <http://vls.law.vill.edu/locator/3d/Jun2001/002236.txt>.

names lessened the capacity of the plaintiffs' trade marks to identify and distinguish the latter's performance. However, these courts failed to clarify why these misspelled domain names caused a likelihood of consumer confusion.

- (2) Thus far, only one court has stated that a likelihood of consumer confusion will arise because the defendant's web site will be displayed whenever an Internet user misspells the plaintiff's trade mark in the web browser's address bar or because the defendant's domain name will be displayed in the search result list generated by a search engine whenever an Internet user misspells the plaintiff's trade mark name in the search engine's dialog box. In these instances, initial interest confusion occurs in that Internet users are lured away from the plaintiff's web site to the defendant's web site. It is submitted that this constitutes sound reasoning.

2.2.3.6.1.6. Domain names that incorporate trade mark names

The next case study deals with the scenario where cybersquatters registered various domain names incorporating third parties' trade mark names and add prefixes and/or suffices to these names. This judgment sheds light on many vexing questions relating to the electronic use of third parties' trade mark names.

In *Ford Motor Company et al v Greatdomains.com Inc et al*¹⁷¹⁹ the plaintiffs were the proprietors of famous and registered trade marks, such as Ford, Jaguar, Volvo and Lincoln. The defendants registered the following domain names: www.4fordparts.com, www.4fordtrucks.com, www.lincolntrucks.com, www.jaguarcenter.com, www.jaguarenthusiastsclub.com, www.vintagevolvos.com and www.volvoguy.com. The defendants did not establish any web sites for these domain names and immediately made these domain names available for sale by means of the Greatdomains.com auction web site. Therefore, this was clearly a case of cybersquatting. The plaintiff instituted action for trade mark infringement and dilution.

With regard to the question whether the disputed domain names were identical or confusingly similar to the plaintiffs' trade marks, the court held that "unless words or letters added to the plaintiff's mark within the domain name clearly distinguish it from the plaintiff's trade marks, allegations that a domain name incorporates a protected mark generally will suffice to satisfy the 'identical or confusingly similar to' requirement.

¹⁷¹⁹ 141 F.Supp.2d 763 (E.D. Mich. 2001). A copy of this judgment can be downloaded from www.mied.uscourts.gov/_opinions/Clelandpdf/RHC00-71544.PDF.

Because the marks incorporated into the domain names at issue in this case cannot conclusively be distinguished from the Ford marks," they were confusingly similar. In a footnote, the court gave an example of when a domain name, incorporating a third party's trade mark name, does not cause a likelihood of confusion:

"For example, the domain name 'fordstheatre.org' - the homepage of the renowned Ford's Theatre in Washington, D.C. - incorporates the FORD mark with the addition of the generic word 'theatre' but, from its context, is not 'confusingly similar to' the FORD mark. No reasonable person could conclude that such a site was 'used or approved' by the Ford Motor Company."

With regard to the question whether these activities constituted trade mark dilution, the court first analysed the statutory requirement of "commercial use in commerce". The court noted: "[T]his court's analysis of the 'commercial use in commerce' requirement leads to the conclusion that both registering and trafficking in domain names that incorporate protected trademarks should be treated the same under the FTDA [i.e. the Federal Trade Mark Dilution Act].¹⁷²⁰ Arriving at this conclusion further reveals that dilution claims cannot be distinguished from infringement claims on the basis of the 'in connection with goods or services' requirement. Rather, neither registering nor trafficking in a domain name, without having used it in connection with goods or services, violates either the infringement or dilution statutes. Such acts must be challenged, if at all, under the ACPA."

Furthermore, the court was of the opinion that the requirement of "commercial use in commerce" should not be regarded as a single element; rather a separate analysis of whether selling a domain name constitutes (1) "commercial," (2) "use," (3) "in commerce" should be conducted. With regard to the element of "commercial" the court held that -

"a dilution claim under 15 U.S.C. § 1125(c) requires proof that the defendant has engaged in exchange (commonly through buying or selling), or other activities that have profit as their primary aim. Here, it is indisputable that Ford has sufficiently stated a claim that the EFF Defendants' activities are 'commercial'; their alleged intent is to profit from the sale of domain names."

With regard to the element of "in commerce", the court stated that -

¹⁷²⁰ The court further observed that "even mere registration of a trademark as domain name, which most courts - including the *Panavision* court - have found non-actionable under the FTDA, has the same 'dilutive' effect described in *Panavision* with regard to trafficking."

"it cannot be disputed that the EFF Defendants' trafficking activities are 'in commerce.' This requirement is satisfied if the defendants' trademark use falls within the scope of Congress' Commerce Clause powers under the Constitution ... Placing domain names for sale over the Internet unquestionably satisfies this criterion."

In regard to the element of "use", the court maintained that -

"[i]t is well established that not all uses of trademark are infringing or dilutive. The line dividing use of a word or symbol in its trademark and non-trademark senses is determined, in significant part, by whether it is used in connection with goods or services. This conclusion is amply supported by the statutory trademark laws. For example, 15 U.S.C. § 1127 defines 'use in commerce' to occur when a mark is 'placed in any manner on the goods' or 'used or displayed in the sale or advertising of services.' 15 U.S.C. § 1127. Similarly, the terms 'trademark' and 'service mark' are themselves defined by statute as 'any word, name, symbol, or device, or any combination thereof' that is 'used by a person ... *to identify and distinguish his or her goods [or services].*' ... Indeed, the very 'function' of a trademark is 'to distinguish goods and services' ... For these reasons, the court concludes that, although not stated expressly, 'use' under the FTDA is not use as a trademark unless it is in connection with goods or services."

With regard to the question whether the requirement of "in connection with goods or services" had been proved, the plaintiffs averred that this requirement was met "because the trademarks themselves are the goods in connection with which the trademarks are used and (2) because the EFF Defendants' use of the Ford marks is in connection with Ford's own goods and services." The court rejected both contentions. Firstly, the court was of the opinion that intent should not be part of the analysis: "While the distinction between an intentional cybersquatter's reprehensible conduct and another's unintentional tying up of a protected trademark is logical, subjective intent is not an appropriate consideration under the dilution or infringement statutes", for then inconsistencies arise.¹⁷²¹ The court further held, with regard to the intention aspect, that -

"[t]he theory that a defendant's use of a trademark as a domain name constitutes 'dilution' only when the defendant is acting with intent to profit from the domain name's status as a trademark is flawed. Use of a trademark as a domain name by someone other than the mark holder - regardless for what purpose - always has the 'dilutive'

¹⁷²¹ Unfortunately, the court failed to illustrate these inconsistencies.

effect complained of in *Panavision*: (1) it precludes the mark holder from using the website that it believes customers will locate most easily and (2) it subjects the mark holder's name and reputation to the mercy of the domain name registrant ... the FTDA should provide a remedy regardless of the domain name registrant's subjective intent."

The court further maintained that -

"[c]ivil law trademark claims do not depend for their success upon the subjective intent of the user. Moreover, dilution does not occur simply because a trademark holder has been foreclosed from advertising in his preferred forum. Because Ford's theory that the goods or services in domain name cybersquatting are the marks themselves would compel a contrary result, it is rejected by the court. This conclusion is consistent with the nearly unanimous holding of courts that mere registration of another's trademark as a domain name is insufficient to support a cause of action for dilution. Registering a domain name is both 'commercial,' in that a yearly fee is required, and 'in commerce,' at least when it occurs, as is typical, over the Internet. Thus, although courts upholding mere registration have broadly stated that registration is not 'commercial use,' it is logical to conclude that the failing element in those cases was the defendant's failure to 'use' the mark as a trademark, that is, in connection with goods or services."

The court further held that defendants did not use a trade mark in connection with goods or services: "Here, to the contrary, Ford's marks truly are being used by the EFF Defendants unattached to any goods or services. The EFF Defendants have not used the domain names as web sites from which to advertise goods or services. Rather, they have merely obtained rights to use certain domain names and wish to transfer those rights." The court also rejected the analysis in the *Planned Parenthood*¹⁷²² judgment that a defendant's action "in appropriating plaintiff's mark has a connection to plaintiff's distribution of its services, [because it] is likely to prevent some Internet users from reaching plaintiff's own Internet web site." According to the court, its reason for this rejection was twofold: a) In the *Planned Parenthood* case the defendant was promoting anti-abortion literature by means of the web site, which clearly satisfied the "goods or services" requirement, thus making it unnecessary for the court to link the defendant's use of the mark to the plaintiff's goods and services; and (b) "The *Planned Parenthood* argument is particularly weak where, as here, the domain name does not precisely correspond with the protected mark. Ford's lack of ownership of every domain name that includes the word 'ford' does not foreclose or seriously hinder its presence or the use of its trademark on the Internet."

¹⁷²² This judgment is discussed in paragraph 2.2.3.6.3 of this chapter.

Consequently, the court held that the “use” element was not satisfied “simply because the defendant’s use may make it more difficult for some Internet users to locate Ford’s goods and services online.” The court concluded by summarising its statements: “[N]either registering, nor warehousing, nor trafficking in a domain name that incorporates a protected trademark is alone sufficient to support claims of trademark infringement or dilution. Both causes of action require use of a trademark in connection with goods or services, which, in the cybersquatting context, generally will require evidence that the domain was used to host a website from which goods or services have been offered over the Internet.”

This case is important in that it is one of the few judgments,¹⁷²³ albeit from a district court, that thoroughly analysed the statutory requirement of “commercial use in commerce”, holding that where a cybersquatter merely registers and/or traffics in domain names, his conduct does not meet this requirement in that he did not use the disputed domain name as a trade mark in connection with goods or services. Therefore, according to this court, cybersquatting *per se*, which refers to the trafficking in domain names, constitutes neither trade mark infringement nor trade mark dilution in that he does not use his mark (i.e. the said domain name) in connection with any goods or services. According to the court, the domain name cannot *per se* constitute the goods or services.

However, the court confirmed that if one registers a domain name that incorporates a third party’s trade mark name, the said domain name must include a prefix or suffix that can sufficiently distinguish this domain name from the third party’s trade mark and/or performance. Furthermore, the court held that the mere registration of a third party’s trade mark name as one’s own domain name dilutes the said trade mark.

2.2.3.6.2. Using plaintiff’s trade mark name as one’s domain name – parody

2.2.3.6.2.1. Definition of parody

Parody, also known as satire, is described as follows: It “is when one artist, for comic effect or social commentary, closely imitates the style of another artist and in so doing

¹⁷²³ The other important district court judgment is the *Planned Parenthood* judgment discussed in paragraph 2.2.3.6.3 of this chapter. An important appeal case, namely *PETA v Doughney*, is analysed and discussed in paragraph 2.2.3.6.2.2 of this chapter.

creates a new art work that makes ridiculous the style and expression of the original ... A parody must convey two simultaneous - and contradictory - messages: that it is the original, but also that it is not the original and is instead a parody."¹⁷²⁴ Whenever the defendant employs a successful parody, customers are amused but not confused.¹⁷²⁵ In *Nike v Just Did It Enterprises*¹⁷²⁶ the court stated that "[n]o one likes to be the butt of a joke, not even a trademark. But the requirement of trademark law is that a likely confusion of source, sponsorship or affiliation must be proven, which is not the same thing as a 'right' not to be made fun of." Two final notes: (1) The object of the parody must be known to the audience; and (2) *Bona fide*, non-confusing parody is protected by the defendant's constitutional right to freedom of speech.

2.2.3.6.2.2. Initial interest confusion and parodies

The following case studies deal with the question whether the defendant's domain name, which incorporated the plaintiff's trade mark name, was protected as a parody.

In *People for the Ethical Treatment of Animals Inc v Doughney*¹⁷²⁷ the appellant had used the trade mark "PETA" since 1980 to promote public awareness of animal rights. In 1995 the respondent registered the domain name www.peta.org and established a web site called "People Eating Tasty Animals" for this domain name, which was targeted to "those who enjoy eating meat, wearing fur and leather, [and] hunting" as well as those who held views generally antithetical to appellant's views. Furthermore, the respondent's web site contained over thirty links to commercial sites promoting the sale of leather goods and meats. The appellant contended that the respondent was guilty of trade mark infringement. The respondent's defence was that his domain name

¹⁷²⁴ *Nike v Just Did It Enterprises* 6 F.3d 1225 (7th Cir. 1993). A copy of this judgment can be downloaded from www.kentlaw.edu/7circuit/1993/92-3303.html. See also *Planned Parenthood Federation of America Inc v Bucci* 42 USPQ.2d 1430 (S.D.N.Y. 1997) [a copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/planned1.html]; *Cliffs Notes Inc v Bantam Doubleday Dell Publishing Group Inc* 886 F.2d 490 (2nd Cir. 1989):494.

¹⁷²⁵ See *Nike v Just Did It Enterprises* (*supra*). Parody cannot be raised as a defence where the use of the plaintiff's trade mark will likely cause confusion. See also *Morrison & Foerster v Wick* 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>.

¹⁷²⁶ *Supra*.

¹⁷²⁷ 263 F.3d 359 (4th Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/getcase/4th/case/001918P&exact=1>.

was constitutionally protected as a parody of PETA.¹⁷²⁸

The Fourth Circuit of Appeal first held that the respondent used his mark (the domain name) in connection with good and/or services:

“To use PETA’s Mark ‘in connection with’ goods or services, [respondent] need not have actually sold or advertised goods or services on the www.peta.org website. Rather, [respondent] need only have prevented users from obtaining or using [appellant’s] goods or services, or need only have connected the website to other’s goods or services ... As the district court explained, ‘[respondent’s] use of [appellant’s] Mark in the domain name of his website is likely to prevent Internet users from reaching [appellant’s] own Internet web site. The prospective users of [appellant’s] services who mistakenly access [respondent’s] website may fail to continue to search for [appellant’s] own home page, due to anger, frustration, or the belief that [appellant’s] home page does not exist’ ... Moreover, [respondent’s] website provides links to more than 30 commercial operations offering goods and services. By providing links to these commercial operations, [respondent’s] use of [appellant’s] Mark is ‘in connection with’ the sale of goods or services.”

The court further held that the respondent’s domain name engendered a likelihood of confusion in that it was confusingly similar to the appellant’s trade mark name. The court rejected the respondent’s submission that *his domain name* constituted a parody, stating that “[l]ooking at [respondent’s] domain name alone, there is no suggestion of a parody. The domain name *peta.org* simply copies [appellant’s] Mark, conveying the message that it is related to [appellant]. The domain name does not convey the second, contradictory message needed to establish a parody - a message that the domain name is not related to [appellant], but that it is a parody of [appellant].”

The respondent further submitted that the content on his web site made it clear that his web site constituted a parody. The court also rejected this submission, maintaining that

“[i]ndeed, the website’s content makes it clear that it is not related to [appellant]. However, this second message is not conveyed simultaneously with the first message, as required to be considered a parody. The domain name conveys the first message; the second message is conveyed only when the viewer reads the content of the website. As the district court explained, ‘an internet user would not realize that they

¹⁷²⁸ It can be mentioned here that when the court *a quo* issued the summary judgment, the defendant owned between 50 to 60 domain names.

were not on an official PETA web site until after they had used PETA's Mark to access the web page "www.peta.org." ' ... Thus, the messages are not conveyed simultaneously and do not constitute a parody.

In other words, the court tacitly maintained that the initial interest confusion caused by the respondent's domain name could not be ousted by the fact that the web site content clarified the web site's purpose and aim. Consequently, the court held that the respondent was guilty of trade mark infringement.

Likewise, the courts in *Morrison & Foerster v Wick*,¹⁷²⁹ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al*¹⁷³⁰ and *Planned Parenthood Federation of America Inc v Bucci*¹⁷³¹ held that where the defendant uses the plaintiff's trade mark name for his domain name, the defendant is not allowed to raise parody as a defence in that his domain name engenders initial interest confusion, irrespective of the fact that the web site content makes it clear that this web site constitutes a parody.¹⁷³² These judgments are discussed in detail in the next paragraph.

From the above judgments, it can be concluded that when the defendant merely incorporates the plaintiff's trade mark name in his domain name, he cannot raise

¹⁷²⁹ 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>.

¹⁷³⁰ 86 F.Supp.2d 176 (W.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>.

¹⁷³¹ 42 USPQ.2d 1430 (S.D.N.Y. 1997). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/planned1.html.

¹⁷³² In the *Morrison & Foerster* case the court put it as follows: "[Defendant's] use of the Morrison & Foerster mark in his domain names does not convey two simultaneous and contradictory messages. Instead, the names of his web sites produce confusion. Only by reading through the content of the sites could the user discover that the domain names are an attempt at parody. Because his web sites rely on confusion to convey their points, [defendant's] argument that his use of the mark is a parody fails." In *Planned Parenthood Federation* the court noted: "Here, an Internet user may either find the defendant's web site through a search engine or may simply enter the words 'planned parenthood' in the expectation that she will find the plaintiff's web site. Seeing or typing the 'planned parenthood' mark and accessing the web site are two separate and non-simultaneous activities. Furthermore, the greeting 'Welcome to the Planned Parenthood Home Page!' does not immediately contradict an Internet user's assumption that she has accessed the plaintiff's home page. Only when an Internet user actually 'clicks' on one of the topics and accesses commentary on The Cost of Abortion does she encounter defendant's message ... Because defendant's use of 'planned parenthood' does not convey the simultaneous message that the home page and web site are those of plaintiff and those of defendant, defendant's argument that his use of the mark is a parody fails." In *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al* the court specifically held that such a domain name causes initial interest confusion.

parody as a defence in that his domain name causes initial interest confusion, which the law does not permit to be neutralised by the web site's content.

The *PETA* judgment is instructive in that it gives a unique interpretation to the word "use", as found in the statutory requirement "commercial use in commerce". According to the court, the defendant uses his domain name (i.e. his mark) in connection with goods or services when he prevents Internet users from locating the plaintiff's online presence by means of keying in the plaintiff's trade mark name plus dot-com. Furthermore, commercial use in commerce is present when the web site established for the disputed domain name, incorporating the plaintiff's trade mark name, contains hyperlinks to third parties' commercial web sites. It should be emphasised that the *PETA* court is the first court of appeal to address the requirement of "commercial use in commerce". This judgment therefore stands in stark contrast with the judgment delivered by the Eastern District of Michigan in *Ford Motor Company v Greatdomains.com Inc et al.*¹⁷³³ The state Michigan falls within the jurisdiction of the Sixth Circuit of Appeal, which has not addressed this issue. However, it can be mentioned here that the Southern District Court of New York gave a similar interpretation to the word "use" in the *Planned Parenthood* case as the Fourth Circuit of Appeal in the *PETA* case.¹⁷³⁴ It follows that two different opinions exist within US jurisprudence.

2.2.3.6.3. Using plaintiff's trade mark name as a domain name – criticism

The following five judgments indicate how US courts solved conflicting rights between trade mark proprietors, on the one hand, and Internet users employing the former's trade mark names, as their domain names, in exercising their constitutional right to criticise, on the other hand. All these case studies concern the scenario where the defendant merely added a Top Level Domain, such as dot-com, dot-org or dot-net, to the plaintiff's registered or common law trade mark name.

In *Northland Insurance Companies v Blaylock*¹⁷³⁵ the facts were that the plaintiff, owner of the common law trade mark "Northland Insurance" for insurance products, and defendant had been involved in an insurance dispute. Following this dispute, the defendant registered the domain name www.northlandinsurance.com and established

¹⁷³³ Discussed in paragraph 2.2.3.6.1.6 of this chapter.

¹⁷³⁴ Discussed in paragraph 2.2.3.6.3 of this chapter.

¹⁷³⁵ 115 F.Supp.2d 1108 (D. Minn. 2000). A copy of this judgment was obtained from Westlaw.

a web site where he voiced his criticism against the plaintiff's alleged unfair business practices. He also used this web site as a forum where other "victims" of the plaintiff's business could air their complaints. Defendant admitted that he chose this particular domain name "to make his site more easily found by web surfers" who might have been interested in the plaintiff's business. The plaintiff contended that the defendant was guilty of trade mark infringement and dilution. The plaintiff asserted that it was entitled to a preliminary injunction in that if the injunction was not granted "Internet users are likely to presume that the domain name, 'northlandinsurance.com,' belongs to plaintiff and upon visiting that site become frustrated and fail to continue on to plaintiff's actual web site, 'northlandins.com'."

The court maintained that it was not persuaded by the plaintiff's argument. It maintained that the plaintiff proved neither actual harm nor a likelihood of confusion. The court was of the opinion, with regard to the trade mark infringement claim, that no "reasonable member of the buying public would be likely to conclude that defendant's web site is affiliated with, connected to, sponsored by, or otherwise comes from the plaintiff. It is immediately apparent that defendant's site bears no relationship to plaintiff's business other than as a source of consumer criticism of plaintiff's business. In other words, there is no indication that any reasonable person who was seeking plaintiff's services via the Internet would mistake defendant's site as being affiliated with or sponsored by plaintiff. Furthermore, since defendant's site offers no competitive products nor solicits any commercial activity, there is little likelihood that it can reasonably be inferred likely to harm plaintiff's business through even the slightest consumer confusion."¹⁷³⁶

The court further held that the initial interest confusion doctrine did not apply to this case because such "confusion only exists when the defendant stands to materially or financially gain from the initial confusion by trading in or on the value of the plaintiff's mark to initially attract customers."¹⁷³⁷ The court further stated that in the present case

¹⁷³⁶ 115 F.Supp.2d 1108 (D. Minn. 2000):1118. The only factor that weighed in the plaintiff's favour was the similarity between the marks: "Plaintiff correctly contends that both marks as used in this dispute are identical. The fact that defendant adds the '.com' to plaintiff's mark is irrelevant." (At 1119). With regard to the question whether a close proximity existed between the plaintiff's and the defendant's marks, the plaintiff contended that such a proximity existed because both used the Internet to draw attention to their web sites. The court stated that because the parties did not commercially compete, the requirement of competitive proximity was lacking.

¹⁷³⁷ 115 F.Supp.2d 1108 (D. Minn. 2000):1120. The court stated that in the *Planned Parenthood* judgment the defendant's commercially benefited from his initial interest confusion because "(1)

"defendant does not appear to be situated to benefit financially or commercially from the existence of this web site, which appears to be solely intended to capture the attention of insurance consumers to share defendant's commercial commentary and criticism."¹⁷³⁸

With regard to the dilution claim, the plaintiff contended that the defendant's conduct constituted commercial use in that its use of the domain name affected plaintiff's commercial activities by interfering with its ability to attract customers *via* the Internet. The court disagreed, stating that there was no indication of commercial use: "On the basis of the present record, defendant's use is for noncommercial commentary purposes. Defendant correctly contends that his use is exempt because it constitutes noncommercial speech."¹⁷³⁹

The court was further of the opinion, with regard to the question of balance of hardships, that "plaintiff has not proffered any evidence of a decrease in Internet traffic or sales of its products, or evidence of customer confusion as to the existence of defendant's Internet site."¹⁷⁴⁰ The court was further of the opinion that the injunction would unduly infringe upon the defendant's constitutional right to freedom of expression.¹⁷⁴¹

Finally, with regard to the question of which party the public interest favoured, the court noted that "[w]hile the public interest clearly demands that the Internet be used responsibly and in conformance with intellectual property laws, the right of defendant to openly express his viewpoint should likewise not be curtailed absent a clearer demonstration that the claims against him have merit ... Public policy requires that preliminary injunctions, especially those that stand to potentially chill a person's right to free speech, no matter how disagreeable that speech may be, should only be granted in the most extraordinary of circumstances and upon the most conclusive showing of all of the" elements necessary to indicate a likelihood of confusion.¹⁷⁴²

defendant was using the 'bogus' web site to further sales of a book; and (2) defendant's nonprofit anti-abortion group stood to commercially benefit through the solicitation of funds by diverting users from plaintiff's site." His conduct was also commercially harming the plaintiff because "Internet users were being diverted from visiting Planned Parenthood's web site." (At 1120)

¹⁷³⁸ 115 F.Supp.2d 1108 (D. Minn. 2000):1120.

¹⁷³⁹ 115 F.Supp.2d 1108 (D. Minn. 2000):1123.

¹⁷⁴⁰ 115 F.Supp.2d 1108 (D. Minn. 2000):1117.

¹⁷⁴¹ 115 F.Supp.2d 1108 (D. Minn. 2000):1117.

¹⁷⁴² 115 F.Supp.2d 1108 (D. Minn. 2000):1125.

In the following cases the defendant used the disputed domain name, which incorporated the plaintiff's trade mark name, to both criticise the plaintiff as well as to derive a financial benefit, either for himself or for a third party.

In *Planned Parenthood Federation of America Inc v Bucci*¹⁷⁴³ the plaintiff was the owner of the well-known and registered trade mark "Planned Parenthood". It operated the web site www.ppfa.com where it displayed information concerning abortion. Defendant, an opponent of plaintiff, registered the domain name www.plannedparenthood.com for which he established a web site. The home page of this web site commenced by stating "Welcome to the PLANNED PARENTHOOD HOME PAGE!" On this web page, defendant offered information on a book entitled the "Cost of Abortion", an anti-abortion book. The plaintiff contended that the defendant was guilty of trade mark infringement. Defendant sought to justify his use of the plaintiff's trade mark name by maintaining that his web site, criticising the plaintiff's *modus operandi*, enabled him to reach a broader audience. Furthermore, the defendant admitted that his motive in choosing the plaintiff's trade mark name as his domain name was, at least, to attract to his web site Internet users seeking the plaintiff's web site.¹⁷⁴⁴

The first question was whether defendant's conduct constituted "commercial use in commerce". The court noted that defendant's activity met the "in commerce" requirement, for two reasons:

"First, defendant's actions affect plaintiff's ability to offer plaintiff's services, which, as health and information services offered in forty-eight states and over the Internet, are surely 'in commerce.' Second, Internet users constitute a national, even international, audience, who must use interstate telephone lines to access defendant's web site on the Internet. The nature of the Internet indicates that establishing a typical home page on the Internet, for access to all users, would satisfy the Lanham Act's 'in commerce'

¹⁷⁴³ 42 USPQ.2d 1430 (S.D.N.Y. 1997). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/planned1.html. This judgment was confirmed on appeal. See *Planned Parenthood Federation of America Inc v Bucci* 152 F.3d 920 (2nd Cir. 1998). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/February98/s97-7492.html.

¹⁷⁴⁴ Defendant's council stated the following: "My belief is that it was intended to reach people who would be sympathetic to the proabortion position ... It is an effort to get the ... political and social message to people we might not have been otherwise able to reach. I think it's analogous to putting an advertisement in the New York Times rather than The National Review. You are more likely to get people who are sympathetic to the proabortion position, and that's who you want to reach. I believe that is exactly what Mr. Bucci did when he selected Planned Parenthood."

requirement.”

The court further noted that defendant’s conduct constituted “commercial use” because “(1) defendant is engaged in the promotion of a book, (2) defendant is, in essence, a non-profit political activist who solicits funds for his activities, and (3) defendant’s actions are designed to, and do, harm plaintiff commercially.” With regard to this last factor, the court maintained that:

“First, defendant has appropriated plaintiff’s mark in order to reach an audience of Internet users who want to reach plaintiff’s services and viewpoint, intercepting them and misleading them in an attempt to offer his own political message. Second, defendant’s appropriation not only provides Internet users with competing and directly opposing information, but also prevents those users from reaching plaintiff and its services and message. In that way, defendant’s use is classically competitive: he has taken plaintiff’s mark as his own in order to purvey his Internet services - his web site - to an audience intending to access plaintiff’s services.”¹⁷⁴⁵

With regard to trade mark infringement, the first question was whether defendant’s use of plaintiff’s mark can be viewed as “in connection with the distribution or advertising of goods or services”. The court answered this question in the affirmative:

“Defendant’s use of plaintiff’s mark satisfies the requirement of § 1114 in a variety of ways. First, defendant has stated that he chose to place materials about *The Cost of Abortion* on the ‘www.plannedparenthood.com’ web site because he wanted to help Roberge ‘plug’ his book ... In addition, defendant agreed that he, by this activity, was helping the author sell his book ... Although defendant receives no money from any sales of the book that result from its exposure on his home page, there is no personal profit requirement in § 1114. The materials on the home page, which are similar to a publisher’s publicity kit, certainly relate to the advertisement and distribution of *The Cost of Abortion*. Second, defendant’s home page is merely one portion of his, and Catholic Radio’s, broader effort to educate Catholics about the anti-abortion movement. With respect to that effort, defendant solicits funds and encourages supporters to join him in his protest activities ... Much like plaintiff, defendant has a practical as well as a political motive. While plaintiff seeks to make available what it terms ‘reproductive services,’ including, inter alia, birth control and abortion services, defendant offers informational services for use in convincing people that certain activities, including the

¹⁷⁴⁵ Similar facts and similar conclusions can be found in *Christian Science Board of Directors of First Church of Christ v Robinson et al* 123 F.Supp.2d 965 (W.D.N.C. 2000). A copy of this judgment was obtained from Westlaw.

use of plaintiff's services, are morally wrong. In this way, defendant offers his own set of services, and his use of plaintiff's mark is in connection with the distribution of those services over the Internet ... In addition, defendant's use of plaintiff's mark is 'in connection with the distribution of services' *because it is likely to prevent some Internet users from reaching plaintiff's own Internet web site. Prospective users of plaintiff's services who mistakenly access defendant's web site may fail to continue to search for plaintiff's own home page, due to anger, frustration, or the belief that plaintiff's home page does not exist.*"¹⁷⁴⁶

In conclusion, the court held that a likelihood of confusion existed:

"The two marks, 'Planned Parenthood' and 'plannedparenthood.com' are nearly identical ... The web sites of plaintiff and defendant are both located on the World Wide Web. Therefore, defendant's web site at 'www.plannedparenthood.com' is close in proximity to plaintiff's own web site, 'www.ppfa.org.' Both sites compete for the same audience - namely, Internet users who are searching for a web site that uses plaintiff's mark as its address. The degree of competitive proximity, therefore, increases the likelihood of confusion among Internet users ... actual confusion has occurred among Internet users ... The confusion has occurred both in a user who attempted to go directly to 'www.plannedparenthood.com,' thinking that it was likely to be plaintiff's web address ... and in a user who used a search engine to find web sites containing, or designated by, plaintiff's mark ... because '.com' is a popular designation for Internet domain names, an Internet user is likely to assume that '.com' after a corporation's name will bring her to that corporation's home page, if one exists. Second, an Internet user cannot immediately determine the content of a home page maintained by the owner of a particular domain name or located at a specific address. Only after a user has seen or entered 'plannedparenthood.com' can she access the web site; such access occurs after at least a temporary delay. In addition, there is a delay while the home page 'loads' into the computer. Because the words on the top of the page load first, the user is first greeted solely with the 'Welcome to the Planned Parenthood Home Page!' It is highly likely that an Internet user will still believe that she has found plaintiff's web site at that point ... This lengthy delay between attempting to access plaintiff's home page and learning that one has failed to do so increases the likelihood of consumer confusion."

The defendant also argued that a disclaimer, rather than an interdict, would be the appropriate remedy. The court rejected this argument, holding that due to the nature of Internet use, defendant's appropriation of plaintiff's mark as a domain name could not

¹⁷⁴⁶ Own emphasis.

adequately be remedied by a disclaimer. According to the court, the defendant's domain name was an external label that, on its face, caused confusion among Internet users and might further have caused Internet users who sought plaintiff's web site to expend time and energy accessing the defendant's web site.¹⁷⁴⁷

In *Jews for Jesus v Brodsky*¹⁷⁴⁸ the plaintiff was the owner of the registered and well-known trade mark "Jews for Jesus"¹⁷⁴⁹ as well as the common law and well-known service mark "Jews for Jesus". The plaintiff was also the owner of the domain name www.jews-for-jesus.org which it used for e-commerce purposes. The defendant, an opponent to the views of the plaintiff, registered the domain name www.jewsforjesus.org where he voiced negative comments about the plaintiff and included a disclaimer on the web site, stating that this site was not affiliated with the plaintiff. The defendant stated that "the intent behind my bogus 'Jews for Jesus' site (www.jewsforjesus.org) is to intercept potential converts before they have a chance to see the obscene garbage on the real J4J site." The plaintiff alleged that the defendant was guilty of trade mark infringement and dilution. The defendant argued that his domain name did not infringe upon the plaintiff's registered mark because it did not contain a stylised "O". The court responded by stating that -

"domain names cannot contain stylized letters ... The Plaintiff, therefore, has no option but to use a domain name that does not contain a ... stylized letter 'O'. Accordingly, the only course for the Plaintiff Organization was to use a domain name that most resembles its Mark, either 'jewsforjesus', or 'jews_for_jesus' or 'jews-for-jesus'. For whatever reason, the Plaintiff chose to use the last option as its domain name. Simply because the Plaintiff chose not to use one or both of the other options, however, does not entitle the Defendant to use them as his own. If the position of the Defendant were accepted, it would enable a party to use the mark of another where factors, outside the control of the party with the mark, make it impossible to adequately depict the mark. Because the Internet recognizes only certain types of characters ... those registered marks with unique characteristics, such as script lettering or symbols, would be fair game for anyone who wished to use such mark, but without the unique characteristic, as a domain name."

¹⁷⁴⁷ This was confirmed in *Ford Motor Company v Ford Solutions Inc* 103 F.Supp.2d 1126 (N.D. Iowa 2000):1128. A copy of this judgment was obtained from Westlaw.

¹⁷⁴⁸ 993 F.Supp. 282 (D.N.J. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/jfj.html>.

¹⁷⁴⁹ The "O" in the word "for" was a stylised letter "O".

The court concluded by holding that: "Considering the domain name used by the Defendant is nearly identical to the [registered trade mark and common law service mark],¹⁷⁵⁰ it is likely that Internet users will conclude that the Mark, the name of the Plaintiff Organization and the domain name used by the Defendant share a 'common source, affiliation, connection or sponsorship.' "

The court also maintained that the defendant's conduct constituted trade mark dilution: "Defendant is using the [registered trade mark and common law service mark] to lure individuals to his Internet site where he makes disparaging statements about the Plaintiff Organization. His site then refers these individuals, via a hyperlink, to the Internet site maintained by the Outreach Judaism Organization which also contains information critical of and contrary to the teachings of the Plaintiff Organization. Such conduct amounts to 'blurring' and 'tarnishment' of the plaintiff's trade marks ... the use by the Defendant in his domain name of the [above marks] has resulted in not only the loss of control over [these marks], but also in the reality that views directly contrary to those of the Plaintiff Organization will be disseminated through the unauthorized use of [these marks]. As such, irreparable harm has resulted".

Furthermore, the court maintained that the defendant's conduct constituted commercial use:

"Defendant has done more than merely register a domain name. He has created, in his words, a 'bogus "Jews for Jesus" ' site intended to intercept, through the use of deceit and trickery, the audience sought by the Plaintiff Organization. Moreover, the Defendant Internet site uses the [above marks] as its address, conveying the impression to Internet users that the Plaintiff Organization is the sponsor of the Defendant Internet site. Although the Defendant Internet site does not solicit funds directly like the defendant's site did in *Planned Parenthood*, the Outreach Judaism Organization Internet site (available through the hyperlink) does do so through the sale of certain merchandise. The Defendant does not argue that the Outreach Judaism Organization site is not commercial in nature. Considering the limited nature of the Defendant's Internet site and its hyperlink to the Outreach Judaism Organization Internet site, it is apparent the Defendant's Internet site is a conduit to the Outreach Judaism Organization Internet site, notwithstanding the statement in the Disclaimer that

¹⁷⁵⁰ Later on the court also remarked that "other than the absence of capitalization and a space between the words, the domain name of the Defendant is identical to the [common law service mark]. These minor differences are necessary for the domain name used by the Defendant to be functional and do not alleviate the likelihood of confusion between the marks."

*'[t]his website ... is in no way affiliated with the Jewish organization Outreach Judaism' ... The conduct of the Defendant also constitutes a commercial use of the [above-mentioned marks] because it is designed to harm the Plaintiff Organization commercially by disparaging it and preventing the Plaintiff Organization from exploiting [these marks] ... In addition, the Defendant Internet site has and will continue to inhibit the efforts of Internet users to locate the Plaintiff Organization Internet site.'*¹⁷⁵¹

In *SNA Inc v Array et al*¹⁷⁵² the plaintiff was the owner of a registered composite trade mark, which consisted of the word "Seawind" together with a picture of an aeroplane flying over it. Both plaintiff and defendants were involved in the seaplane industry. Defendants registered the web site www.seawind.net where they criticised the plaintiff. The plaintiff alleged that this constituted trade mark infringement because potential customers would be misled to believe that a relationship between the plaintiff and defendants existed.

The court held that the defendants' conduct did not infringe the plaintiff's registered trade mark in that the defendants had not employed the composite mark.¹⁷⁵³ However, the plaintiff was also the proprietor of a common law trade mark in the word "Seawind". The court held that defendants were guilty of trade mark infringement, with regard to the plaintiff's common law trade mark:

*"[Defendants'] use of [plaintiff's] exact mark for defendant's website address is highly likely to cause confusion. Someone looking for official information about the Seawind will likely go to this address, either by guessing it and typing it in directly or by using a search engine and choosing this site from those listed because it sounds the most official. Internet users expect that a site with a domain name that is a trademark is somehow related to the owner of the trademark. It is highly likely that a person visiting this website would think there is a relationship between the company that makes the Seawind and a company using Seawind for its domain name. It is true that the highly critical and mean-spirited content of the website would indicate to a person examining its entire contents that this is not an SNA-sponsored or -approved website, but that might just add further to the viewer's confusion about just what the relationship is."*¹⁷⁵⁴

The court also held that the disclaimer on the disputed web site failed to remedy the confusion in that the relevant confusion caused by the said domain name "is drawing

¹⁷⁵¹ Own emphasis.

¹⁷⁵² 51 F.Supp.2d 542 (E.D. Pa. 1999). A copy of this judgment was obtained from Westlaw.

¹⁷⁵³ 51 F.Supp.2d 542 (E.D. Pa. 1999):548.

¹⁷⁵⁴ 51 F.Supp.2d 542 (E.D. Pa. 1999):552-553.

the web user to the site in the first place, and the disclaimer cannot fix that.”¹⁷⁵⁵

In *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al*¹⁷⁵⁶ the plaintiff owned the registered and well-known trade mark “The Buffalo News” which it used to mark its newspaper “The Buffalo News”. It also maintained an online version of its newspaper at www.buffalo.com. The defendants owned an apartment rental guide called the “Apartment Spotlight Magazine”. It operated an online version of this magazine at www.buffalnyapartments.com. The plaintiff also published a periodical which was in direct competition with the defendants’ magazine. The defendants accused the plaintiff of copyright infringement and decided to set up their own web site to parody the plaintiff and to provide a public forum for criticising “The Buffalo News” web site. For this purpose, they registered the domain name www.thebuffalnews.com and established a web site containing -

- A disclaimer reading: “We are in no way affiliated with or endorsed by THE BUFFALO NEWS, OBH Inc. (formerly Berkshire Hathaway Group) or Columbia Insurance Company. This website operates as a parody and forum for discussion of THE BUFFALO NEWS. This site is and will continue to be parody and forum for discussion of THE BUFFALO NEWS and it is our intention to continue this in support of the expression of first amendment rights of netizens [sic] everywhere.”
- Disparaging comments about The Buffalo News and hyperlinks to other web pages containing negative opinions and stories about The Buffalo News. The site also invited visitors to submit their own comments and complaints about The Buffalo News *via* e-mail.
- Several hyperlinks to other web sites, which included news-related web sites.
- A hyperlink to the defendants’ own web site www.buffalnyapartments.com.

The plaintiff accused the defendants of trade mark infringement and dilution. The court firstly maintained that defendants intentionally copied and used The Buffalo News trade mark as their domain name in the expectation that Internet users looking for the plaintiff’s web site would mistakenly come to their web site where they would encounter negative and disparaging comments about The Buffalo News. In other words, “[defendants] hoped to trick users into coming to [their] web site and receiving [their] message.”

¹⁷⁵⁵ 51 F.Supp.2d 542 (E.D. Pa. 1999):553.

¹⁷⁵⁶ 86 F.Supp.2d 176 (W.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>.

The court further held that the defendants were guilty of trade mark infringement. The court maintained that defendants' use of plaintiff's trade mark as the domain name for their web site constituted "use in commerce" because -

- a) the web site contained a hyperlink connecting users to defendants' other web site, which was operated for commercial purposes;
- b) "the national, and even international, nature of the Internet itself makes defendants' use of plaintiffs' trademark as a domain name a 'use in commerce' "; and
- c) it affected plaintiff's ability to offer its services in commerce.

The court further remarked that the domain name was used "in connection with goods and services" because the defendants' web site contained a link to their own web site: "Thus, defendants are using plaintiffs' trademark, at least in part, to offer their own services over the Internet." Furthermore, the court observed that defendants' action in appropriating plaintiff's mark had a connection to plaintiff's distribution of its services: "Prospective users of plaintiffs' services who mistakenly access defendants' web site may fail to continue to search for plaintiffs' web site due to confusion or frustration. Such users, who are presumably looking for the news services provided by the plaintiffs on their web site, may instead opt to select one of the several other news-related hyperlinks contained in defendants' web site. These news-related hyperlinks will directly link the user to other news-related web sites that are in direct competition with plaintiffs in providing news-related services over the Internet."

The court further held that a likelihood of consumer confusion existed, because -

- (1) defendants intentionally copied plaintiff's mark and consequently a presumption arose that defendants' use of the mark was likely to result in consumer confusion;
- (2) the plaintiff's mark was well-recognised throughout the marketplace;
- (3) the two marks, "The Buffalo News and the domain name www.thebuffalonews.com were, for all intents and purposes, identical;¹⁷⁵⁷
- (4) a close proximity existed between the parties' web sites in that they competed for the same audience namely Internet users searching for the plaintiff's web site with its trade mark as its domain name;¹⁷⁵⁸ and

¹⁷⁵⁷ The court noted that "the only distinctions are the latter's lack of initial capitalization, the lack of spaces between the words, and the '.com' that is necessary to designate a domain name. These distinctions are not significant".

(5) the defendants acted *male fide* by refusing to discontinue using the said domain name after the plaintiff sent them a cease and desist letter.¹⁷⁵⁹

The defendants argued that the above-mentioned disclaimer prevented Internet users from being confused when they visited the www.thebuffalonews.com web site. The court rejected this argument, stating that -

"[t]he problem with this argument is that it ignores the initial confusion caused by defendants' use of plaintiffs' mark. Internet users entering the 'thebuffalonews.com' domain name are expecting to arrive at The Buffalo News' web site. When they arrive instead at defendants' web site, they cannot help being confused - even if only momentarily."

Consequently, the court held that the defendants were guilty of trade mark infringement. For the purposes of the trade mark dilution proceedings, the court maintained that the defendants' use of the plaintiffs' trade mark constituted "commercial use" in at least two aspects: (a) The web site established for the domain in question contained a hyperlink connecting Internet users to defendants' other web site which was operated for commercial purposes, and (b) defendants' use of plaintiff's trade mark was designed to, and did, harm plaintiff commercially in that it lured Internet users away from plaintiff's web site.

¹⁷⁵⁸ The court specifically remarked that "[t]he web sites of plaintiffs and defendants are both located on the Web. Therefore, defendants' web site at 'www.thebuffalonews.com' is close in proximity to plaintiffs' own web site at 'www.buffalo.com.' Both sites compete for the same audience - namely, Internet users who are searching for a web site that uses plaintiffs' mark as its address. This high degree of competitive proximity increases the likelihood of confusion among Internet users ... Furthermore, as stated above, defendants' web site at 'www.thebuffalonews.com' contains a hyperlink to the on-line version of defendants' *Apartment Spotlight Magazine*. *Apartment Spotlight Magazine* is in direct competition with The Buffalo News' *Apartment Finder*. Thus, there is a competitive proximity between the services offered by defendants and the services offered by plaintiffs that is likely to lead to consumer confusion".

¹⁷⁵⁹ The court held that "[w]ith regard to the question of the defendants' bona fides, it is clear that defendants adopted the domain name 'thebuffalonews.com' for their web site with full knowledge and intent that some Internet users seeking to find plaintiffs' web site would instead be tricked into encountering their web site. While defendants may not have initially been aware that 'The Buffalo News' was a registered trademark or have acted under the assumption that their actions were protected by either the First Amendment or their disclaimer, their refusal to discontinue using the mark after plaintiffs sent them the [cease and desist] letter is evidence that defendants were not acting in good faith ... This conclusion is also supported by the fact that defendants had a running business dispute with plaintiffs and therefore had a motive to harm them."

The court was further of the opinion that defendants' conduct diluted the plaintiffs' trade mark because the initial interest confusion caused by the former's domain name lessened the capacity of the plaintiff's trade mark to identify and distinguish its performance. The court held that such initial interest confusion affected both sophisticated as well as non-sophisticated Internet users.¹⁷⁶⁰

It can, therefore, be concluded from these judgments that the main issue, when determining whether the defendant is allowed to use the disputed domain name, which incorporates the plaintiff's trade mark name plus dot-com, is whether the defendant is using the disputed domain name *bona fide*. "*Bona fide*" means in this context that the defendant solely uses this domain name, in conjunction with the web site established therefor, as a forum to criticise either the plaintiff and/or his performance. Under these circumstances, the defendant's conduct -

- (A) is constitutionally protected as protected speech; and
- (B) does not meet the requirement of commercial use and consequently the defendant is neither guilty of trade mark infringement nor of trade mark dilution.

However, when the defendant uses this domain name, in conjunction with the web site established therefor, to derive either a commercial benefit for himself or for a third party, his conduct, namely using the disputed domain name, is no longer protected in terms of his right to freedom of speech. In these instances, trade mark law prevails over his constitutional right to criticise. For example, when the defendant uses the web site established for his domain name to divert Internet users to his or a third party's commercial web site, his conduct is tainted as commercial. In these instances, the courts maintain that -

- (1) initial interest confusion exist in that Internet users will be confused when they arrive at the defendant's web site, expecting to find the plaintiff's web site; and
- (2) the defendant dilutes the plaintiff's trade mark reputation in that (i) the defendant prevents/affects the plaintiff from commercially exploiting his marks, (ii) the defendant inhibits Internet users from locating the plaintiff's online presence, (iii) tarnishes the said trade mark's reputation by disseminating contrary views using

¹⁷⁶⁰ The court noted that "[a]ll users are susceptible to this 'initial interest confusion,' whether they are sophisticated or otherwise ... defendants are intentionally using plaintiffs' mark to trick Internet users into visiting defendants' web site by making them believe that they are actually accessing plaintiffs' web site".

the plaintiff's trade mark name, and (iv) blurs the said trade mark's distinctiveness in that it causes the plaintiff to lose control of his mark.

Once more,¹⁷⁶¹ the courts were of the opinion that the criterion of "use in connection with goods or services" was met whenever the defendant's conduct prevented Internet users from finding the plaintiff's online presence by keying in the latter's trade mark name plus a top level domain, especially dot-com. Concomitantly, the defendant prevents the plaintiff from exploiting his mark on the Internet and offering his services in commerce. Whenever a hyperlink on the web site established for the disputed domain name takes the Internet user to a competing commercial web site, this criterion is also met. Finally, these courts also maintained that the initial interest confusion caused by the defendant's domain name cannot be neutralised by a disclaimer on the web site established for the disputed domain name.

A few additional remarks are warranted here:

- (a) US courts do not appear to be in favour of applying the initial interest confusion doctrine to scenarios where the parties to the dispute are not competitors and, especially, where the defendant does not stand to gain by attracting Internet users to his web site by employing the plaintiff's trade mark name as his domain name. A good example is the *Northern Insurance Companies* judgment discussed above. In such instances the courts take the web site established for the (confusingly) similar domain name into account when determining whether ultimate confusion will likely result.
- (b) A few courts have now maintained that merely registering a domain name and establishing a web site therefor meet the requirement of "in commerce" because such web site can be accessed from anywhere in the world.
- (c) US courts are increasingly stating that conduct, such as registering a domain name which incorporates the plaintiff's trade mark, is "commercial" in that it harms the plaintiff commercially, for example by preventing Internet users from reaching the plaintiff's commercial web site and/or by luring these users to the defendant's competing web site.
- (d) US courts have recognised the Internet reality that Internet users expect to find a particular business entity or a performance whenever a domain name incorporates

¹⁷⁶¹ See the previous discussions in paragraphs 2.2.3.6.1.6 and 2.2.3.6.2.2.

a specific trade mark name.

(e) Therefore it can be concluded that most US courts have been willing to lean backwards in order to assist trade mark proprietors in protecting their trade marks in the online environment.

2.2.3.6.4. Using plaintiff's trade mark name as a domain name – right to freedom of speech

The following three judgments address the question whether a defendant's domain name, consisting of the plaintiff's trade mark name and which he uses to promote his own services or web site, is constitutionally protected.

In *Planned Parenthood Federation of America Inc v Bucci*¹⁷⁶² the question arose whether the defendant's use of the plaintiff's trade mark name, for his own competing domain name and web site, was protected by his constitutional right to freedom of speech. With regard to the use of plaintiff's trade mark name for his own domain name, the court responded by stating that -

“[d]efendant's use of another entity's mark is entitled to First Amendment protection when his use of that mark is part of a communicative message, not when it is used to identify the source of a product ... By using the mark as a domain name and home page address and by welcoming Internet users to the home page with the message 'Welcome to the Planned Parenthood Home Page!' defendant identifies the web site and home page as being the product, or forum, of plaintiff. I therefore determine that, because defendant's use of the term 'planned parenthood' is not part of a communicative message, his infringement on plaintiff's mark is not protected by the First Amendment.”

With regard to defendant's use of plaintiff's trade mark name on his web page, the court noted that “Defendant offers no argument in his papers as to why the Court should determine that defendant's use of 'plannedparenthood.com' is a communicative message rather than a source identifier. His use of 'plannedparenthood.com' as a domain name to identify his web site is on its face more analogous to source identification than to a communicative message; in essence, the name identifies the web site, which contains defendant's home page. The statement that greets Internet

¹⁷⁶² 42 USPQ.2d 1430 (S.D.N.Y. 1997). A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/planned1.html.

users who access defendant's web site, 'Welcome to the Planned Parenthood Home Page,' is also more analogous to an identifier than to a communication. For those reasons, defendant's use of the trademarked term 'planned parenthood' is not part of a communicative message, but rather, serves to identify a product or item, defendant's web site and home page, as originating from Planned Parenthood."

A similar line of reasoning can be seen in *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc et al*¹⁷⁶³ where the defendants also used the plaintiffs' trade mark name for their own domain name. The defendants also argued that the domain name in question was protected by their right to freedom of speech as enshrined in the *First Amendment* to the US Constitution. The court rejected this argument by stating that "defendants chose to use plaintiffs' mark as their domain name in order to deceive Internet users into believing that they were accessing plaintiffs' web site. Such a use of plaintiffs' mark is not protected by the First Amendment. Use of another's trademark is entitled to First Amendment protection only when the use of that mark is part of a communicative message, not when it is used merely to identify the source of a product ... Here, defendants' use of plaintiffs' mark as the domain name for their web site is, on its face, more analogous to source identification than to a communicative message; in essence, the name identifies the web site as being the product, or forum, of the plaintiffs."

As indicated earlier in this thesis,¹⁷⁶⁴ the court in *Northland Insurance Companies v Blaylock* maintained that the defendant's domain name, which consisted of the plaintiff's trade mark name plus the TLD dot.com and which he *bona fide* used to criticise the plaintiff, was protected by his constitutional right to freedom of speech.

It follows that US courts are only willing to hold that the defendant's domain name incorporating a third party's trade mark name is protected by his (the defendant's) constitutional right to freedom of speech when such domain name can be seen as part of a communicative message. It will be remembered¹⁷⁶⁵ that the court in the *Yankee Publishing Inc* case remarked that a trade mark is used as part of a communicative message whenever it is used for parody, criticism and review purposes.

¹⁷⁶³ 86 F.Supp.2d 176 (W.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>.

¹⁷⁶⁴ See paragraph 2.2.3.6.3 of this chapter.

¹⁷⁶⁵ See paragraph 2.1.7.2 of this chapter.

Both courts in the *Planned Parenthood* and the *OBH* cases maintained that when a trade mark is used in a domain name such use is analogous to using a trade mark for source identification purposes and not as part of a communicative message. In both these cases the defendants used the domain names for ulterior purposes namely diverting the plaintiffs' online "audience" to their web sites or third parties' web sites. Consequently, the courts refused to protect the defendants' misleading domain names. Contrary to this, the defendant in the *Northern Insurance Inc case bona fide* used his domain name as a forum to criticise the plaintiff. The court, however, failed to properly analyse the defendant's *First Amendment* right to freedom of speech. The question arises whether this judgment can withstand subsequent judicial scrutiny seeing that the defendant's "misleading" domain name (1) causes the plaintiff financial harm, (2) dilutes the distinctiveness of the plaintiff's trade mark, (3) prevents Internet users from initially reaching the plaintiff's web site by using the latter's trade mark name and (4) affects the plaintiff's ability to offer his performance online by using his trade mark name as his domain name.

2.2.3.6.5. Registering surnames, that also constitute trade marks, as domain names

Instances have emerged where an individual registered a domain name consisting of his surname, which surname also constituted a third party's registered or common law trade mark. The following cases illustrate how US courts balanced conflicting rights, namely (a) the right to use one's surname as an indicator of source and (b) trade mark rights.

In *Avery Dennison Corporation v Sumpton et al*¹⁷⁶⁶ the plaintiff was the proprietor of two famous, common law trade marks namely "Avery" and "Dennison", used for selling office products and industrial fasteners. Plaintiff was also the owner of the domain names www.avery.com and www.averydennison.com. The defendants registered 12 000 surnames as domain names. Amongst those surnames were the surnames "Avery" and "Dennison" (www.avery.net and www.dennison.net). The plaintiff alleged that the defendants were guilty of trade mark dilution. The defendants, in turn, contended that they intended to license the domain names only for use as e-mail addresses. For this reason, they averred that their conduct did not constitute "use in commerce". The defendants conceded that many of their domain names also

¹⁷⁶⁶ 999 F.Supp. 1337 (C.D. Cal. 1998). A copy of this judgment was obtained from Westlaw. A copy of this judgment can also be downloaded from www.netlawyers.com/restricted/avery_dennison.htm.

constituted the names of registered and common law trade marks.

The court held that a famous, common law mark is "used in commerce" when "(a) it is registered as a domain name by a registrant who is not otherwise identified by or associated with any of the commonly accepted meanings of the domain name, and (b) it is not used by the registrant as its own domain name, but rather is held by the registrant for sale or license to others."¹⁷⁶⁷ The court continued to state that -

"Defendants' own use is at issue, not that of its licensees. In the hands of the defendants, without a context to limit their intended meaning, the words selected by defendants as domain names connote, and therefore use, all of the common meanings. Defendants' choice to limit the sense in which they license their domain names for use by others does not change the unlimited scope of the meanings held and used by defendants. In the cases of the Avery and Dennison domain names, these meanings included the meanings attributable to famous trademarks, and the defendants' 'use' is within the coverage of the Act. Moreover, defendants' professed licensing limitation is self-imposed. If it were established that defendants were legally entitled to force all others to deal with them if they want to use any of the 12,000 words registered by defendants as internet domain names, there would be nothing to prevent defendants from changing their allegedly intended use of the names, and simply selling or licensing them to the persons and for the uses which would produce the highest return on invested capital. Of course, the court could attempt to limit its denial of relief so as only to apply so long as the defendants' business remained the same, but the result would almost certainly be to eliminate 12,000 words from their highest and best use as domain names."¹⁷⁶⁸

Consequently, the court found that the defendants' conduct constituted use of a trade mark in commerce. With regard to the issue of dilution, the plaintiff argued that the defendants' registration of www.avery.net and www.dennison.net constituted dilution because the latter engaged in cybersquatting dilution and further that the defendants' conduct in "housing the disputed domain names in the same database as various lewd domain names caused tarnishment of the 'Avery' and 'Dennison' marks." The defendant', in turned, argued that the use by their licensees of domain names as e-mail addresses did not dilute the ability of the holders of famous trade marks to identify and distinguish their products. The court rejected the defendants' argument, stating that -

¹⁷⁶⁷ 999 F.Supp. 1337 (C.D. Cal. 1998):1339-1340.

¹⁷⁶⁸ 999 F.Supp. 1337 (C.D. Cal. 1998):1340.

"[t]his argument again seeks to narrow the scope of defendants' own use to the scope of use it has allowed to its licensees. It is the *defendants'* use, including but not limited to the use it allows to its licensees, that measures the alleged dilution. Courts presented with the question have held unanimously that it does 'lessen the capacity of a famous mark to identify and distinguish goods or services,' when someone other than the trademark holder registers the trademark name as an internet domain name ... Defendants seek to distinguish these cases by arguing that, by limiting the licenses as they have, they have eliminated the dilutive effect. This argument ignores the aforementioned fact that the limitation imposed by the defendants on the manner in which their licensees use their domain names is voluntary, and may be changed at any time. In any event, the attempted distinction is unsound ... It is the registration of the trademark name as a domain name, which denies the holder of the famous trademark from using its trademark name as an internet domain name, that dilutes the ability to identify goods and services. The sale or license of the domain name to someone else for some other purpose does not eliminate the dilution."¹⁷⁶⁹

With regard to the equities between the parties,¹⁷⁷⁰ the plaintiff contended that the domain name registration system does not tolerate cybersquatting.¹⁷⁷¹ The defendants' counter-argument was that their use of the dot-net TLD did not deny the plaintiff access to the Internet through the use of its trade marks as domain names. The defendants elaborated on this submission by drawing the court's attention to the fact that the plaintiff had registered domain names corresponding to its trade marks under the dot-com designation. Finally, the defendants submitted that the Internet registration system contemplated that the dot-net TLD would be reserved for use by Internet service providers, and that it would not be used for the marketing of commercial products.¹⁷⁷² The court agreed with the plaintiff, reasoning that -

"[t]his is not a case involving a dispute over a domain name between persons or entities that have previously used the name to identify themselves or their products. Defendants' claimed 'service' depends on their first having preempted 12,000 domain names, so that others who customarily use a name to identify themselves can use a domain name for that purpose only with the permission of the defendants. Moreover, anyone who desires to use any of those 12,000 names for any purpose, other than as an e-mail address, is entirely precluded from doing so. In light of the fact that many of

¹⁷⁶⁹ 999 F.Supp. 1337 (C.D. Cal. 1998):1340-1341.

¹⁷⁷⁰ This is one of the requirements posed by s 1125(c) for trade mark dilution.

¹⁷⁷¹ 999 F.Supp. 1337 (C.D. Cal. 1998):1341.

¹⁷⁷² 999 F.Supp. 1337 (C.D. Cal. 1998):1341.

the most popular on-line services provide e-mail addresses without charge, limiting domain name registrations to this purpose is almost certainly not the highest and best use. Finally, the '.net' designation has not been preserved according to the original intent, and many registrants, including trademark holders, have registered domain names with '.net' designations that are not internet providers. The court is extremely dubious that licensing domain names for use as e-mail addresses is defendants' true business.¹⁷⁷³ As previously noted, this limitation is voluntary. It would be extremely difficult to enforce if defendants' right to the exclusive use of these domain names was ever held to exist. Thereafter, it would appear that the laws of economics would require the defendants to sell or license each of their 12,000 names to the highest bidder for whatever use the buyer or licensee wished to make of them."¹⁷⁷⁴

When the case went on appeal, the Ninth Circuit of Appeal observed that "Avery" and "Dennison" "are commonly used as trademarks, both on and off the Internet, by parties other than [plaintiff]".¹⁷⁷⁵ The court held that the trade mark "Avery Dennison" was famous, but not "Avery" and "Dennison" on their own. Furthermore, the court held that "use in commerce" requirement was not met:

"Commercial use under the Federal Trademark Dilution Act requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status ... All evidence in the record indicates that [defendants] register common surnames in domain-name combinations and license e-mail addresses using those surnames, with the consequent intent to capitalize on the surname status of 'Avery' and 'Dennison.' [Defendants] do not use trademarks qua trademarks as required by the caselaw to establish commercial use. Rather, [defendants] use words that happen to be trademarks for their non-trademark value. The district court erred in holding that [defendants'] use of <avery.net> and <dennison.net> constituted commercial use under the Federal Trademark Dilution Act".¹⁷⁷⁶

¹⁷⁷³ At the beginning of the judgment, the court stated that "[d]efendants are 'cybersquatters' ".

¹⁷⁷⁴ 999 F.Supp. 1337 (C.D. Cal. 1998):1341-1342.

¹⁷⁷⁵ *Avery Dennison Corp v Sumpton* 189 F.3d 868 (9th Cir. 1999). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/9th/9855810.html>. The court elaborated by stating that "[t]he record includes copies of five trademark registrations for 'Avery' and 'Averys,' a computer printout of a list of several businesses with 'Avery' in their names who market products on the Internet, and a list of business names including 'Avery,' which, according to a declaration submitted by NSI, is a representative sample of over 800 such businesses. The record also contains a computer printout of a list of several businesses with 'Dennison' in their names which market products on the Internet and a list of business names including 'Dennison,' a representative sample of over 200 such businesses."

¹⁷⁷⁶ In *Ford Motor Company et al v Greatdomains.com Inc et al* 141 F.Supp.2d 76 (E.D. Mich. 2001) the court was of the opinion that the Ninth Circuit erred in holding that defendants' use was not commercial:

The court further maintained that because the disputed domain names were dot-net registrations, it could not conclude that cybersquatting dilution occurred, for the purpose of summary judgment:

“In the instant case, [defendants] registered the TLD <.net>, rather than <.com> ... As we recognized in *Panavision*, <.net> applies to networks and <.com> applies to commercial entities ... Although evidence on the record also demonstrates that the <.com> and <.net> distinction is illusory, a factfinder could infer that dilution does not occur with a <trademark.net> registration.”

The court final’s statement was that US courts have maintained that a “long-standing principle of trademark law is the right of a person to use his or her own name in connection with a business.” This statement is supported by the *Lanham Act*, stipulating that a mark that is primarily a surname is not afforded protection unless it acquires secondary meaning and thus becomes distinctive.¹⁷⁷⁷ However, the court failed to discuss why this principle was relevant to the present discussion seeing that the defendants did not register their own surnames as their domain names but registered third parties’ surnames as their domain names.

In *Cerruti v Cerruti*¹⁷⁷⁸ the plaintiff was a fashion designer and marketer of high-priced clothing. He was also the proprietor of the well-known and registered trade mark “Cerruti”. The defendant, Leo Cerruti, operated a web site www.cerrutiusa.com where he advertised and sold his own clothing. On this web site, the surname Cerruti appeared 22 times, including seven times on the home page. The web site included a statement that defendant was “pleased to announce the launch of my new line of fabric and accessories called Q which will carry on the proud tradition of quality and

“ Sumpton charged a \$19.95 start-up fee, plus \$4.95 annually thereafter for the rights to each vanity email address ... Indeed, the court itself appears to have focused on whether Sumpton’s ‘use’ was the type ‘required by the caselaw’.” Furthermore, the court stated that Sumpton “stood to profit from the disputed domain names’ status as trademarks. Although Sumpton did not directly adjust his prices to reflect the trademark value of his domain names, he nonetheless benefitted from the heightened interest a trademark holder has in controlling the domain that corresponds to its exact trademark.” The court continued to state that the only reason why Sumpton was not liable was that “not knowing he had registered trademarks as domain names, [he] subjectively did not intend to profit from the value of Avery Dennison’s marks.” A copy of this judgment can be downloaded from www.mied.uscourts.gov/_opinions/Clelandpdf/RHC00-71544.PDF.

¹⁷⁷⁷ S 1052(4)(e) read with s 1052(4)(f).

¹⁷⁷⁸ 45 USPQ.2d 1957 (S.D.N.Y. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/Cerutti1881_v_Ceruti.html.

craftsmanship you have always expected from the Cerruti family.” The plaintiff applied for an interdict enjoining the defendant from operating a domain name incorporating the word “Cerruti”. The defendant, in turn, contended that he was merely using his surname as his domain name. He did not own a registered trade mark.

The court refused to bar defendant from using his surname as a domain name because he had done business under the name in the past, but noted that such use could lead to confusion amongst Internet users and was calculated to create and take advantage of confusion between his own products and those of plaintiff:

“[T]he name Cerruti is part of several registered marks, and is presumptively strong ... The name Leo Cerruti is highly similar and could suggest a line of products from the same manufacturer as plaintiff’s pervasively marketed products ... The products involved are close if not directly competing, and there is no gap to be bridged. (v) There has been no evidence presented of actual confusion, but we are at the preliminary stage of this case, and thus this factor weighs only lightly in defendant’s favor. (vi) Leo Cerruti is the junior user here by virtue of the lapse of all of defendant’s Cerruti marks, and there is little doubt as to his bad faith. Apart from the repeated perjury he committed in connection with the hearing that preceded the earlier opinion, the pervasiveness of his use of the name Cerruti in the pages of the website, along with highly ambiguous references to his family’s history of high-quality workmanship, leaves little doubt that he is intent on creating and exploiting as much confusion as possible. (vii) The quality of defendant’s products, if any, is not yet apparent. Although Leo Cerruti testified that his products would be of the highest quality, his record as to truthfulness in presenting even objectively verifiable facts is not encouraging. (viii) Finally, although the consumers at the high end of plaintiff’s product line may be quite sophisticated, those at the lower end may not. In any event, all consumers of plaintiffs’ products may be aware that plaintiffs produce and distribute a range of products, and therefore also might believe that even a low-quality product could be included within that range.”

The court subsequently required the defendant to distinguish his confusingly named products:

“[Defendant is] barred from using the name Cerruti, standing alone, to designate or advertise any product, and [is] directed to include the following entry, in capital letters, in all places where [his] products are referred to - including without limitation labels, tags, websites, advertisements and literature of any kind - such lettering to be in type no smaller and no less bold than the largest and / or boldest typeface in which the

word Cerruti appears: LEO CERRUTI PRODUCTS ARE NOT RELATED TO OR AUTHORIZED BY THE WORLDWIDE CERRUTI FASHION FIRM BASED IN ITALY.”

In *HQM Ltd & Hatfield v Hatfield*¹⁷⁷⁹ the plaintiff was “HQM Ltd & Hatfield” and owned the registered trade mark “Hatfield”. The defendant was Mr Hatfield who registered the domain name www.hatfield.com, which he solely used for e-mail purposes. The plaintiff instituted proceedings for both trade mark infringement and trade mark dilution.

The court held that the plaintiff failed to prove trade mark infringement in that the defendant did not use the disputed domain name in connection with any goods or services. With regard to the dilution action, the court firstly addressed the “commercial use” element. The plaintiff stated that because “.com” was used for commercial businesses, this satisfied the commercial use requirement. The court disagreed stating that the mere registration of a domain name does not constitute commercial use: “To hold otherwise would create an immediate and indefinite monopoly to all famous marks holders on the Internet, by which they could lay claim to any .com domain name which are arguably ‘the same’ as their mark. The Court may not create such property rights-in-gross as a matter of dilution law ... Moreover, to do so would interject the Court as a policymaker for domain names and the Internet, at a time when they are rapidly evolving ... The Court must make its decision based on the federal trademark laws as they exist today; the Court may not distort the law to satisfy a mark holder’s desires.”

With regard to the issue of dilution, the plaintiff argued that when consumers could not find its products, they might stop searching for its web site. The court was of the opinion that such a theory would establish a property right-in-gross in cyberspace for trade mark owners: “Taken to its logical end, famous mark holders could bring lawsuits against every holder of a .com domain name which is arguable ‘the same’ as their mark, so that no Internet user would ever give up searching for their websites. Plaintiffs’ prospective view of Internet users, even if true for some, would also fail as a matter of law to meet the reasonableness requirement necessary to form a cognizable claim.” Consequently the court turned down the plaintiff’s claims.

A very interesting and instructive case is *Ford Motor Company v Ford Solutions Inc.*¹⁷⁸⁰ The plaintiff was the well-known automobile seller “Ford Motor Company” and

¹⁷⁷⁹ 71 F.Supp.2d 500 (S.D. Md. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/HQM.html>.

¹⁷⁸⁰ 103 F.Supp.2d 1126 (N.D. Iowa 2000). A copy of this judgment was obtained from Westlaw.

proprietor of the famous and registered trade mark "Ford". By means of a subsidiary, Ford Credit, the plaintiff also sold financial services under the name "Ford Financial". The first defendant also sold financial services and traded under the name "Ford Financial Solutions". In addition, it operated the domain name www.fordfinancialservices.com. Plaintiff instituted action for trade mark infringement and dilution. The first defendant was controlled by second defendant, whose surname was Ford and, therefore, contended that he was entitled to use the word "Ford" in the said domain name. Consequently he maintained that his domain name did not constitute trade mark dilution or infringement. Actual confusion existed by means of a survey that indicated that consumers believed that plaintiff was responsible for the first defendant's domain name.

The court firstly stated that "[t]he Internet has become a popular method to research companies and the goods and services that they provide. Consumers also use the Internet in connection with financial goods and services, including researching investment and financial opportunities and purchasing and selling financial products."¹⁷⁸¹

With regard to the issue of personal name, the court held that "[t]he fact that [the first defendant's] owner's last name is Ford is no defense to a finding of trademark infringement. The right to use a personal name is not unlimited ... When an individual's use of his or her personal name violates the rights associated with a prior used trademark, that individual will be prevented from using his or her name ... Moreover, the use of different modifying words, such as 'Financial Solutions,' is insufficient to prevent a likelihood of confusion, when, as is the case here, the most prominent word in both marks is the same and the marks are used in connection with similar goods or services ... Due to the similarity of the marks and Ford's historical rights in the FORD Name and Marks in connection with providing financial services, [first defendant] cannot use its owner's personal name."¹⁷⁸² Consequently, the court held that the defendant was guilty of trade mark infringement.

With regard to the aspect of trade mark dilution, the court held that defendant's "use of the mark FORD also dilutes the distinctive quality of the FORD Name and Marks in the financial services industry ... In this case, consumers are likely to start associating both Ford and [first defendant] with financial services offered in connection with the mark

¹⁷⁸¹ 103 F.Supp.2d 1126 (N.D. Iowa 2000):1128.

FORD, thereby diluting the FORD Name and Marks.”¹⁷⁸³ Consequently, the court ordered the defendant to assign the disputed domain name to plaintiff.

In *Nissan Motor Co Ltd et al v Nissan Computer Corp*¹⁷⁸⁴ the plaintiff was the automobile manufacturer “Nissan Motor Company” and owner of the famous and registered trade mark “Nissan”. It also owned the domain name www.nissan-usa.com. The defendant was “Nissan Computer Corporation”, engaged in the computer industry. The owner of this entity was a Mr Nissan. The defendant was also the proprietor of the registered trade mark “Nissan Computer”. It consequently registered the domain names www.nissan.com and www.nissan.net, where it provided computer-related information and services. When the plaintiff contacted the defendant, it informed the plaintiff that it would only sell the said domain names for several million dollars. Thereafter defendant included links on its web site, transferring Internet users to web sites selling and/or offering automobile-related products and services. The plaintiff instituted action for trade mark infringement. The defendant based its defence on the premises that it was using its owner’s surname as a trade mark (i.e. as its domain name).

The court firstly held that the plaintiff owned an extremely strong trade mark.¹⁷⁸⁵ The court further held that the defendant’s domain names caused a likelihood of confusion because (1) the marks were virtually identical,¹⁷⁸⁶ (2) they used the same marketing channels,¹⁷⁸⁷ (3) actual consumer confusion had occurred, and (4) as regards the proximity of goods, initial interest confusion was present:

“[T]his case is not suited to a traditional proximity-of-goods analysis. Starting in August 1999, the defendant’s nissan.com website primarily promoted automobile-related products and services, through third-party advertisements and web links, rather than the defendant’s own computer products. More than 90% of the defendant’s website advertising revenue is automobile-related ... Whether or not a visitor to the defendant’s

¹⁷⁸² 103 F.Supp.2d 1126 (N.D. Iowa 2000):1129.

¹⁷⁸³ 103 F.Supp.2d 1126 (N.D. Iowa 2000):1129.

¹⁷⁸⁴ 29 F.Supp.2d 1154 (C.D. Cal. 2000). A copy of this judgment was obtained from Westlaw. This judgment was confirmed on appeal: *Nissan Motor Co v Nissan Computer Corp* 246 F.3d 675 (9th Cir. 2000). A copy of this judgment was obtained from Westlaw.

¹⁷⁸⁵ 29 F.Supp.2d 1154 (C.D. Cal. 2000):1163.

¹⁷⁸⁶ The court stated that “[t]he only differences between these marks are the domain name suffixes, which merely signify the domain level”. (At 1163)

¹⁷⁸⁷ The court observed that “[b]oth parties also use the Internet as a marketing and advertising channel. This factor further exacerbates the likelihood of confusion”. (At 1164)

website ultimately makes an automobile purchase from an advertiser, the defendant profits from the visitor's initial interest confusion. By posting automobile-related links and advertisements, the defendant derives advertising revenue due to the diversion of a consumer's initial interest in Nissan vehicles ... the defendant is improperly appropriating the plaintiffs' goodwill. Thus, in regards to its Internet-related activity, the defendant's 'product' is the exploitation of consumer confusion."¹⁷⁸⁸

With regard to issue of what the appropriate remedy would be, the plaintiff requested the court to either direct the defendant to transfer the domain name to it or to direct the defendant to stop operating a web site at this domain name. The court held that -

"the likelihood of confusion may be litigated by less restrictive measures than proposed by the plaintiffs. To reduce confusion, the defendant's websites must prominently display, in the upper portion of the first page of the websites: (1) a caption or statement identifying the websites as affiliated with Nissan Computer, Corporation; and (2) a statement disclaiming affiliation with the plaintiffs and identifying the location of Nissan North America's website. The disclaimer should state something substantially similar to the following: 'This website is not affiliated with the Japanese automaker, Nissan Motor Co., or with its North American subsidiary, Nissan North America, Inc. Nissan North America's website is located at www.nissanusa.com.' In addition, the defendant must not display any automobile-related information, advertising, or web links, including links to automobile-related portions of Internet search engines. The Court finds that the above measures will adequately address consumer confusion. Accordingly, a link to the plaintiffs' website is not required. The defendant may also display non-automobile-related third-party advertisements and links on its websites. Finally, the defendant may continue to, conduct and advertise its own computer business, including the provision of Internet services, and may continue to use the word 'Nissan' as a metatag."¹⁷⁸⁹

Finally, in *Strick Corporation v Strickland*¹⁷⁹⁰ the plaintiff was "Strick Corporation" and owned the registered trade mark "Strick", registered and used for freight and heavy duty trailers and truck bodies. The defendant, a computer consultant, was a Mr Strickland, whose nickname was "Strick". The defendant wanted to register the domain name www.strickland.com to operate his business, but discovered that a third party

¹⁷⁸⁸ 29 F.Supp.2d 1154 (C.D. Cal. 2000):1164. The Ninth Circuit of Appeal also noted that the defendant "clearly altered its website so as to capitalize on the 'initial interest confusion' of consumers who visited the websites looking for plaintiffs' products." See *Nissan Motor Co v Nissan Computer Corp (supra)*.

¹⁷⁸⁹ 29 F.Supp.2d 1154 (C.D. Cal. 2000):1165. The term "metatag" is explained in paragraph 2.2.4.1 of this chapter.

had registered that particular domain name. He then registered the domain name www.strick.com. The plaintiff accused the defendant of trade mark infringement and dilution.

With regard to the question whether a likelihood of confusion existed, the court held that no such likelihood existed because the parties' businesses differed radically: "[D]espite the similarity of the marks, the sources of the marks are not likely to be confused, as the goods and services offered are quite distinct." Furthermore, according to the court, the defendant was using a domain name incorporating his nickname. The plaintiff further alleged that initial interest confusion was present. The court agreed with the *Chatam* court¹⁷⁹¹ that because the parties were not competitors, this doctrine was not of the greatest concern. The court further stated that "[i]n this case, any initial confusion that arises from Defendant's use of his [strick.com](http://www.strick.com) domain site, specifically, 'that consumers will realize they are at the wrong site and go to an Internet search engine to find the right one - is not substantial enough to be legally significant.' ... It is clear that 'Internet surfers are inured to the false starts and excursions awaiting them' and are 'unlikely to be dissuaded, or unnerved' when, after 'taking a stab at what they think is the most likely domain name for a particular web site' guess wrong and bring up another's webpage."

With regard to the question whether defendant's domain name diluted plaintiff's registered trade mark, the court assumed that the plaintiff's trade mark was famous and that the defendant's use constituted "commercial use in commerce". The court only addressed the issue whether the distinctive quality of the plaintiff's mark was diluted. The plaintiff maintained that consumers searching the Internet for its products were likely to begin by typing "www.strick.com" and that when they reached defendant's web site, they were likely to believe that it (plaintiff) did not have a web site. Consequently, plaintiff was of the opinion that dilution occurred when customers failed to continue to search for its web site, consequently diminishing the capacity of its mark to identify and distinguish its goods and services on the Internet.

The court rejected this contention, noting that trade mark law requires reasonableness on the part of consumers: "Although the need to search for a mark holder's site 'may rise to the level of inconvenience, this inconvenience is not cognizable.' ... An Internet

¹⁷⁹⁰ 162 F.Supp.2d 372 (E.D. Pa. 2001). A copy of this judgment can be downloaded from www.strick.com/kauffman.htm.

¹⁷⁹¹ This case was discussed in paragraph 2.2.3.6.1.1.1 of this chapter.

user who intends to access either party's products or services, but who has not done so before, may go to a search engine, or on America Online, to Keyword ... Any inconvenience to an Internet user searching for Plaintiff's web site is trivial. Searches for Plaintiff's web page on popular internet search engines, including google.com, goto.com, and lycos.com, list Plaintiff's web site as their first or second 'hits.' ... It is clear that the mere lack of ownership of the domain name strick.com does not foreclose Plaintiff's presence or use of its trademark on the Internet. To the contrary, the record shows that Plaintiff, who maintains, inter alia, web sites at stricktrlr.com, strck.com, stricktrailer.com, strickcorp.com, and strickparts.com, has a readily visible presence on the Internet."

Finally, the court enunciated that "nothing in trademark law requires that title to domain names that incorporate trademarks or portions of trademarks be provided to trademark holders."

The following conclusions and statements attempt to highlight the most important principles enumerated by the above-mentioned courts:

- (1) Some courts are of the opinion that when a domain name incorporates the plaintiff's trade mark name, such domain name dilutes the plaintiff's trade mark distinctiveness.¹⁷⁹² Other courts appear to enunciate that the mere fact that the defendant's domain name incorporates the plaintiff's trade mark name is insufficient to constitute trade mark dilution.¹⁷⁹³
- (2) Again, some courts have stated that in the case of *bona fide* non-competitors the initial interest confusion doctrine is of trivial importance. In these instances, where the defendants' domain names incorporate the plaintiffs' trade mark names, the courts hold that no likelihood of confusion will arise in that the defendants' web sites sufficiently dispel any confusion that might arise due to their domain names.¹⁷⁹⁴
- (3) One court has expressly stated that a trade mark proprietor is not entitled to a third party's domain name merely because that particular domain name incorporates its trade mark name,¹⁷⁹⁵ which statement some courts appear to tacitly approve. For

¹⁷⁹² See the court a quo's judgment in *Avery Dennisson Corp v Sumpton*.

¹⁷⁹³ See e.g. *Strick Corporation v Strickland*.

¹⁷⁹⁴ See e.g. *Strick Corporation v Strickland*.

¹⁷⁹⁵ See *Strick Corporation v Strickland*.

example, in *Nissan Motor Co Ltd et al v Nissan Computer Corp* and *Cerruti v Cerruti* the courts refused to transfer the defendant's domain name, incorporating the plaintiff's famous and registered trade mark name, to the plaintiff. Rather the courts mandated the defendant to display a disclaimer.

- (4) It appears that most US courts are unwilling to compel the defendant to transfer his confusingly similar domain name, incorporating the plaintiff's trade mark name, when such domain name corresponds with the defendant's surname. Where the defendant *bona fide* uses this domain name for non-competing purposes, he is permitted to keep the domain name and he is not compelled to display a disclaimer.¹⁷⁹⁶ However, where the defendant uses this domain name for the purpose of selling or advertising competing performances, he is still allowed to retain the domain name, because it incorporates his surname or its owner's surname, provided that he displays a disclaimer, disclaiming any connection with the plaintiff.¹⁷⁹⁷ This seems to be the solution that most US courts found between protecting trade mark proprietors' from initial interest confusion and allowing entrepreneurs to register domain names incorporating their surnames. However, all these courts seem to agree that no entrepreneur is allowed to use his domain name, incorporating his surname, in such a way that it causes a likelihood of confusion between his web site and/or performance and a third party's corresponding trade mark.¹⁷⁹⁸
- (5) However, a totally different scenario arises where the plaintiff's trade mark consists of his surname as well as another word, e.g. "Ford Financial", and the defendant, who has the same surname, registers the plaintiff's entire trade mark name as his domain name, e.g. www.fordfinancial.com. In this instance, the words added to the surname in the domain name do not distinguish the defendant's domain name from

¹⁷⁹⁶ See *Strick Corporation v Strickland*.

¹⁷⁹⁷ See *Nissan Motor Co Ltd et al v Nissan Computer Corp*.

¹⁷⁹⁸ In the off-line context, US courts have maintained that an entrepreneur is entitled to use his surname as his trade mark, provided that he does not cause confusion or deception. See, in particular *MacSweeney Enterprises Inc v J.C. Tarantino et al* 106 Cal.App.2d 504 (1st Cir. 1951) where the First Circuit of Appeal noted (at 511) that a person is not permitted to use his own name to advertise his performance when he resorts to deception intended to confusion the buying public: "We have no hesitancy in holding that such deceptive practices may be enjoined even though such injunction deprives a person from using his own name to advertise his product." A copy of this judgment was obtained from Westlaw.

the plaintiff's business and/or performance.¹⁷⁹⁹ It is submitted that the court in *Ford Motor Company v Ford Solutions Inc* would have permitted the defendant to register the domain name www.ford.com, even if he used this domain name for competing purposes, provided that he displayed an adequate disclaimer on his web site established for this particular domain name.

2.2.3.6.6. Using plaintiff's trade mark name as a secondary URL

The question arose whether the use of a third party's trade mark name, not as a secondary level domain (e.g. www.playboy.com), but as a secondary URL (e.g. www.hotmail.com/playboy) constitutes trade mark infringement.

In *Patmont Motor Werks Inc v Gateway Marine Inc*¹⁸⁰⁰ the court maintained that where A uses B's trade mark name (e.g. "cheetas") in A's domain name, but on a secondary level (such as www.rugby.com/cheetas), A is not guilty of trade mark infringement. The court stated that -

"as a matter of law ... such use does not suggest [the plaintiff's] sponsorship or endorsement, because the [trade] mark did not appear in the website's 'domain name.' ... However, the text that follows the domain name in a URL - in other words, the text that comes after the slash - serves a different function. This additional text, often referred to as the 'path' of the URL, merely shows how the website's data is organized within the host computer's files ... Nothing in the post-domain path of a URL indicates a website's source of origin."

2.2.3.7. Additional liability

2.2.3.7.1. Are domain name registrars liable for third party trade mark infringements?

Two judgments have addressed the question whether a domain name registrar is liable for registering a domain name in the name of A, where such domain name infringes B's trade mark rights. The courts answered this question in the negative, maintaining that the registrar made no commercial use of the domain name¹⁸⁰¹ in that even though

¹⁷⁹⁹ See *Ford Motor Company v Ford Solutions Inc*.

¹⁸⁰⁰ 1997 US Dist LEXIS 20877 (N.D. Cal. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Patmont_v_Gateway.html.

¹⁸⁰¹ See *Bird v Parsons et al* 127 F.Supp.2d 885 (S.D. Ohio 2000):889. A copy of this judgment was obtained from Westlaw. See also *Lockheed Martin Corporation v Network Solutions Inc* 985 F.Supp.

the registrar sold domain names, and thereby profitted from the names that registrants chose, it did "not trade on the value of domain names as trademarks."¹⁸⁰² Stated differently, the registrar did not use the domain name (i.e. the mark) in connection with any goods or services.¹⁸⁰³

In *Bird v Parsons et al*¹⁸⁰⁴ the Sixth Circuit of Appeal draw an analogy between domain names and telephone numbers, on the one hand, and between domain name registrars and telephone companies, on the other hand: "Like domain names, telephone numbers can be used not only for the purpose of identification, in which case infringement might occur, but also to direct a telephone signal to the proper endpoint. A registrar that grants a particular domain name to a registrant simply grants it an address ... The fact that the registrant [i.e. the web site operator] can then use its domain name to infringe on the rights of a registered trademark owner does not subject the registrar to liability for trademark infringement or unfair competition."¹⁸⁰⁵

2.2.3.7.2. Are auction web site operators liable for third party domain name infringements?

The question arose whether an auction web site operator, whose auction web site was

949 (C.D. Cal. 1997) where the court held that "[b]y accepting registrations of domain names containing the words 'skunk works,' NSI [the registrar] is not using the SKUNK WORKS mark in connection with the sale, distribution or advertising of good and services. NSI merely uses domain names to designate host computers on the Internet. This is the type of purely 'nominative' function that is not prohibited by trademark law." A copy of this judgment can be downloaded from www.loundy.com/CASES/Lockheed_v_NSI.html.

¹⁸⁰² *Lockheed Martin Corporation v Network Solutions Inc (supra)*. This was confirmed by the Sixth Circuit of Appeal in *Bird v Parsons et al* 289 F.3d 865 (6th Cir. 2002). A copy of this judgment can be downloaded from <http://pacer.ca6.uscourts.gov/cgi-bin/getopn.pl?OPINION=02a0177p.06>.

¹⁸⁰³ *Lockheed Martin Corporation v Network Solutions Inc (supra)*. The court went on to state that "NSI, however, does not trade on the value of domain names as trademarks. NSI's use of domain names is connected to the names' technical function on the Internet to designate computer addresses, not to the names' trademark function to distinguish goods and services. The fact that NSI makes a profit from the technical function of domain names does not convert NSI's activity to trademark use."

¹⁸⁰⁴ *Supra*.

¹⁸⁰⁵ A similar comparison can be found in *Lockheed Martin Corporation v Network Solutions Inc (supra)*: "Domain names and vanity telephone numbers both have dual functions. Domain names, like telephone numbers, allow one machine to connect to another machine. Domain names, like telephone numbers, are also valuable to trademark holders when they make it easier for customers to find the trademark holder. Where the holder of a vanity telephone number promotes it in a way that causes a likelihood of confusion, the holder has engaged in an infringing use."

used to sell domain names, was liable for third party infringements where the third parties registered domain names infringing upon trade mark proprietors' rights and then sold, or attempted to sell, these domain names by means of the former's auction web site.

In *Bird v Parsons et al*¹⁸⁰⁶ the Sixth Circuit of Appeal held that the aforementioned web site operator was not liable in that he did not use the said domain name: "The possibility that its customers might buy or sell infringing domain names does not alter the fact that [defendant] does not use those names."¹⁸⁰⁷

Consequently, it can be concluded that these web site operators are not liable in that their conduct, namely hosting the auction web site, does not constitute "use" of the infringing domain names as trade marks, i.e. in connection with the sale or advertising of goods or services.

2.2.4. Unlawful use of third parties' trade mark names as metatags

2.2.4.1. Definition of metatags

Metatags are words or terms included in the computer code used to construct a web page. Therefore, they are not displayed (i.e. visible) when one views a web page by means of a web browser.¹⁸⁰⁸ Metatags can be viewed by clicking on the "view" and then on the "source" button of the pull down menu of one's web browser.¹⁸⁰⁹ Search engines use these metatags to rank web sites, relevant to the search query, according to the frequency which the search terms appear in the metatags and in the text of the

¹⁸⁰⁶ 289 F.3d 865 (6th Cir. 2002). A copy of this judgment can be downloaded from <http://pacer.ca6.uscourts.gov/cgi-bin/getopn.pl?OPINION=02a0177p.06>.

¹⁸⁰⁷ See also *Bird v Parsons et al* 127 F.Supp.2d 885 (S.D. Ohio 2000):889. A copy of this judgment was obtained from Westlaw.

¹⁸⁰⁸ See *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000):fn 3 [a copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/bihari.pdf>]. See also the *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 158; Lavery 1999:28; Moy 1998(b):14. See further <http://eon.law.harvard.edu/property/metatags/main.html>.

¹⁸⁰⁹ See *Eli Lilly & Co v Natural Answers Inc* 86 F.Supp.2d 834 (S.D. Ind. 2000). A copy of this judgment can be downloaded from www.insd.uscourts.gov/search_opinions.htm. For example, the metatags of the University of the Free State's home page read: "<META NAME='keywords' CONTENT='University of the Orange Free State, University of the Free State, UFS, UOVS, university, UFS university, Bloemfontein, student, students, teaching, degree, lectures, lecture, lecturing, courses, college,

web sites.¹⁸¹⁰ Stated differently, metatags influence search engines in listing web sites in response to search queries.¹⁸¹¹ When a web site operator employs the same word numerous times as metatags for his web pages, such practice is known as "wordstuffing".¹⁸¹²

It can, therefore, be gleaned from the above that metatags are crucial to the Internet market since Internet users frequently use search engines to find what they are looking for, and for this purpose they normally use trade mark names as search queries.¹⁸¹³ Consequently, without metatag indexing "it would be difficult for consumers and marketers to find each other on the Internet."¹⁸¹⁴ Metatags, therefore, provide an indication of the content of a web site.¹⁸¹⁵

There are different types of metatags, of which two are the "description" and "keyword" metatags. The court in *Brookfield Communications Inc v West Coast Entertainment Corp*¹⁸¹⁶ described these two metatags as follows: "The description metatags are

colleges, South Africa, graduate, postgraduate, undergraduate, degrees, research, prospectus, faculty, faculties, learning, learn, education, tertiary, higher education, alumni'>".

¹⁸¹⁰ *Bihari v Gross et al (supra)*. See further *BigStar Entertainment Inc v Next Big Star Inc et al* 105 F.Supp.2d 185 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>. See also Gaffney 2000; *Primer on Electronic Commerce and Intellectual Property Issues* 2000:par 158. Millar 1999 describes a metatag as follows: "Computer code used to index or catalogue web sites/pages, invisible to users, but detectable by search engines."

¹⁸¹¹ See Kelly & Bindstock 2001.

¹⁸¹² Osborne 2001.

¹⁸¹³ As Zimmerman 1999 notes: "When consumers search the Internet for the Web site of a company whose goods they wish to obtain, trademarks are literally used to lead consumers to the source of goods."

¹⁸¹⁴ Polak *et al* 2000. As Polak *et al* 2000 observe: "For those marketing online, having one's website show up as a 'hit' in the list of search results can mean the difference between making a sale and developing brand loyalty on one hand, and losing a customer to a direct competitor, perhaps forever, on the other. Indeed, the selection of metatags may be strategically essential to a successful online presence, as every online marketer wants as many 'hits' as possible." This is corroborated by Loundy 1997: "By carefully choosing the keywords in the meta tags, hidden from viewers in the code that makes up your web page, you can affect how a search engine will index your page, what searches will designate your page as a hit, and where in the list of displayed hits your page will appear. This trick has been used in various forms for some time."

¹⁸¹⁵ As the court in *Playboy Enterprises Inc v Welles* 7 F.Supp.2d 1098 (S.D. Cal. 1998) noted: "Much like the subject index of a card catalog, the meta tags give the websurfer using a search engine a clearer indication of the content of a website." A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Wells.html.

¹⁸¹⁶ 174 F.3d 1036 (9th Cir. 1999). A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>.

intended to describe the web site; the keyword metatags, at least in theory, contain keywords relating to the contents of the web site."¹⁸¹⁷ Stated differently, a search engine uses the keyword metatags to find and list relevant web sites in response to a search query. The description contained in a description metatag appears as a sentence fragment beneath the web page's listing in a search result.¹⁸¹⁸

Consequently, businesses employ both generic terms¹⁸¹⁹ as well as their trade mark names as metatags to influence how search engines index their web sites and web pages. However, a practice has emerged where Internet users unlawfully use the trade mark names of third parties to index their own web sites. For example, if X uses the words "Calvin Klein" as a metatag for his web site, anyone who uses a search engine to find "Calvin Klein" products, will probably see X's web site listed in the search result list, even though X might not be an authorised seller of Calvin Klein products and might even be a competitor. He merely used these words as a metatag to lure potential Internet customers to his web site.¹⁸²⁰

2.2.4.2. Conflict between trade mark rights and third party use of metatags

The study next turns to US case studies resolving the conflict between (a) trade mark rights and (b) web site operators' use of third parties' trade mark names as metatags for their own web sites and/or web pages.

¹⁸¹⁷ See also *Bihari v Gross et al (supra):fn 3*; *Eli Lilly & Company v Natural Answers Inc et al* 233 F.3d 456 (7th Cir. 2000). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/7th/001375.html>. This is corroborated by Gaffney 2000: "The intent of a 'description' metatag is to provide brief plain English descriptions of the Web page's contents (i.e., a summary of the page). Generally, the intent of this description is to aid the Web user in deciding whether they want to visit the page. The 'keyword' metatag provides keywords for search engines to associate with the Web author's page ... In theory 'keyword' metatags increase search engine accuracy by offering more efficiently condensed and accurate information about the contents of a page, but there is no requirement or necessity that the metatags have any relation to the Web site content."

¹⁸¹⁸ See *Bihari v Gross et al (supra):fn 3*; *Niton Corp v Radiation Monitoring Devices Inc* 27 F.Supp.2d 102 (D. Mass. 1998) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property00/metatags/NITON.html>].

¹⁸¹⁹ E.g. a store that sells sport shoes might include the following terms as metatags in its web pages: shoe, sports, running, cricket, rugby, tennis and athletic. See Polak *et al* 2000.

¹⁸²⁰ See <http://eon.law.harvard.edu/property/metatags/main.html>

2.2.4.2.1. Using a third party's trade mark name to describe oneself or one's performance

The following case study deals with the question whether A is allowed to use B's registered or common law trade mark name as a metatag or metatags for his own web site, for the purpose of describing himself and/or his performance.

In *Playboy Enterprises Inc v Welles*¹⁸²¹ the defendant, a former "Playmate of the Year", used the plaintiff's "Playboy" and "Playmate" trade marks as metatags for her web site, where she sold nude pornographic images of herself. Therefore, the parties were competitors.¹⁸²² The plaintiff contended that the defendant committed trade mark infringement in that "websurfing consumers are likely to believe that defendant's website is authorized, sponsored or otherwise approved of by [plaintiff] when it is not." Defendant, in turn, contended that her use of the words "Playboy" and "Playmate" was merely a descriptive use of those terms so as to identify herself to her customers. The court maintained that -

"[w]ith respect to the meta tags, the court finds there to be no trademark infringement where defendant has used plaintiff's trademarks in good faith to index the content of her website ... The use of the term *Playboy* is not an infringement because it references not only her identity as a 'Playboy Playmate of the Year 1981,'¹⁸²³ but it may also reference the legitimate editorial uses of the term *Playboy* contained in the text of defendant's website¹⁸²⁴ ... Therefore, the court finds that defendant has not infringed on defendant's trademarks by using them in her website meta tags."

Therefore, the court held that the defendant made fair use of the plaintiff's trade mark.¹⁸²⁵ The court further held that because the defendant's use of the plaintiff's trade marks constituted fair use, the defendant was also not guilty of trade mark dilution:

¹⁸²¹ 7 F.Supp.2d 1098 (S.D. Cal. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Wells.html.

¹⁸²² The court noted that "[d]efendant claims she is selling a different class of goods since she is offering her promotional services and related goods like her line of cigars. However, it appears that PEI and Terri Welles are in competition for websurfers who pay money for on-line erotica, regardless of what the underlying promotion is."

¹⁸²³ The court noted that the title of "Playmate of the year" becomes part of the identity of the women to whom this titled is bestowed upon.

¹⁸²⁴ Playboy Enterprises encourages its models to use their titles for self-promotion. See the judgment.

¹⁸²⁵ The court maintained that "Ms. Welles has used the trademark term ... to identify and describe herself".

"The use of those terms, in the website and in the meta tags, allows websurfers and potential customers to identify her services, whether it be her line of cigars, her promotional services, or her nude photographs. Given that Ms. Welles is the 'Playmate of the Year 1981,' there is no other way that Ms. Welles can identify or describe herself and her services without venturing into absurd descriptive phrases. In cases where the trademarked term must be used to identify the individual or a good, infringement and dilution laws do not apply."

On appeal,¹⁸²⁶ the Ninth Circuit of Appeal elaborated on this by stating that -

"[f]orcing Welles and others to use absurd turns of phrase in their metatags, such as those necessary to identify Welles, would be particularly damaging in the internet search context. Searchers would have a much more difficult time locating relevant websites if they could do so only by correctly guessing the long phrases necessary to substitute for trademarks. We can hardly expect someone searching for Welles' site to imagine the same phrase proposed by the district court to describe Welles without referring to Playboy – 'the nude model selected by Mr. Hefner's organization ...' Yet if someone could not remember her name, that is what they would have to do. Similarly, someone searching for critiques of Playboy on the internet would have a difficult time if internet sites could not list the object of their critique in their metatags. There is simply no descriptive substitute for the trademarks used in Welles' metatags. Precluding their use would have the unwanted effect of hindering the free flow of information on the internet, something which is certainly not a goal of trademark law ... The metatags use only so much of the marks as reasonably necessary and nothing is done in conjunction with them to suggest sponsorship or endorsement by the trademark holder. We note that our decision might differ if the metatags listed the trademarked term so repeatedly that Welles' site would regularly appear above PEI's in searches for one of the trademarked terms."¹⁸²⁷

It can therefore be concluded that US courts permit a web site owner to use a third party's registered or common law trade mark name as metatags for his own web site, provided that (1) the trade mark name describes the former and/or his performance and (2) he does not engage in wordstuffing. It clearly transpires from these judgments that US courts refuse to direct web site owners to use absurd words or phrases when

¹⁸²⁶ *Playboy Enterprises Inc v Welles et al* 162 F.3d 1169 (9th Cir. 2002). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055009p.pdf>.

¹⁸²⁷ 162 F.3d 1169 (9th Cir. 2002):1627.

the same purpose can simply be achieved by using the plaintiff's trade mark name as a descriptive term.

2.2.4.2.2. Using a third party's trade mark name to criticise that particular third party

The question arose whether X was allowed to use Y's trade mark name as a metatag or metatags for his own web site, where he criticised Y's business and/or performance.

In *Bally Total Fitness Holding Co v Faber*¹⁸²⁸ the plaintiff was the owner of the registered trade mark "Bally" and operated health clubs. The defendant established a web site for the domain name "www.compupix.com" where he criticised the plaintiff's services. The defendant used the plaintiff's trade mark name as a metatag for his web site. The plaintiff subsequently submitted that the defendant was guilty of trade mark infringement and dilution. The court was of the opinion that the law permitted the defendant's use of the metatags in question, in that -

"the average Internet user may want to receive all the information available on Bally. The user may want to access the official Internet site to see how Bally sells itself. Likewise, the user may also want to be apprised of the opinions of others about Bally. This individual will be unable to locate sites containing outside commentary unless those sites include Bally's marks in the machine readable code upon which search engines rely. Prohibiting Faber from using Bally's name in the machine readable code would effectively isolate him from all but the most savvy of Internet users."¹⁸²⁹

In *Bihari v Gross et al*¹⁸³⁰ the plaintiff was the proprietor of the common law trade mark "Bihari Interiors", used for interior decorating. The defendants registered the domain names www.designscam.com and www.manhattaninteriodesign.com. They established a web site for these domain names where they criticised the plaintiff. Furthermore, they used the plaintiff's trade mark name as metatags for the aforementioned web site. The parties were not competitors. The web site also contained a description metatag, stating that "This site deals with the problems experienced when hiring a New York City (Manhattan) designer. It discusses Marianne Bihari fraud and deceit and interior decorating." Therefore, whenever an Internet user searched for the plaintiff's online presence, the above description was displayed by a

¹⁸²⁸ 29 F.Supp.2d 1161 (C.D. Cal. 1998). A copy of this judgment was obtained from Westlaw.

¹⁸²⁹ 29 F.Supp.2d 1161 (C.D. Cal. 1998):1165.

¹⁸³⁰ 119 F.Supp.2d 309 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/bihari.pdf>.

search engine. The aforementioned web site also included various hyperlinks, including "Tips on Picking a Designer," "New York City Information," "Who's Who in Interior Design," and "Kabalarians Philosophy". The plaintiff averred that by using her trade mark name as metatags, the defendants were likely to cause consumer confusion.¹⁸³¹

The first question was whether the defendants used the plaintiff's trade mark in commerce. The court answered this question by stating that although the defendants were not competitors of the plaintiff as well as the fact that the defendants' web site did not offer any commercial transactions, the hyperlinks promoted the services of other interior designers. Consequently "Gross websites effectively [acted] as a conduit, steering potential customers away from Bihari Interiors and toward its competitors, thereby transforming his otherwise protected speech into a commercial use."

With regard to the question whether a likelihood of consumer confusion was present, the court stated that no likelihood of initial interest confusion arose because the plaintiff had no web site advertising her services.¹⁸³² Furthermore, the court was of the opinion that Internet users were unlikely to experience initial interest confusion when searching the Internet for information about the plaintiff: "An Internet user who reads this text, and then sees the domain name of 'designscam.com' or 'manhattaninteriordesign.com', is unlikely to believe that these websites belong to [plaintiff]". The court held that "[b]ecause the purpose of the websites is to injure Bihari Interiors commercially, no reasonable viewer would believe that the disparaging comments regarding Bihari's business ethics - comments which appear on the first page of the websites - are endorsed by Bihari. Moreover, in the instant case, there is no 'lengthy delay between attempting to access plaintiff's home page and learning that one has failed to do so.' Therefore, any likelihood of confusion is minimal."

The court was further of the opinion that even if a likelihood of confusion was present, use of the relevant trade mark as metatags was protected by the fair use doctrine. According to the court, the defendants used the Bihari Interiors mark in its descriptive

¹⁸³¹ Although the action was instituted in terms of section 1125(a), this section corresponds with section 1114(1)(a), which governs trade mark infringement proceedings.

¹⁸³² Specifically, the court noted that "the [defendants'] websites cannot divert Internet users away from [plaintiff's] website because [plaintiff] does not have a competing website." The court also noted that "[f]ar from diverting people looking for information on Bihari Interiors,' ... the [defendants'] websites provide users with information about Bihari Interiors."

sense only: "Here, Gross has included 'Bihari Interiors' in the metatags of his websites because the websites provide information about Bihari Interiors and Marianne Bihari. Gross has not used the terms 'Bihari Interiors' and 'Bihari' in the metatags as a mark, but rather, to fairly identify the content of his websites. In short, [defendant Gross uses] the 'Bihari Interiors' mark in its descriptive sense only."

Moreover, the court was of the opinion that use "of the 'Bihari Interiors' mark in the metatags of his websites is the only way Gross can get his message to the public. A broad rule prohibiting use of 'Bihari Interiors' in the metatags of websites not sponsored by Bihari would effectively foreclose all discourse and comment about Bihari Interiors, including fair comment. Courts must be particularly cautious of overextending the reach of the Lanham Act and intruding on First Amendment values."

With regard to the question whether the defendant made a *bona fide* fair use of the plaintiff's trade mark as metatags, the plaintiff contended that the defendant used her mark to divert Internet users searching for information about her to defendants' web site. The court found this argument unpersuasive, stating that "[m]etatags serve as a cataloging system for a search engine. Gross has the right to catalog the contents of his websites. Furthermore, the fact that Gross knew of the prior use of the 'Bihari Interiors' mark does not in itself prove a lack of good faith ... In addition, the domain names of the Gross websites and the disclaimer prove that Gross is using 'Bihari Interiors' in good faith. The domain names of his websites in no way confuse Internet users into believing that his site is actually that of Bihari Interiors. Moreover, the Gross websites include a disclaimer: 'Keep in mind that this site reflects only the view points and experiences of one Manhattan couple ...' Although a disclaimer cannot insulate Gross from liability, it indicates good faith use of the service marks and weighs in Gross's favor."

Finally, in *Playboy Enterprises Inc v Welles et al*¹⁸³³ the Ninth Circuit of Appeal recently made an interesting *obiter* observation namely that when X uses his web site to criticise Y or Y's performance, the law permits the former to use Y's trade mark name as a metatag for his web site.¹⁸³⁴

It can therefore be concluded that US courts allow a web site owner to use a third

¹⁸³³ 162 F.3d 1169 (9th Cir. 2002). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055009p.pdf>.

¹⁸³⁴ This judgment was discussed in detail in paragraph 2.2.4.2.1 of this chapter.

party's trade mark name as a metatag or metatags for his web site, where such web site is used to criticise the said third party and/or his performance. The courts permit these metatags in that they describe the content of the web site owner's web pages. Accordingly, these metatags are protected as fair use. Furthermore, such use of the third party's trade mark is sanctioned by the web site owner's constitutional right to freedom of speech. It appears that the sole instance when the courts will not allow the defendant to use the third party's trade mark name as a metatag is when the defendant uses his web site mainly to divert Internet users to his or to a third party's commercial web site, or where he uses this said web site to derive an income.

2.2.4.2.3. Unlawful use of a competitor's trade mark name

The question arose whether competitors were allowed to use their business rivals' trade mark names as metatags for their own web sites. The following four judgments address this question.

In *Oppedahl & Larson v Advanced Concepts et al*¹⁸³⁵ the parties were competitors. The defendant employed the plaintiff's well-known, common law trade mark "Oppedahl & Larson" as metatags for his competing web site. Each web page of the defendant's web site employed the plaintiff's trade mark name eight times as a metatag.¹⁸³⁶ The plaintiff alleged that the defendant was guilty of trade mark infringement¹⁸³⁷ in that by using a substantially identical mark on his web pages, the defendant was misleading and was likely to cause confusion and mistake, and to deceive the public into believing falsely that his web pages were connected with, sponsored by, or authorised by, the plaintiff, when, in fact, defendant had no connection whatsoever with plaintiff in regard to these web pages.¹⁸³⁸ The plaintiff further alleged that the defendant's conduct caused dilution of its trade mark by diluting the distinctive quality of the trade mark.¹⁸³⁹

The defendant made no appearance and consequently the court granted a default judgment, stipulating that the defendant was prohibited from using the words

¹⁸³⁵ 1997 US Dist Lexis 23108 (D. Colo. 1997). A copy of this judgment can be downloaded from www.patents.com/ac/willord.htm. A copy of the plaintiff's complaint can be downloaded from www.patents.com/ac/complain.htm.

¹⁸³⁶ Par 25 of the complaint.

¹⁸³⁷ Par 56 of the complaint.

¹⁸³⁸ Par 38 of the complaint.

¹⁸³⁹ Para 44-45 of the complaint.

"OPPEDAHL", "LARSON" and "OPPEDAHL & LARSON" as metatags for his web pages.¹⁸⁴⁰

In *Playboy Enterprises Inc v AsiaFocus International Inc et al*¹⁸⁴¹ the plaintiff was the owner of the famous and registered trade marks "Playboy" and "Playmate". The defendants, neither affiliated with nor sponsored by the plaintiff, used these trade mark names as metatags for their competing web sites, also offering adult entertainment photographs. The plaintiff alleged that defendants were guilty of trade mark infringement and dilution.

With regard to the trade mark infringement enquiry, the court maintained that where a business used its rival's trade mark names as metatags for its web pages such conduct constituted trade mark infringement: "Through the defendants' willful deception, consumers have been misled into believing the asian-playmates Web site is connected with, or somehow sponsored by, [plaintiff] ... a consumer conducting a search for [plaintiff's] Web site by typing in the trademark 'Playboy' or 'Playmate' would receive a search engine-generated list which included the asian-playmates Web site." The court maintained that such conduct constituted trade mark infringement.¹⁸⁴²

The court was further of the opinion that the defendants committed trade mark dilution: "This strategy [referring to the fact that the defendants used the "Playboy" and

¹⁸⁴⁰ The court order declared: "FURTHER ORDERED that defendant Williams, his officers, agents, servants, employees and representatives and all other persons, firms or corporations in active concert or participation with them, be preliminarily and thereafter permanently enjoined and restrained from: 1. using in any manner in connection with any of their web pages, including but not limited to 'meta-tags' thereof, or in connection with any advertising or promotions of such web pages, the names and trademarks 'OPPEDAHL,' 'LARSON,' and 'OPPEDAHL & LARSON' and any colorable imitation thereof; and 2. doing any act or thing calculated or likely to cause confusion or mistake in the minds of members of the public or the trade, or prospective users of defendant's services, as to the source of services provided, produced, distributed, sold or offered for sale thereby, or likely to deceive members of the public or the trade, or prospective purchasers into believing that there is some connection between defendants and plaintiff or that defendant's web pages are being produced, distributed, sold or offered for sale with plaintiff's authorization."

¹⁸⁴¹ 1998 US Dist LEXIS 10359 (E.D. Va. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/playboy.html>.

¹⁸⁴² Likewise, in *Playboy Enterprises Inc v Calvin Designer Label et al* 985 F.Supp. 1220 (N.D. Cal. 1997) the defendant made repeated use of the plaintiff's "Playboy" trade mark as metatags for its web site where it also sold pornographic images. The court maintained that such conduct constituted trade mark infringement. A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Calvin.html.

"Playmate" trade mark names as metatags for their web site] epitomizes the 'blurring' of PEI's trademarks. When a search engine led a consumer to the asian-playmates Web site in response to a search of PEI's trademarks, the consumer would probably believe that the defendants' Web site was affiliated with PEI."

In *Brookfield Communications Inc v West Coast Entertainment Corp*¹⁸⁴³ the appellant was the owner of the registered trade mark "MovieBuff", which it used for selling computer software featuring a searchable database containing entertainment-industry related information. The respondent was a video rental store using the term "Movie Buff" for marketing its products and service. The respondent owned the registered trade mark "The Movie Buff's Movie Store", which was registered seven years prior to the appellant's trade mark registration. The respondent further used the word "moviebuff" as metatags for its web site www.westcoastvideo.com. The appellant instituted action for trade mark infringement averring that the respondent's metatags caused a likelihood of confusion.

The Ninth Circuit of Appeal noted that no "traditional" consumer confusion was present when the respondent used the word "moviebuff" as metatags for its web pages. The court reasoned as follows:

"First, when the user inputs 'MovieBuff' into an Internet search engine, the list produced by the search engine is likely to include both West Coast's and Brookfield's web sites. Thus, in scanning such list, the Web user will often be able to find the particular web site he is seeking. Moreover, even if the Web user chooses the web site belonging to West Coast, he will see that the domain name of the web site he selected is 'westcoastvideo.com.' Since there is no confusion resulting from the domain address, and since West Coast's initial web page prominently displays its own name, it is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast's web site."¹⁸⁴⁴

However, the court proceeded to state that such use of the appellant's trade mark name as the respondent's metatags constituted initial interest confusion, motivating that -

"[w]eb surfers looking for [appellant's] 'MovieBuff' products who are taken by a search engine to 'westcoastvideo.com' will find a database similar enough to 'MovieBuff' such

¹⁸⁴³ 174 F.3d 1036 (9th Cir. 1999). A copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>.

¹⁸⁴⁴ 174 F.3d 1036 (9th Cir. 1999):par 28.

that a sizeable number of consumers who were originally looking for [appellant's] product will simply decide to utilize [respondent's] offerings instead. Although there is no *source* confusion in the sense that consumers know they are patronizing [respondent] rather than [appellant], there is nevertheless initial interest confusion in the sense that, by using ... 'MovieBuff' to divert people looking for 'MovieBuff' to its web site, [respondent] improperly benefits from the goodwill that [appellant] developed in its mark."¹⁸⁴⁵

The court further explained why such use of another's trade mark name was not permitted by the law:

"Using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store."¹⁸⁴⁶ Suppose West Coast's competitor (let's call it 'Blockbuster') puts up a billboard on a highway reading – 'West Coast Video: 2 miles ahead at Exit 7' – where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there.¹⁸⁴⁷ Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill."¹⁸⁴⁸

The court continued to state that if the parties were not competitors, no initial interest confusion would arise: "If ... Brookfield and West Coast did not compete to any extent

¹⁸⁴⁵ 174 F.3d 1036 (9th Cir. 1999);par 29. Own emphasis.

¹⁸⁴⁶ This sentence was confirmed in *Eli Lilly & Company v Natural Answers Inc et al* 233 F.3d 456 (7th Cir. 2000). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/7th/001375.html>.

¹⁸⁴⁷ In *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000) the court noted that this paragraph was a "useful metaphor for explaining the harm of initial interest confusion in cyberspace". However the court continued to state that "[u]se of the highway billboard metaphor is not the best analogy to a metatag on the Internet. The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, resuming one's search for the correct website is relatively simple. With one click of the mouse and a few seconds delay, a viewer can return to the search engine's results and resume searching for the original website." A copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/bihari.pdf>.

¹⁸⁴⁸ 174 F.3d 1036 (9th Cir. 1999);par 29.

whatsoever, the likelihood of confusion would probably be remote ... A Web surfer who accessed 'moviebuff.com' and reached a web site advertising the services of Schlumberger Ltd. (a large oil drilling company) would be unlikely to think that Brookfield had entered the oil drilling business or was sponsoring the oil driller." Finally, the court remarked that the respondent was permitted to use the words "movie buff" (which means movie viewer enthusiast) as its metatag, but not "moviebuff" because this was the applicant's trade mark name.¹⁸⁴⁹

However, the court went on to state that its ruling did not prohibit the defendant from using the plaintiff's trade mark name as a metatag whenever such use constituted fair use in terms of the *Lanham Act*.¹⁸⁵⁰ The court also noted that when a competitor uses his rival's trade mark name as a metatag in order to attract people to his web site such use does not constitute fair use.¹⁸⁵¹

The court noted that in terms of the fair use defence the respondent was permitted to include an advertisement banner on its web page stating "[w]hy pay for MovieBuff when you can get the same thing here for FREE?" Such use of the appellant's trade mark name would refer to the appellant's performance. It can accordingly be inferred that the respondent would have been allowed to use this same phrase, which includes the appellant's trade mark name, as a metatag. Such phrase would also have been protected as comparative advertisement in terms of the *Lanham Act*.¹⁸⁵²

In *Eli Lilly & Co v Natural Answers Inc*¹⁸⁵³ the facts, simplified, were that the plaintiff was the proprietor of the registered and well-known trade mark "PROZAC", which it employed for one of its prescription drugs. The defendant, a competitor, included the word "Prozac" "several times" as a metatag in its web pages, established for the

¹⁸⁴⁹ 174 F.3d 1036 (9th Cir. 1999):par 32.

¹⁸⁵⁰ 174 F.3d 1036 (9th Cir. 1999):par 30. However, the court noted that "[respondent] can legitimately use an appropriate descriptive term in its metatags. But 'MovieBuff' is not such a descriptive term. Even though it differs from 'Movie Buff' by only a single space, that difference is pivotal. The term 'Movie Buff' is a descriptive term, which is routinely used in the English language to describe a movie devotee. 'MovieBuff' is not ... In light of the fact that it is not a word in the English language, when the term 'MovieBuff' is employed, it is used to refer to [appellant's] products and services, rather than to mean 'motion picture enthusiast.' The proper term for the 'motion picture enthusiast' is 'Movie Buff,' which [respondent] certainly can use. It cannot, however, omit the space."

¹⁸⁵¹ 174 F.3d 1036 (9th Cir. 1999):par 32.

¹⁸⁵² See paragraph 2.1.5 of this chapter.

¹⁸⁵³ 86 F.Supp.2d 834 (S.D. Ind. 2000). A copy of this judgment can be downloaded from www.insd.uscourts.gov/search_opinions.htm.

domain name www.naturalanswers.com.¹⁸⁵⁴ When the parties appeared before the court, the defendant had removed the said metatag from its web pages. The only question of law was whether the defendant's product name "HERBROZAC" was confusingly similar to the plaintiff's product's name.¹⁸⁵⁵ However, the court made a few *obiter* remarks concerning the defendant's previous use of the plaintiff's trade mark name as a metatag.

The court noted that the defendant's use of the plaintiff's trade mark name constituted initial interest confusion.¹⁸⁵⁶ The court further noted that because the defendant intentionally used the plaintiff's trade mark name as metatags for his web site, this constituted evidence of an intent to confuse and mislead.¹⁸⁵⁷ Both statements were confirmed on appeal by the Seventh Circuit of Appeal.¹⁸⁵⁸

Based on these judgments, the following conclusions and/or statements can be made:

- When X uses his competitor's (Y's) trade mark name as a metatag or metatags for his own competing web site, trade mark infringement occurs in that such use causes initial interest confusion: The search engine takes the Internet user searching for Y's web site and/or performance to the X's web site and consequently X diverts Internet users to his own web site by means of Y's trade mark name. Furthermore such use constitutes evidence of an intent to confuse and mislead.
- In addition, where X's uses Y's trade mark name as a metatag or metatags for his own web site, such use constitutes trade mark dilution in that it blurs the distinctiveness of Y's trade mark name: By using Y's trade mark name as a metatag for his web site, X causes search engines to divert Internet users to his

¹⁸⁵⁴ Unfortunately, the court only stated that "Natural Answers included several references to PROZAC® in the source file".

¹⁸⁵⁵ Although the plaintiff instituted proceedings for the alleged confusion in terms of section 1125(a), this section corresponds with the provisions of section 1114(1)(a), penalising trade mark infringement.

¹⁸⁵⁶ The court specifically noted that defendant "chose the use of the 'Prozac' metatags in an attempt to attract the attention of Internet surfers looking for information about PROZAC®". See p 24 of the judgment.

¹⁸⁵⁷ See p 24 of the judgment.

¹⁸⁵⁸ *Eli Lilly & Co v Natural Answers Inc et al* 233 F.3d 456 (7th Cir. 2000). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/7th/001375.htm>. Specifically, the appeal court was of the opinion that the use of the Prozac metatag was evidence of defendant's intent to create confusion: "The clear intent of this effort, whether or not it was successful, was to divert Internet users searching for information on PROZAC to [defendant's] Web site."

own competing web site.

- Note that none of the above judgments dealt with *bona fide* comparative advertising. Therefore circumstances may emerge where use of a competitor's trade mark name as a metatag or metatags is protected as fair use, and specifically comparative advertising.
- One final remark warrants mentioning here. In *Eli Lilly & Co v Natural Answers Inc* the court *a quo* noted that the defendant's use of its competitor's trade mark name as a metatag for its own web site indicated that he regarded the latter's trade mark as famous.¹⁸⁵⁹

2.2.4.2.4. Distributors using suppliers' trade mark names as metatags

The question arose whether distributors are allowed to use their manufacturers' trade mark names as metatags for the web pages where they sell the latter's products.

In *Bernina of America Inc v Fashion Fabrics International Inc*¹⁸⁶⁰ the plaintiff was the owner of the registered and well-known trade mark "Bernina" and "Bernette", registered and used for sewing machines, products and technology. The defendant was an independent retailer of sewing machines and products, but not an authorised Bernina dealer. The defendant used the plaintiff's trade mark names as metatags for his web page where he sold the plaintiff's products. The plaintiff contended that the defendant was guilty of trade mark infringement.

The court held that if the other content on the defendant's web site had not been misleading,¹⁸⁶¹ it would not have enjoined the defendant from using the plaintiff's trade mark names as metatags: "[T]hen an injunction of [defendant's] use of the Bernina and Bernette trademarks in its metatags would be improper because such use merely directs customers to the location where they may purchase genuine branded goods

¹⁸⁵⁹ The court specifically held that defendant "wanted people who were using the web to gather information on PROZAC® to come across its web page so that [defendant] could encourage them to consider an all-natural alternative to PROZAC®. [Defendant's] entire marketing strategy for HERBROZAC has been based on the fact that its potential customers recognize the PROZAC® mark." See p 34-35 of the judgment.

¹⁸⁶⁰ 57 USPQ.2d 1881 (N.D. ILL. 2001). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/01585.htm>.

¹⁸⁶¹ See paragraph 2.2.1.2.3 of this chapter.

from a reseller that does not hold itself out to be anything but an independent retailer unaffiliated with Bernina.”

Therefore, the US position seems clear: A distributor is allowed to use the manufacturer’s trade mark name as a metatag or metatags for the web pages where he sells the manufacturer’s genuine product, provided that such web page does not contain any false and/or misleading statements. Based on the reasoning of the Ninth Circuit of Appeal in *Playboy Enterprises Inc v Welles et al*¹⁸⁶² the distributor is not allowed to engage in “wordstuffing”, which means that the distributor cannot use the manufacturer’s trade mark name so repeatedly as metatags that his web site regularly appears above the manufacturer’s web site in a search engine result list, based on a search query using the manufacturer’s trade mark name.

2.2.4.2.5. Compliance with previous court orders

In *Nettis Environmental Ltd v IWI Inc*¹⁸⁶³ the plaintiff had previously sued the defendant for using his trade mark names as metatags for its (the defendant’s) web pages. The defendant had also registered these terms at 380 search engines so that when an Internet user conducted a search enquiry by means of these terms, he would be led to the defendant’s web site. The plaintiff and defendant entered into a settlement agreement, which was made a court order, enjoining the defendant from using the plaintiff’s trade mark names as metatags and further compelling it to remove these terms from the aforementioned search engines. The defendant complied with the first obligation, but, with regard to the second obligation, the defendant’s computer consultant advised it that it was not required to do anything because the search engines would update the web pages automatically.¹⁸⁶⁴ However, six search engines did not automatically update their databases.

When the plaintiff discovered this latter fact, it instituted action against defendant for contempt of court. As soon as defendant learned of this fact by means of the

¹⁸⁶² 162 F.3d 1169 (9th Cir. 2002). Discussed in paragraph 2.2.4.2.1 of this chapter.

¹⁸⁶³ 46 F.Supp.2d 722 (N.D. Ohio 1999). A copy of this judgment was obtained from Westlaw.

¹⁸⁶⁴ In theory, search engines update their databases frequently. This entails that the search engine checks whether a domain name still exists, whether it still has the same web pages, whether the content of these web pages is still the same and whether these pages still use the same metatags. Consequently, whenever a search engine automatically updates its databases and it discovers that one or more of these elements have changed, it replaces the previous information stored in its database with new information.

summons, it removed its web site completely from the internet. As a result, even if a search engine did indicate the defendant's web site as associated with the plaintiff's trade mark name, defendant's web site could not be accessed. Defendant further sent an electronic mail message to the 380 search engines mentioned above, requesting them to 'de-register' its web site so it would no longer be associated with the defendant. The search engine operators co-operated. However, when the hearing commenced, two search engines still listed the defendant's web site in response to search queries using the plaintiff's trade mark name.

The question of law was whether the defendant had taken reasonable steps to comply with the court order. The court stated that -

"[b]y registering its website with 380 search engines, [defendant] had been promoting its goods and services ... By not cancelling these registrations after the court orders had been issued, [defendant] continued to promote its goods and services by using [the plaintiff's] name ... Given the recent explosion of internet users, and the concomitant rise in search engines and websites, finding every instance of a connection between [defendant's] website and the [plaintiff's] name on the internet can be difficult and burdensome. Moreover, once found, [defendant] has no direct control over what the search engine administrators place, or do not place, on the search engines they run. This fact alone does not exonerate [defendant] from contempt liability, for it is undisputed [defendant] caused all connections by placing hidden text on its website and registering its website 380 times as being associated with the [plaintiff's] name. At the time [defendant] agreed to the Temporary Restraining Order and Preliminary Injunction, it, and it alone, knew of its registrations with 380 search engines ... The consultant erroneously assumed the search engines would themselves update their information within a few days. A reasonable person under court orders would, however, at least check to make certain compliance had occurred. [Defendant] did not ... Not only would a reasonable person check whether the search engines had automatically been updated, but also would have taken affirmative action to 'undo' the registrations. Although [defendant] does not control the search engines and websites with which it registered, it did not even use the same means it employed to register its website - an electronic mail message - to cancel the registrations until late January 1999. [Defendant] did not take all reasonable steps in this regard."¹⁸⁶⁵

Consequently, the court held that defendant violated the court order. The court ordered the defendant to file before a certain date an affidavit stating compliance results. The

¹⁸⁶⁵ 46 F.Supp.2d 722 (N.D. Ohio 1999);727-728.

court further ordered that defendant “shall keep its website inaccessible during the pendency of this lawsuit or until further order of court. Requiring [defendant] to keep its website inaccessible draws an appropriate balance between the parties’ competing interests during the pendency of this lawsuit and helps ensure future compliance. [Defendant] is free to set up another website at a different URL from ‘http://www.iwiinc.com’ to promote its goods and services, so long as [defendant] does so in a way which conforms to the Preliminary Injunction in this case.”¹⁸⁶⁶

2.2.4.2.6. Conclusion

It can therefore be concluded that US courts allow a web site owner to use a third party’s trade mark name as a metatag or metatags for his own web site where -

- a) the trade mark name describes him and/or his performance – hence descriptive fair use;
- b) the Internet user needs to indicate some legitimate or business relationship between his web site and the trade mark owner’s performance – hence nominative fair use;¹⁸⁶⁷ or
- c) the Internet user enjoys some other legal right in using the said trade mark name, for instance to criticise the third party or where he enjoys rights in an identical trade mark name for different products or services.

2.2.5. Hyperlinking and deep-linking – use of a third party’s trade mark name

The terms “hyperlinking” and “deep-linking” were discussed earlier in this thesis.¹⁸⁶⁸ As observed there, US courts allow hyperlinking as well as deep-linking. The question arises whether one is allowed to use a third party’s registered or common law trade mark or trade mark name as a hyperlink or deep-link, which, when clicked on, transfers the Internet user to the trade mark proprietor’s web site or to a web page within this web site. Stated differently, does such use constitute trade mark infringement and/or dilution?

¹⁸⁶⁶ 46 F.Supp.2d 722 (N.D. Ohio 1999):729.

¹⁸⁶⁷ As Kelly & Bindstock 2001 put it: “[W]here the defendant needs to use the plaintiff’s trademark in its metatags because it accurately advises users that the content of its website has something to do with the plaintiff”. The *Bernina* judgment discussed above is a good example of nominative fair use.

¹⁸⁶⁸ See paragraphs 3.2.10.1 & 3.2.11.1 of chapter three.

Although no US court has explicitly dealt with these questions, it would appear that the court in *American Civil Liberties Union of Georgia et al v Zell Miller et al*¹⁸⁶⁹ was of the opinion that the law permits web site operators to use third parties' *trade marks* for the purpose of hyperlinks, as long as such use does not cause a substantial likelihood of confusion and further does not dilute the famous mark's distinctiveness. Where neither such confusion nor dilution occurs, such use is constitutionally protected by the web site operator's constitutional right to freedom of speech.

2.2.6. Framing – when frame includes a third party's trade mark

The technique of framing was discussed in the previous chapter.¹⁸⁷⁰ The question arises whether trade mark infringement or dilution occurs where the web page framed includes protected trade marks. Consequently, the framing web page displays the framed web page's content and trade marks.

No reported US judgment has addressed this issue. At least one US commentator is of the opinion that framing a web page, displaying third parties' trade marks, may constitute trade mark infringement as well as dilution: "Infringement would result here from the 'unauthorized use of proprietary marks for commercial purposes as they appear within the frame.' Dilution can be asserted due to the display of trademarks within a frame that includes a logo and URL of another organization."¹⁸⁷¹

2.2.7. Unlawful use of third parties' trade marks for keyword banner advertisements

2.2.7.1. Description of keyword banner advertisements

"Keyword banner advertisements" work as follows: A particular search engine operator, e.g. Yahoo, will allow A to display his digital banner(s) when a particular search is conducted by means of its (Yahoo's) search engine.¹⁸⁷² Therefore, say A is

¹⁸⁶⁹ 977 F.Supp. 1228 (N.D. Ga. 1997). A copy of this judgment can be downloaded from www.aclu.org/court/aclugavmiller.html.

¹⁸⁷⁰ See paragraph 3.2.9.1 of chapter three.

¹⁸⁷¹ Rose 1999.

¹⁸⁷² In *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc* 55 F.Supp.2d 1070 (C.D. Cal. 1999) the court explained this as follows: "As with other media, advertisers seek to maximize the efficacy of their ads by targeting consumers matching a certain demographic profile. Savvy web site operators accommodate the advertisers by 'keying' ads to search terms entered by users. That is, instead of posting ads in a random rotation, defendants program their servers to link a pre-selected set

searching for a Coca-Cola product and keys in "coca-cola" in the designated area on the search engine's web site, a Pepsi banner is displayed on the search engine's web site because Pepsi, a competitor of Coca-Cola, had previously instructed the search engine to display its digital banner when "coca-cola" is keyed in.

It can further be noted here that on the search result page, the banner advertisement is not displayed amongst the search results containing the "relevant" web site addresses and their brief descriptions. The banner advert is, generally, either displayed at the top of the web page or at the side of the web page.¹⁸⁷³ Furthermore, these banner adverts can be displayed either in a different format than the format used for listing the search results, such as a blinking display,¹⁸⁷⁴ or in a similar format. For example, Hotbot, Lycos and Google display the keyword adverts in normal text in a square box.

Furthermore, search engine operators sell these banner advertisements on a "per impression" basis which entails that they "receive advertising revenue from displaying a banner advertisement, regardless of whether or not an Internet user 'clicks' on the banner advertisement."¹⁸⁷⁵

2.2.7.2. Conflict between keyword banner advertisements and trade mark rights

In *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc*¹⁸⁷⁶ defendants (Netscape and Excite) operated search engines and used the plaintiff's trade mark names "Playboy" and "Playmate" as key terms for digital banner ads. In May 1998, defendants commenced selling advertising inventory for banner advertisements to be displayed in response to a pre-selected package of search queries to advertisers that operated adult entertainment Web sites. The words "Playboy" and "Playmate" were two of the words in this package of over 450 words. If an Excite or Netscape user employed one of these words as a search query, the

of banner ads to certain 'key' search terms. Defendants market this context-sensitive advertising ability as a value-added service and charge a premium." A copy of this judgment can be downloaded from www.mama-tech.com/peinet.html. Zimmerman 1999 puts it as follows: "Internet search engines are now prepared to sell the 'right' to have a company's banner advertisement emblazoned over the results that are returned when an Internet surfer searches for the name or brands of the company's competitors.

¹⁸⁷³ See e.g. www.google.com, www.lycos.com and www.hotbot.com.

¹⁸⁷⁴ See Gaffney 2000.

¹⁸⁷⁵ *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc (supra)*.

¹⁸⁷⁶ 55 F.Supp.2d 1070 (C.D. Cal. 1999). A copy of this judgment can be downloaded from www.mama-tech.com/peinet.html.

search results page displayed a banner advertisement from one of these advertisers. Because there were several advertisers who purchased banner advertisements triggered by the search queries in this package, their banner advertisements were displayed on a rotating basis.

When a computer user keyed the word "playboy" or "playmate" as a search enquiry, other entities' digital banners would, in addition to the search results, be displayed. The banner advertisements on the search results pages did not contain the words "playboy" or "playmate", nor did these advertisements claim or suggest that plaintiff was the source, sponsor, or affiliate of the advertisers, their web sites or their goods or services.

The plaintiff contended the defendants were guilty of trade mark infringement and dilution "(1) by marketing and selling the group of over 450 words, including 'playboy' and 'playmate' to advertisers, (2) by programming the banner ads to run in response to the search terms 'playboy' and 'playmate' (i.e. 'keying'), and (3) by actually displaying the banner ads on the search results page." The plaintiff further contended that such activities resulted in Internet users being diverted from either the plaintiff's official web site or web sites sponsored or approved by plaintiff to third parties' adult entertainment web sites.¹⁸⁷⁷ Plaintiff also contended that using the words "playboy" and "playmate," as keywords or search terms, were equivalent to using its trade marks "Playboy®" and "Playmate®". Moreover, it alleged that most users searching the Internet for "playboy" and "playmate" were indeed looking for its web sites, goods and services. Based on this theory, plaintiff argued that since defendants also speculated that users searching for "playboy" and "playmate" were looking for things related to Playboy® and Playmate®, defendants used the trade marks when they "linked" competing adult entertainment goods and services to the words "playboy" and "playmate".

Defendants replied that (1) their use of the words "playboy" and "playmate" did not constitute use of those words as trade marks, and (2) even if they did use the words as trade marks, a trademark does not confer an absolute property right on all uses of the protected terms, and that defendants' use of these terms was permitted as fair use, and (3) they had no intent to divert users from clicking on search results to clicking on banner ads.

¹⁸⁷⁷ The plaintiff did not contend that the defendants infringed or dilute its trade marks when their search engines generated lists of web sites relating to "Playboy" and "Playmate".

The first question of law was whether the defendants were using the plaintiff's trade marks in commerce. With regard to the plaintiff's contention that the defendants used its trade marks, the court maintained that "an Internet user cannot conduct a search using the trademark form of the words, i.e., Playboy® and Playmate®. Rather, the user enters the generic word 'playboy' or 'playmate.' ... the words 'playboy' and 'playmate' are English words in their own right, and that there exist other trademarks on the words wholly unrelated to PEI. Thus, whether the user is looking for goods and services covered by PEI's trademarks or something altogether unrelated to PEI is anybody's guess." For this reason the court held that "Plaintiff has not shown that defendants use the terms in their trademark form, i.e., Playboy® and Playmate®, when marketing to advertisers or in the algorithm that effectuates the keying of the ads to the keywords. Thus, plaintiff's argument that defendants 'use' plaintiff's trademarks falls short." Furthermore, the court was of the opinion that the words in question were not used to identify the source of any goods or services.

The court also stated that the defendants' use of the words "playboy" and "playmate", even if such use constituted "use in commerce", did not cause a likelihood of confusion. The plaintiff averred that defendants caused initial interest confusion by using the words "playboy" and "playmate". The court held that -

"[a]s English words, 'playboy' and 'playmate' cannot be said to suggest sponsorship or endorsement of either the web sites that appear as search results ... or the banner ads that adorn the search results page. Although the trademark terms and the English language words are undisputedly identical, which, presumably, leads plaintiff to believe that the use of the English words is akin to use of the trademarks, the holder of a trademark may not remove a word from the English language merely by acquiring trademark rights in it."

Furthermore, so the court held, "[n]either Excite nor Netscape have received any complaints or comments from consumers who believed that a banner advertisement on the Excite or Netscape search results page was a PEI advertisement or was somehow endorsed by, sponsored by or affiliated with PEI." In this way, the court distinguished this case from the *Brookfield's* judgment.¹⁸⁷⁸

¹⁸⁷⁸ The court, in *PEI v Netscape*, maintained that "the trademark at issue in *Brookfield* was not an English word in its own right. In *Brookfield*, the Court compared Brookfield's trademark 'MovieBuff' with competitor West Coast's use of the domain name 'moviebuff.com, and found them to be 'essentially identical' despite the differences in capitalization, which the Court considered 'inconsequential in light of the fact that Web addresses are not caps-sensitive . . .' ... However, the Court held that West Coast

The court was also of the opinion that plaintiff failed to prove that defendants were guilty of trade mark dilution: “[P]laintiff has not presented any evidence that defendants’ use of the words ‘playboy’ and ‘playmate’ causes any severance of the association between plaintiff and its marks Playboy® and Playmate®, much less in the minds of Internet users.” Therefore blurring was not proved. Furthermore, the plaintiff also failed to prove tarnishment: “[P]laintiff [failed] ... to show that associating marks admittedly famous for adult entertainment with other purveyors of adult entertainment somehow harms plaintiff’s marks.”

The court continued to note that a “trademark is not an omnibus property right or a monopoly on the use of the words in the trademark” and consequently a “trademark holder may not bar all use on the Internet of words in the English language”. Finally, the court held that “because Excite and Netscape use the words ‘playboy’ and ‘playmate’ as words in the English language rather than as trademarks, and do not use any stylized letters or logo, or in any other way suggest sponsorship or endorsement by PEI, Excite’s and Netscape’s use of the words is fair use.”

Finally, it can mentioned here that the US commentator Zimmerman explains the different views to keyword banner advertisements:

“Search engines and proponents of such advertising placements will maintain that trademark law is completely irrelevant because they are not making any trademark use of anyone’s marks. Placing a competitor’s ad above a list of search results that includes a company’s Web page link is very much like the billboard-across-the-street analogy, they will argue, because nothing about the position of the ad or its timing would lead consumers to believe that the advertiser must be affiliated with the brand-name goods or the company they were looking for in the first place ... Companies whose marks have been used as keywords, on the other hand, can argue that the company that puts up a billboard does not use its competitors’ mark in the process of doing so, whereas the search engine is essentially ‘selling’ rights to the competitor’s trademark, and that in these circumstances, the mark is used commercially to effect the ad presentation and intervene in a customer’s intended contact with a company ...

could use the term ‘Movie Buff’ (or, presumably, ‘movie buff’) with the space, as such is the ‘proper term for the “motion picture enthusiast” ... It cannot, however, omit the space.’ ... On the other hand, ‘in light of the fact that it is not a word in the English language, when the term “MovieBuff” is employed, it is used to refer to Brookfield’s products and services, rather than to mean “motion picture enthusiast.” ’ ... Second, the use by defendant of plaintiff’s trademark in *Brookfield* was more suspect because the parties competed in the same market - as online providers of film industry information.”

customized interventions ... only made possible by means of the unauthorized use of protected trademarks".¹⁸⁷⁹

He is also of the opinion that "[t]rademark law also seeks to prevent companies from 'free-riding' or trading off the goodwill of others. Such trading off can likewise take different forms ... why should a competitor be allowed a free ride on the trademark owner's efforts — especially when the free ride is effected by exploiting the trademark owner's mark?"¹⁸⁸⁰

On the basis of this judgment the following conclusions can be made:

- When a search engine operator sells rights to use a particular word as a keyword banner advert and such word constitutes a third party's trade mark name, the said operator commits neither trade mark infringement nor dilution. Specifically, no Internet user will assume or believe that a banner ad displayed, in conjunction with the search results, is either endorsed, affiliated with, or sponsored by, the trade mark proprietor whose trade mark name he used as a search query. Furthermore, no dilution occurs because no Internet user, according to the court, would believe that the banner ad is sponsored or linked with the proprietor whose trade mark name he used as a search term.
- The court stressed the fact the defendants did not use the plaintiff's trade marks as search term. It should be noted here that section 1114(1)(a), which governs trade mark infringement, does not require the defendant to use the plaintiff's trade mark as registered before trade mark infringement occurs. It only requires someone to use a "reproduction, counterfeit, copy, or colorable imitation of a registered mark" in commerce and for such use to cause a likelihood of confusion.
- Many questions still remain unanswered such as: Does the web site operator who registers the said trade mark name as a search term, with a specific search engine, commit trade mark infringement or trade mark dilution? If so, is the search engine operator contributorily liable for such trade mark infringement and/or dilution? All we know now is that the search engine operator is not directly liable for any trade mark infringement and/or dilution.

¹⁸⁷⁹ Zimmerman 1999.

¹⁸⁸⁰ Zimmerman 1999.

2.2.8. Unwanted linking – using trade mark name in linking code

In *Ford Motor Company v 2600 Enterprises et al*¹⁸⁸¹ the plaintiff was the owner of the registered and well-known “Ford” trade mark. It also owned the domain name www.ford.com. The defendant registered the domain name www.fuckgeneralmotors.com. When an Internet user keyed www.fuckgeneralmotors.com into his web browser, he was transferred to a web site containing the following words: “To learn more about FuckGeneralMotors.com click [here](#).” If the Internet user did not click on this link, he was automatically transferred, more or less five seconds later, to the plaintiff’s web site at www.ford.com. The defendant ensured this effect by using the plaintiff’s trade mark name, in the form of www.ford.com, in the programming code of the web site established for the domain name www.fuckgeneralmotors.com. The plaintiff alleged trade mark infringement as well a dilution.

With regard to the issue of trade mark dilution, the question of law was whether the defendant’s use of the Ford mark was commercial. The court was of the opinion that the respondent’s conduct did not constitute commercial use because -

- (a) the disputed domain name did not incorporate the plaintiff’s trade mark name; and
- (b) the US legislature did not intent to enable trade mark proprietors to use section 1125(c) as a tool for eliminating Internet links that, in their subjective view, somehow disparaged their trade marks: “Trademark law does not permit Plaintiff to enjoin persons from linking to its homepage simply because it does not like the domain name or other content of the linking webpage.” In a footnote the court elaborated upon this by stating: “In the offline context, consider a graffiti vandal painting ‘Fuck General Motors’ on a sign at Ford headquarters. While some other law may (or should) provide a remedy, it would be a stretch to conclude that trademark law had been violated. The same is true in this case.” Therefore identical considerations apply to section 1114(1)(a).

The court also criticised previous judgments: “[T]he implication in *Planned Parenthood* and *Jews for Jesus* that the ‘commercial use’ requirement is satisfied any time unauthorized use of a protected mark hinders the mark owner’s ability to establish a presence on the Internet or otherwise disparages the mark owner is flawed. Indeed,

¹⁸⁸¹ 177 F.Supp.2d 661 (E.D. Mich. 2001). A copy of this judgment can be downloaded from www.mied.uscourts.gov/_opinions/Clelandpdf/RHC01-71685.PDF.

many uses by persons other than the trademark holder are expressly placed outside the scope of [section 1125(c)]. Specifically, the statute provides that the use of famous marks 'in comparative commercial advertising,' in '[a]ll forms of news reporting and news commentary,' as well as any 'noncommercial use' (all of which frequently are designed to, and actually may, hinder the mark owner's commercial success) 'shall not be actionable under this section.' ... Courts additionally have extended protection to unauthorized uses of trademarks for the expressive purposes of comedy, parody, allusion, and so forth, even where the medium of expression is sold for money ... Criticism of a product likewise warrants exemption from the anti-dilution law." The court continued to state that defendant's use of the word "ford" in their programming code (in order to link from the disputed web site to plaintiff's web site) was "noncommercial." The court also noted that if the "commercial use" requirement in section 1125(c) is to have any meaning, it cannot be interpreted so broadly as to include any use that might disparage or otherwise commercially harm the mark owner.

The court was further of the opinion that the plaintiff failed to prove trade mark infringement in that the defendant did not use its trade mark in connection with goods or services: "Defendants' use of the FORD mark in their programming code, unlike the unauthorized use of a trademark as a domain name, does not inhibit Internet users from reaching the websites that are most likely to be associated with the mark holder. Second, where, as here, the unauthorized use in no way competes with the mark owner's offering of goods or services, the 'in connection with goods or services' requirement is not satisfied simply because a prospective user of the Internet may face some difficulty in finding the home page he is seeking."

2.2.9. Using a third party's trade mark as "wallpaper"

2.2.9.1. Description of "wallpaper"

When the term "wallpaper" is used in connection with a computer, it denotes the fact that a graphic image, which can be anything such as a picture of a landscape, is displayed as the background of e.g. a web site. Consequently, the graphic image is set as the background, while the web site's content is displayed over the background.

2.2.9.2. Conflict between trade mark rights and using trade mark names as wallpaper

The question arose whether a third party was allowed to use a proprietor's trade mark

name as wallpaper for his web site or for one of his web pages. The following two judgments address this question.

In *Paccar Inc v Telescan Technologies LLC*¹⁸⁸² the plaintiff was the owner of two registered and well-known trade marks, namely "Peterbilt" and "Kenworth", which it employed for the manufacturing of heavy trucks and truck parts. The defendant, owner of several web sites that provided truck locator services, registered several domain names which included the plaintiff's trade mark names. Even though the case did not deal with the use of trade mark names as wallpaper, the court enjoined the defendant, *inter alia*, from "using the Peterbilt or Kenworth trademarks, or any colorable imitation thereof, on its own web page(s) in a way such that it is likely to cause confusion on the part of consumers that the web page is associated with [plaintiff], Peterbilt or Kenworth, including the use of the trademarks as the title or as 'wallpaper' background of a web page."¹⁸⁸³

In *Playboy Enterprises Inc v Welles et al*¹⁸⁸⁴ the defendant, a former Playboy Playmate of the Year, used the plaintiff's trade mark "PMOY '81"¹⁸⁸⁵ as wallpaper for various web pages of her web site where she offered competing pornographic images for sale. The plaintiff alleged that such use constituted trade mark infringement. The defendant, in turn, contended that the alleged use was permitted in that it constituted fair use. The Ninth Circuit of Appeal was of the opinion that the repeated use of the plaintiff's trade mark did not constitute nominative fair use in that it was not necessary to describe the defendant: " 'Playboy Playmate of the Year 1981' is quite adequate. Moreover, the term does not even appear to describe Welles - her name or likeness do not appear before or after each 'PMOY '81.' "¹⁸⁸⁶

It is difficult to infer principles from these two judgments. It would, however, appear that US courts are not in favour of permitting web site operators to use third parties' trade marks as wallpaper for their web pages. Such use is only permitted where it is protected by one of the fair use defences.

¹⁸⁸² 115 F.Supp.2d 772. (E.D. Mich. 2000). A copy was obtained from Westlaw.

¹⁸⁸³ 15 F.Supp.2d 772. (E.D. Mich. 2000):781.

¹⁸⁸⁴ 162 F.3d 1169 (9th Cir. 2002). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/data2/circs/9th/0055009p.pdf>.

¹⁸⁸⁵ Which is an acronym for "Playmate of the Year 1981".

¹⁸⁸⁶ 162 F.3d 1169 (9th Cir. 2002):1628-1629. The court failed to state whether such use constituted trade mark infringement and/or dilution.

2.2.10. Court orders

Next, the study turns to various court orders, where it was held that the defendants made unlawful use of the plaintiffs' trade marks or trade mark names. The purpose of this observation is to ascertain whether the defendants were ordered to transfer the disputed domain names to the plaintiffs or whether they were merely ordered to cancel the said domain names. It is also ascertained which relief US courts normally granted when a third party made unlawful use of a proprietor's trade mark.

2.2.10.1. When the defendant uses the plaintiff's trade mark name as his domain name

In instances where the defendants unlawfully registered the plaintiffs' trade mark names as their domain names, US made various orders concerning these disputed domain names. Generally speaking, these judgments can be divided into two groups: A) Where the courts ordered the defendants to transfer the disputed domain names to the plaintiff, and B) where the courts merely ordered the defendants to cancel the domain names.

A) Transfer of domain names to plaintiff

The first group of judgments concerns instances where the courts ordered the defendants to relinquish all rights in the disputed domain names and to transfer them to the plaintiffs. In these instances, the defendant normally registered a domain name consisting of the plaintiff's trade mark plus the suffix dot-com, which diluted and/or infringed upon the plaintiffs' trade marks. These judgments normally ordered the defendants to transfer the disputed domain names to the plaintiffs and barred them from future registration and/or use of any confusingly similar domain names infringing upon the plaintiffs' trade mark rights.¹⁸⁸⁷

¹⁸⁸⁷ E.g. in *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999) the court ordered the defendant to "disclaim any right or entitlement to the URL NYSSCPA.COM, and [to] promptly take any and all actions reasonably necessary to assign or convey, at its own expense, any and all interest it may have in such URL to plaintiff NYSSCPA or any designee of the plaintiff". (At 334). A copy of this judgment was obtained from Westlaw. See also *E & J Gallo Winery v Spider Webs Ltd et al* 129 F.Supp.2d 1033 (S.D. Tex. 2001):1042 [a copy of this judgment was obtained from Westlaw]; *Diller v Steurken et al* 712 N.Y.S.2d 311 (N.Y. Sup. 2000) [a copy of this judgment was obtained from Westlaw]; *Ford Motor Company v Ford Solutions Inc* 103 F.Supp.2d 1126 (N.D. Iowa 2000):1129 [a copy of this judgment was obtained from Westlaw];

In some instances where the defendant registered a domain name consisting of the plaintiff's trade mark name, plus a suffix or prefix and a Top Level Domain, the court ordered the defendant to transfer the said domain name to the plaintiff.¹⁸⁸⁸

The case of *Green Products Co v Independence Corn By-Products Co*¹⁸⁸⁹ is noteworthy in that it deals with orders during the pendency of a trial. The defendant, a competitor of the plaintiff, registered a domain name incorporating the plaintiff's trade mark name. The plaintiff requested the defendant to transfer the disputed domain name to it during the pendency of the trial. The defendant refused to but stated that it would maintain no web site at this Internet address during the pendency of the case. The court ordered the defendant to transfer the domain name to the plaintiff during the pendency of the trial:

"[P]otential or actual customers might mistakenly conclude that [defendant] has purchased the [plaintiff], or that [plaintiff] has merged with [defendant]. This confusion could result in [plaintiff] losing both customers and revenue during the pendency of the litigation, and it would be impossible to calculate how much money or how many customers were lost."

The court also took into account the fact that the transfer of ownership of the domain name is not irreversible. The court continued to state that:

"Additionally, even though some customers who may have become accustomed to finding [defendant's] web page through the 'greenproducts.com' domain name may be initially upset when they find that the domain name 'greenproducts.com' has become the domain name for [plaintiff's] web page (if [plaintiff] prevails at trial), any harm that [defendant] may experience because of [plaintiff's] temporary ownership of the domain name could be tempered by a carefully designed web page or by hyperlinks to [defendant's] web page. Moreover, given [defendant's] goal of distinguishing its products from those of [plaintiff], the opportunity for [defendant] to establish a

Panavision International LP v Toeppen 945 F.Supp. 1296 (C.D. Cal. 1996):1306 [a copy of this judgment was obtained from Westlaw].

¹⁸⁸⁸ See e.g. *Prime Publishers Inc v American-Republican Inc* 160 F.Supp.2d 266 (D. Conn. 2001) where the plaintiff was the proprietor of the trade mark "Voices" and the defendant subsequently registered the confusingly similar domain name www.ctvoices.com. The court ordered the defendant to transfer the domain name to the plaintiff. A copy of this judgment can be downloaded from www.ctd.uscourts.gov/Opinions/080701.GLG.PrimePub.pdf.

¹⁸⁸⁹ 992. F.Supp. 1070 (N.D. Iowa 1997). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/green.html>.

comparative advertising web site located through the 'greenproducts.com' domain name could be even more advantageous to [defendant] if [plaintiff] has already attracted customers to the 'greenproducts.com' domain name."

It should also be mentioned that (at least) one court, after it held that the defendant's domain name infringed the plaintiff's trade mark, ordered the registrar to cancel the defendant's registration of the disputed domain name and to register the said domain name in the name of the plaintiff.¹⁸⁹⁰

Furthermore, one court enjoined the defendant from using the word "voices", which constituted the plaintiff's trade mark name, "whether standing alone or in combination with any generic or geographic terms, in connection with a website, domain name, metatag, search term, or search engine."¹⁸⁹¹

B) Cancellation of domain names

The second group of judgments concerns instances where the courts merely ordered the defendants to relinquish the disputed domain names, without transferring them to the plaintiffs.¹⁸⁹² In many of these instances, the courts further ordered that -

- the defendant should notify third parties of the fact that he will no longer do business by means of the disputed domain name. For example, in *Toys "R" Us v Akkaoui*¹⁸⁹³ the defendant registered a confusingly similar domain name (www.adultsrus.com) to the plaintiff's registered trade marks ending with the phrase

¹⁸⁹⁰ It should, however, be mentioned that the registrar was a party to the proceedings. See *Worldsport Networks Limited v Artinternet SA* 1999 US Dist LEXIS 6080 (E.D. Pa. 2000), as amended by 2000 US Dist. LEXIS 17 & 2000 US Dist LEXIS 18. A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/worldsport.html>.

¹⁸⁹¹ *Prime Publishers Inc v American-Republican Inc (supra)*. See also *Panavision International LP v Toeppen (supra)*:1306.

¹⁸⁹² See e.g. *Mattel Inc v Adventure Apparel* 2001 WL 1035140 (S.D.N.Y. 2001) [a copy of this judgment was obtained from Westlaw]; *Washington Speakers Bureau Inc v Leading Authorities Inc* 33 F.Supp.2d 488 (E.D. Va. 1999) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property/domain/wash299.html>]; *Archdiocese of St. Louis et al v Internet Entertainment Group Inc* 34 F.Supp.2d 1145 (E.D. Mo. 1999) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/Papalvisit.html>]; *Public Service Co of New Mexico v Nexus Energy Software Inc* 36 F.Supp.2d 436 (D. Mass. 1999):439 [a copy of this judgment was obtained from Westlaw]; *Minnesota Mining and Manufacturing Co v Taylor* 21 F.Supp.2d 1003 (D. Minn. 1998):1005 [a copy of this judgment was obtained from Westlaw].

¹⁸⁹³ 40 USPQ.2d 1836 (N.D. Cal. 1996). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/domain/dncases/toysrus.htm>.

"R Us", which it used for the selling of pornographic images. The court maintained that the defendant was guilty of trade mark dilution and ordered that -

"Defendants shall immediately notify in writing and direct all publishers of directories or lists, including Internet search engines, in which Defendants' 'Adults R Us' name appears, to delete all references to this name from their public databases, search engine directories, directory assistance, and from all future directories in which said name is to appear, and to delete all forwarding or 'cache memory' or storage mechanisms referencing such name, and that Defendants shall notify their customers, subscribers, and correspondents who have done business or communicated with them, during the period that they have used the name 'Adults R Us' on their Internet Web site or used 'adultsrus.com' as their domain name, of their name change or that they no longer do business under this name."¹⁸⁹⁴

In *Online Partners.Com Inc v AtlanticNet Media Corp*¹⁸⁹⁵ the court also ordered the defendant to inform all publishers of banner advertisements of the above-mentioned. The court further ordered the defendant to -

"immediately notify in writing, and by electronic mail (e-mail), all publications, or Web sites in which advertisements, banners, references, hyperlinks or metatags appear or are known to reference or to refer to defendant's 'gaynet.com' domain name or defendant's 'gaynet' name, directing them to cancel all advertisements and references to defendant as and under such names or as 'gaynet.com'".

- defendant was allowed to display a temporary notice on its web site, informing its users of the new web site where it would be conducting future business. For example, in *Hasbro Inc v Internet Entertainment Group Ltd et al*¹⁸⁹⁶ the defendant registered an Internet address (www.candyland.com) incorporating the plaintiff's trade mark name ("Candyland"), which it used for selling pornographic images. The court held that the defendant was guilty of trade mark dilution. Not only did the court prohibit the defendant from using this domain name or any similar domain name which was likely to dilute the value of the plaintiff's trade mark, but also

¹⁸⁹⁴ See also *Worldsport Networks Limited v Artinternet (supra) & Archdiocese of St. Louis et al v Internet Entertainment Group Inc (supra)* where the court ordered the defendants to direct in writing all search engine operators to delete references to the names and marks from their search engine directories.

¹⁸⁹⁵ 2000 WL 101242 (N.D. Cal. 2000). A copy of this judgment was obtained from Westlaw.

¹⁸⁹⁶ 40 USPQ.2d 1479 (W.D. Wash. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/Hasbro_v_IEG.html.

mandated that -

"defendants shall immediately remove all content from the 'candyland.com' site. However, defendants shall be allowed to post a 'referral notice' at the URL address 'http: www.candyland.com' until May 5, 1996,¹⁸⁹⁷ which shall provide the new location of defendants' Internet site. The referral notice shall not contain any hyperlink to defendants' new site or sites, or to any other site. After the expiration of the 90 day referral period, defendants must remove the referral notice and thereafter discontinue any use, either direct or indirect, of the name domain name 'candyland.com.' "

- defendant was prohibited from using an identical or confusingly similar mark to plaintiff's trade mark on his (i.e. defendant's) web pages. For example, in *Referee Enterprises Inc v Planet Ref Inc et al*¹⁸⁹⁸ the defendant registered a domain name (www.ereferee.com) which was confusingly similar to the plaintiff's registered trade mark ("Referee"). After finding that the defendant was guilty of trade mark infringement and dilution, the court enjoined the respondent from "[u]sing the mark REFEREE or any other mark confusingly similar to [plaintiff's] REFEREE trademark, either alone or in combination with other words ... as a mark, domain name or highlighted term or in any way other than in common textual reference, any other mark or second-level domain name including the term 'referee' in any form".

Special note should be taken of *Washington Speakers Bureau Inc v Leading Authorities Inc*¹⁸⁹⁹ where the court explained the considerations it had to take into account, when it found that the defendant had used a domain name or domain names that infringed upon or diluted the plaintiff's trade mark, before it could make any order:

"Nothing in trademark law requires that title to domain names that incorporate trademarks or portions of trademarks be provided to trademark holders. Instead, the law simply prevents others from making use of a company's trademarks in a manner likely to confuse the consuming public. As a result, [plaintiff's] victory in its infringement suit does not mean that [defendant] must transfer ownership of the names to [plaintiff]; it simply means that [defendant] must cease using the infringing domain names. In addition, it means that [defendant] must ultimately relinquish ownership of the names,

¹⁸⁹⁷ Approximately 3 months from the date on which the interdict was granted.

¹⁸⁹⁸ 2001 US Dist LEXIS 9303 (E.D. Wis. 2001). A copy of this judgment can be downloaded from www.loundy.com/CASES/Referee_Ent_v_Planet_Ref.html.

¹⁸⁹⁹ *Supra*.

for if [defendant] were permitted to retain registration of the names, even after it had been ordered to make no further use of them, it would be in a position to use this registration as a club to extort payment from [plaintiff]; this behavior, known as 'cybersquatting,' constitutes continued infringement of the mark ... As a result, enforcement of the judgment requires [defendant] to return the domain names to the appropriate domain name registrar or registrars, at which point the names will be again available on a first-come, first-served basis to any interested takers ... Since [defendant] is to return the names to the domain name registrar, not transfer them to [plaintiff], enforcement of the judgment carries some risk that the domain names will thereafter be registered to a stranger to this lawsuit, leaving [defendant] without the means to reclaim the names were it to succeed in its appeal ... It is further ORDERED that [defendant] shall give notice to [plaintiff] of the precise date on which it will relinquish the domain names to Network Solutions, Inc., or the appropriate domain name registrar, thus minimizing the risk that the names will be registered to a third party in the interim."

Finally, note should also be taken of *Morrison & Foerster v Wick*.¹⁹⁰⁰ The plaintiff was the proprietor of the registered and famous trade mark "Morrison & Foerster". The defendant, a cybersquatter, registered four domain names namely www.morrisonandfoerster.com, www.morrisonfoerster.com, www.morrisonandforester.com and www.morrisonforester.com. The court, after finding that the defendant violated the provisions of the *Anti-Cybersquatting Consumer Protection Act*, ordered the defendant to transfer the first two domain names to the plaintiff. However, the court directed that the two remaining domain names, which were misspellings of the plaintiff's trade mark name, be cancelled.

2.2.10.2. When the defendant uses a third party's trade mark on his web pages

An example of a court order where the defendant made unlawful use of the plaintiff's trade marks on his web pages can be found in *Bargain Bid LLC v uBid Inc et al.*¹⁹⁰¹ The court ordered the defendant (1) to remove any mark that is identical or confusingly similar to the plaintiff's mark from his web pages as metatags, (2) to remove any such identical or confusingly similar mark used as a navigation aid or as a title or source identifier on these web pages; and (3) to de-list the web site from any search engine.

¹⁹⁰⁰ 94 F.Supp.2d 1125 (D. Co. 2000). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/ilaw/DomainNames/MorrisonFoerster.htm>

¹⁹⁰¹ 2000 WL 978706 (E.D.N.Y. 2000). A copy of this judgment was obtained from Westlaw.

Other courts have also, where the defendant used the plaintiff's mark on his web site without the latter's authorisation, prohibited the defendant from representing by any means whatsoever, directly or indirectly, that he or his performance, including his web site, is associated in any way with the plaintiff or his performance.¹⁹⁰²

US courts have further ordered the defendant to -

- cease using the plaintiff's trade mark or a mark confusingly similar to the latter's mark on his web site;¹⁹⁰³ and
- deliver up for destruction all web site copies, in any media or form, in his possession, custody or control bearing certain names or marks as well as all computer media, disks or other media containing such information for destruction or to be deleted, with evidence and proof of such deletion to be provided in verified form to the court and to the plaintiff.¹⁹⁰⁴

In *Florists' Transworld Delivery Inc v Originals Florist & Gifts Inc et al*¹⁹⁰⁵ the defendants used the plaintiff's trade marks on their web site, without the latter's authorisation. The court held that the defendants were guilty of trade mark infringement. The plaintiff sought an interdict ordering the defendants to disable their entire web site, arguing that search engines would continue to indicate the defendants' web site as relevant to an enquiry using the plaintiff's trade mark name, and which could either cause confusion amongst Internet users or dilute or tarnish the plaintiff's trade mark reputation. The court was of the opinion that such an order would not be appropriate under the circumstances:

"This proposed remedy strikes us as too extreme. While we understand [plaintiff's] concerns about lost business, we must also consider the potential harm imposed on Defendants by a complete shutdown of its web site. At this juncture, we believe the better course is to order Defendants to remove from their web site any and all appearances of [plaintiff's] trademarks and service marks ... In addition, to quell [plaintiff's] concerns about the search engine indexes, we order Defendants to remove from its metatags any and all references to [plaintiff]. These changes will erase the

¹⁹⁰² *Diller v Steurken et al* 712 N.Y.S.2d 311 (N.Y. Sup. 2000). A copy of this judgment was obtained from Westlaw.

¹⁹⁰³ See *Online Partners.Com Inc v AtlanticNet Media Corp* 2000 WL 101242 (N.D. Cal. 2000). A copy of this judgment was obtained from Westlaw.

¹⁹⁰⁴ *Online Partners.Com Inc v AtlanticNet Media Corp* (*supra*).

¹⁹⁰⁵ 57 USPQ.2d 1079 (N.D. ILL. 2000). A copy of this judgment can be downloaded from www.ilnd.uscourts.gov/RACER2/index.html and www.comm.uiuc.edu/helle/FTD.htm.

indication that Defendants are [plaintiff] licensees ... yet stop short of foreclosing all opportunities for Defendants to do business over the Internet. We think the balancing of equities embraces this remedy.”

2.3. Conclusion: The US law at present

2.3.1. General

The US position may, therefore, be summarised as follows:

- a) A web site owner is permitted to use a third party's trade mark on the Internet either to distinguish his performance from the latter or to describe his (the entrepreneur's) performance.
- b) A web site owner is also allowed to use a third party's trade mark on his web site in order to criticise the latter. Such use is permitted by both the *Lanham Act's* fair use provision and well as by the *First Amendment*.
- c) A web site owner may use a third party's trade mark on his web site for the purpose of comparative advertisement. Such use is permitted by both the *Lanham Act's* fair use provision and well as by the *First Amendment*.
- d) Where a competitor uses his business rival's trade mark as his domain name, he is guilty of trade mark infringement and dilution.¹⁹⁰⁶
- e) When either a competitor or non-competitor incorporates a third party's trade mark in his domain name together with a suffix or a prefix that does not adequately distinguish this domain name from the third party's trade mark and/or performance, the former is guilty of trade mark infringement as well as dilution.
- f) An entrepreneur is allowed to register his surname or nickname as a domain name, even if his surname or nickname also constitutes the well-known and/or registered trade mark of a third party, provided that the parties to the dispute are not competitors. Where these parties are competitors, the entrepreneur must either add a suffix to this surname to distinguish his domain name from the third party's trade mark or he must display a prominent disclaimer to avoid confusion.
- g) A is allowed to register a domain name consisting of B's trade mark name together with the word "sucks", which he uses to criticise the latter's business or performance. A's domain name is protected by both the *Lanham Act's* fair use

¹⁹⁰⁶ See *Azta Corp v MGM Casino* 59 USPQ.2D 1460 (E.D. Va. 2001):1464. A copy of this judgment was obtained from Westlaw.

provision as well as his constitutional right to freedom to speech.

- h) US courts maintain that the fact that spaces, capital letters and certain symbols (such as ampersands and apostrophes) cannot be used in the composition of a domain name is insignificant.¹⁹⁰⁷ Stated differently, their omission does not distinguish the disputed domain name from the plaintiff's trade mark name. Likewise, the additional of a Top Level Domain to a third party's trade mark name does not distinguish the disputed domain name from the said trade mark. In fact, it is ignored in the comparison process.¹⁹⁰⁸
- i) Where A registers either a domain name incorporating B's trade mark name or a domain name that is confusingly similar to B's trade mark name, which domain name A subsequently employs for pornography, A tarnishes the value of B's trade mark, where B does not use his trade mark for lewd content.¹⁹⁰⁹ However, some courts have added that this fact (namely that the defendant associates his use of an identical or confusingly similar trade mark with lewd content) is only important where the plaintiff can "also show that people regularly assume that it is somehow connected with the tainted version of that mark. If there is no confused belief in a connection, then there is no actionable harm."¹⁹¹⁰ US courts have also found tarnishment present where A, a for-profit organisation, used B's, a non-profit

¹⁹⁰⁷ For example, the court in *E & J Gallo Winery v Spider Webs Ltd* 129 F.Supp.2d 1033 (S.D. Tex. 2001) held that the disputed domain name www.ernestandjuliogallo.com was identical to the plaintiff's trade mark "Ernest & Julio Gallo". (At 1041). A copy of this judgment was obtained from Westlaw. See also *TCPIP Holding Company Inc v HAAR Communications Inc et al* 244 F.3d 88 (2nd Cir. 2001) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/February01/99-7744.html]; *Sporty's Farm v Sportman's Market* 202 F.3d 489 (2nd Cir. 2000) [a copy of this judgment can be downloaded from www.tourolaw.edu/2ndcircuit/february00/98-7452.html].

¹⁹⁰⁸ See *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation* 2001 Tex. App. LEXIS 5355 (Tex. Ct. App. 2001) where the court stated that "[a] trademark plus '.com' is, 'for all intents and purposes, identical in terms of sight, sound, and meaning' to the trademark alone." A copy of this judgment can be downloaded from www.law.com. See also *Hard Rock Cafe Intern (USA) Inc v Morton* 1999 WL 717995 where the court noted that "as a general matter, 'the ".com" portion of the domain name has no trademark significance and is essentially the generic locator for all names in that top level domain' ... The '.com' portion of the domain name is 'simply a routing instruction that helps computers find each other.' ... The use of the 'hardrockhotel.com' domain name in this case does not constitute more than the use of the licensed trade name 'Hard Rock Hotel,' ". A copy of this judgment was obtained from Westlaw. See further *TCPIP Holding Company Inc v HAAR Communications Inc et al* (*supra*); *Northland Insurance Companies v Blaylock* 115 F.Supp.2d 1108 (D. Minn. 2000):1119 [a copy of this judgment was obtained from Westlaw].

¹⁹⁰⁹ See *Alta Vista Corp Ltd v Digital Equipment Corp* 44 F.Supp.2d 72 (D. Mass. 1998):80. A copy of this judgment was obtained from Westlaw.

¹⁹¹⁰ *Alta Vista Corp Ltd v Digital Equipment Corp* (*supra*):80.

organisation, trade mark in such a way that it indicated an affiliation between A and B.

- j) US courts take the "initial interest confusion" doctrine into consideration when determining whether the defendant's domain name causes a likelihood of consumer confusion. A disclaimer on the defendant's web site, established for a domain name incorporating the plaintiff's trade mark name, cannot oust the initial interest confusion caused by the domain name where (1) the parties are competitors or (2) where the defendant's performance may act as a substitute for the plaintiff's performance or (3) where the defendant may benefit himself or a third party commercially from the web site established for the aforementioned domain name. This aspect is further discussed below.¹⁹¹¹
- k) When a web site owner registers a domain name incorporating the trade mark name of a third party with the intent to deceive Internet users into thinking that they will enter the third party's web site, such conduct is not protected by his constitutional right to freedom of speech. In such instances the principles of trade mark law prevails.
- l) Internet users assume that a web site which consists of a business' trade mark name together with the TLD dot-com, is the official web site of that business.
- m) The majority of US courts maintain that before the registration of a third party's trade mark name as one's domain name can constitute either trade mark infringement or dilution, one must have established a web site for the said domain name. Where no such web site exists, proceedings can only be instituted in terms of ACPA. Stated differently, mere registration of a domain name does not constitute "use in commerce", as required by the *Lanham Act* for trade mark infringement and dilution.¹⁹¹² This aspect is discussed further below.
- n) A web site owner is allowed to use the trade mark name of a third party as metatags for his web site where such use either constitutes nominative fair use (i.e. he uses the trade mark name to refer to the third party's performance, which includes criticism) or descriptive fair use (i.e. the trade mark name describes the web site owner's performance).
- o) The public interest is always in favour thereof that Internet users should not be

¹⁹¹¹ See paragraph 2.3.3 of this chapter.

¹⁹¹² See also *Cline v 1-888-Plumbing Group Inc* 146 F.Supp.2d 351 (S.D.N.Y. 2001):369 [a copy of this judgment was obtained from Westlaw]; *Panavision International v Toeppen* 945 F.Supp. 1296 (C.D. Cal. 1996):1303 [a copy of this judgment was obtained from Westlaw].

deceived or confused.¹⁹¹³

- p) Bad faith refers to the scenario where the defendant -
- (1) adopted the plaintiff's mark with the intention of capitalising on the latter's reputation and goodwill and any confusion between his and the latter's (i.e. the senior user's) performance;¹⁹¹⁴
 - (2) registered a domain name with the knowledge that it incorporates a competitor's mark.¹⁹¹⁵
- q) US courts maintain that the simultaneous use of the Internet as a marketing and advertising tool exacerbates the likelihood of confusion.¹⁹¹⁶
- r) The courts have resoundingly stated that whenever "a party registers another's trademark as a domain name, the trademark owner is effectively enjoined from using its own trademark to identify its own goods and services on the Internet. This de facto injunction whittles away at the trademark's ability to distinguish the true owner's goods and services and therefore constitutes dilution."¹⁹¹⁷

US courts have also maintained that the following conduct constitutes "commercial use": When A registers a domain name, incorporating or imitating a third party's trade mark name, and -

- a) then offers to sell it.¹⁹¹⁸ In fact, US courts maintain that where the disputed web site itself is non-commercial, the act of offering to sell the domain name is regarded as commercial use.¹⁹¹⁹

¹⁹¹³ See *Electronic Boutique Holdings Corp v Zuccarini* 2000 US Dist LEXIS 15719 (E.D. Pa. 2000) [a copy of this judgment can be downloaded from www.gigalaw.com/library/electronicboutique-zuccarini-2000-10-30-p1.html]; *Ford Motor Co v Lapertosa* 126 F.Supp.2d 463 (E.D. Mich. 2001):467 [a copy of this judgment was obtained from Westlaw].

¹⁹¹⁴ *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999):348. A copy of this judgment was obtained from Westlaw.

¹⁹¹⁵ *Prime Publishers Inc v American-Republican Inc* 160 F.Supp.2d 266 (D. Conn. 2001). A copy of this judgment can be downloaded from www.ctd.uscourts.gov/Opinions/080701.GLG.PrimePub.pdf.

¹⁹¹⁶ See *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation (supra)*; *iCARumba Inc v Inter-Industry Conference on Auto Collision Repair* 57 USPQ.2d 1151 (W.D. Wash. 2000):1154 [a copy of this judgment was obtained from Westlaw]; *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999) [a copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>]. In *Toys "R" Us Inc et al v Abir et al* 45 USPQ.2d 1944 (S.D.N.Y. 1997) the court noted (at 1948) that "the cyberspace medium renders it especially difficult for consumers to evaluate any quality differences between the plaintiffs' and the defendants' products." A copy of this judgment was obtained from Westlaw.

¹⁹¹⁷ *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation (supra)*.

¹⁹¹⁸ See also *Toys "R" Us Inc et al v Abir et al (supra)*:1948.

- b) in this way lures and/or intercepts potential consumers and/or visitors of the third party to his web site where he sells competing goods or criticises the third party, thus preventing Internet users from reaching the third party's web site.
- c) offers competing goods or services at, or by means of, the web site established for this domain name.
- d) includes on this web site hyperlinks transferring the Internet user to a commercial web site, either belonging to A or to an unrelated third party.
- e) in this way affects the third party's ability to offer his services or goods by means of the Internet and thus prevents Internet users, who may constitute potential customers, from reaching the third party's web site.¹⁹²⁰ In this way A uses the third party's mark in connection with the distribution of services. However, US courts are divided on this issue.
- f) maintains an interactive web site that sends out information regarding his (upcoming) services and solicits names for mailing lists. This constitutes advertisement and solicitation.¹⁹²¹
- g) enters into a sales contract over the Internet, irrespective of where the goods are shipped to, and puts his trade mark on the aforementioned goods or displays them on his web site.¹⁹²²
- h) distributes, by means of the web site established for this domain name, software for end-users over the Internet, free of cost.¹⁹²³

The mere registration of a domain name does not constitute "commercial use in commerce".¹⁹²⁴ The courts have normally stated that trade mark infringement occurs

¹⁹¹⁹ See also Moy 1998(b):14.

¹⁹²⁰ For example in *Trade Media Holdings Ltd v Huang & Associates* 123 F.Supp.2d 233 (D.N.J. 2000) the court noted that "[u]sing a domain name [which incorporates the plaintiff's trade mark name] to operate a website is a 'use in commerce' because it affects a plaintiff's ability to offer services ... Defendant's actions were likely to have an effect on plaintiff's ability to offer its goods and services because the [confusingly similar domain name] site prevented prospective customers for plaintiff from reaching that site and promoted its own goods and services". (At 242). A copy of this judgment was obtained from Westlaw.

¹⁹²¹ *Euromarket Designs Inc v Crate & Barrel Ltd* 96 F.Supp.2d 824 (N.D. ILL. 2000):832. A copy of this judgment was obtained from Westlaw.

¹⁹²² *Euromarket Designs Inc v Crate & Barrel Ltd (supra)*:832.

¹⁹²³ See *Planetary Motion Inc v Techplosion Inc et al* 261 F.3d 1188 (11th Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/11th/0010872man.html>.

¹⁹²⁴ See also e.g. *555-1212.com Inc v Communication House Intern Inc* 157 F.Supp.2d 1084 (N.D. Cal. 2001):1092 [a copy of this judgment was obtained from Westlaw]; *Lockheed Martin Corporation v Network Solutions Inc* 985 F.Supp. 949 (C.D. Cal. 1997) [a copy of this judgment can be downloaded

where a web site is established for that particular domain name or where the domain name is used for other forms of communication in connection with goods or services.¹⁹²⁵ Likewise, in the context of trade mark dilution, US courts maintain that the mere use of another's trade mark name on a web page does not *per se* constitute commercial use.¹⁹²⁶

In conclusion it can be stated that in the US not each and every unauthorised use of a third party's trade mark name constitutes trade mark infringement: Firstly, a likelihood of confusion must exist, and secondly, the use of the third party's trade mark name must not fall within the parameters of either the *Lanham Act's* fair use defence or the defendant's constitutional right to freedom of speech.¹⁹²⁷ An example of such protected use is where the defendant employs the plaintiff's trade mark for the purpose of comparison, criticism or point of reference.¹⁹²⁸ In these instances, such use of the third party's trade mark name does not imply sponsorship or affiliation.¹⁹²⁹

2.3.2. Determining whether a likelihood of confusion is present

As stated above,¹⁹³⁰ a court, when determining whether a likelihood of confusion exists, uses the criterion of "ordinary, reasonable consumers". The question that US courts had to address was: Can this criterion be applied to the Internet without any modifications? Stated differently, how does one determine whether the reasonable Internet user will be confused, under given circumstances? Specifically, the courts addressed the degree of care likely to be exercised by Internet users, as one of the factors to be taken into account whether a likelihood of confusion exists. Although US courts have given contradictory opinions regarding the sophistication of Internet users,

from www.loundy.com/CASES/Lockheed_v_NSI.html]; *Academy of Motion Picture Arts and Sciences v Network Solutions Inc* 989 F.Supp. 1276 (C.D. Cal. 1997):1279 [a copy of this judgment was obtained from Westlaw].

¹⁹²⁵ See *Lockheed Martin Corporation v Network Solutions Inc* (*supra*).

¹⁹²⁶ See *Bally Total Fitness Holding Co v Faber* 29 F.Supp.2d 1161 (C.D. Cal. 1998):1166. A copy of this judgment was obtained from Westlaw.

¹⁹²⁷ See *Yankee Publishers Inc v News America Publishers Inc* 809 F.Supp. 267 (S.D.N.Y. 1992):273. A copy of this judgment was obtained from Westlaw.

¹⁹²⁸ See *The New Kids On The Block et al v News America Publishing Inc et al* 971 F.2d 302 (9th Cir. 1992). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/Fisher/integrity/Links/Cases/newkids.html>.

¹⁹²⁹ See *The New Kids On The Block et al v News America Publishing Inc et al* (*supra*).

¹⁹³⁰ See paragraph 2.1.3.1 of this chapter.

an attempt will be made here to set forth the general considerations US courts take into account.

Firstly, the parties bear the *onus* to address this factor.¹⁹³¹ They must indicate to the court the sophistication (i.e. the standard of care) of the class of buyers who are prospective purchasers of the parties' products. The court should not determine the sophistication of the entire Internet community or of casual web site visitors to the plaintiff's web site.¹⁹³²

Secondly, the court must ascertain, when determining the level of sophistication of the parties' Internet consumers, (1) what type of services or goods are involved,¹⁹³³ (2) the manner in which these products and/or services may be purchased on the web, and (3) any requirements imposed upon prospective buyers,¹⁹³⁴ such as the fact that they can only pay by means of e-cash.

With regard to the type of services or goods offered, the courts have maintained that -

- in the case of entertainment services, such as the renting of videos and the provision of information concerning celebrities, by means of the Internet, consumer

¹⁹³¹ *Shade's Landing Inc v Williams* 76 F.Supp.2d 983 (D. Minn. 1999):987. At 991 the court stated that "[n]either party has submitted substantial evidence or argument addressing this factor, and the Court finds that it is not significantly weighted in either direction." A copy of this judgment was obtained from Westlaw.

¹⁹³² See *BigStar Entertainment Inc v Next Big Star Inc et al* 105 F.Supp.2d 185 (S.D.N.Y. 2000). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>.

¹⁹³³ In *Jews for Jesus v Brodsky* 993 F.Supp. 282 (D.N.J. 1998) the plaintiff was the owner of the registered and well-known trade mark "Jews for Jesus". The plaintiff was also the owner of the domain name "www.jews-for-jesus.org" which it used for e-commerce purposes. The defendant, an opponent to the views of the plaintiff, registered the domain name www.jewsforjesus.org where he voiced negative comments and included a disclaimer stating that the web site was not affiliated with the plaintiff. The plaintiff alleged that the defendant was guilty of trade mark infringement. The defendant, in turn, argued that if Internet users were able to access his Internet site, then those users were sophisticated enough to realise that his Internet site was not affiliated with the plaintiff's web site. The court rejected this argument, maintaining that it "ignores the fact that an individual may be a sophisticated user of the Internet but may be an unsophisticated consumer of information about religious organizations. Such a user may find his or her way to the Defendant Internet site and then may be confused ... In addition, considering the vastness of the Internet and its relatively recent availability to the general public, many Internet users are not sophisticated enough to distinguish between the subtle difference in the domain names of the parties." A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/jfj.html>

¹⁹³⁴ See *BigStar Entertainment Inc v Next Big Star Inc et al* (*supra*).

sophistication is low in that all types of consumers visit the parties' respective web sites;¹⁹³⁵

- where both parties offer free services by means of the Internet, consumer sophistication is minimal;¹⁹³⁶
- where both parties' products and/or services are expensive or at least the one party's products and/or services are expensive, consumers are expected to exercise a high degree of care;¹⁹³⁷
- where the plaintiff sells insurance, purchasers exercise a high degree of care;¹⁹³⁸

¹⁹³⁵ In *BigStar Entertainment Inc v Next Big Star Inc et al (supra)* the court held: "Within the general public, the number of people who display interest in entertainment services and who may visit the websites and purchase the services provided by both plaintiff and defendants, is vast and is likely to encompass individuals from every corner of society. It may reach both the casual and the discriminating, those who are very knowledgeable, the professionals and the sophisticated devotees, as well as ordinary, unknowledgeable people who avail themselves of all accessible outlets for entertainment. The degree of sophistication embodied by this diverse audience will vary correspondingly."

¹⁹³⁶ In *Maritz Inc v Cybergold Inc* 947 F.Supp.1328 (E.D. Mo. 1996) the court noted that "Internet users who subscribe to the CyberGold and GoldMail service are ordinary customers. Because these customers can or will subscribe to the two internet services free of any cost, to them, it follows that the degree of care used by the ordinary customers will likely be minimal, increasing the potential for confusion." A copy of this judgment can be downloaded from www.loundy.com/CASES/Maritz_v_Cybergold2.html. See also *Northern Light Technology Inc v Northern Lights Club* 97 F.Supp.2d 96 (D. Mass. 2000):113. A copy of this judgment was obtained from Westlaw.

¹⁹³⁷ In *Interstellar Starship Services Ltd v Epix Inc* 184 F.3d 1107 (9th Cir. 1999) the Ninth Circuit of Appeal stated that "Epix's [the complaining party's] customers are sophisticated industry and university researchers, and Epix's goods cost in the range of several thousand to tens of thousand dollars ... Sophisticated purchasers of expensive goods should eventually be able to find exactly what they are searching for [on the Internet]." A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=search&case=/data2/circs/9th/9835142.html>.

See also *ImOn Inc v ImaginOn Inc* 90 F.Supp.2d 345 (S.D.N.Y. 2000). The plaintiff and defendant had similar trade marks. The defendant's product was much more expensive than the plaintiff's and consequently only corporations used the defendant's product. Both parties, although not competitors, sold their products by means of the Internet. The court simply stated that sophisticated corporate customers would not be confused by any similarity in the names of their products and would enquire as to the nature of each product or service. (At 353). A copy of this judgment was obtained from Westlaw. See also *CCBN.com Inc v c-call.com Inc* 1999 US Dist LEXIS 18187 (D. Mass. 1999). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/CCBN.html>.

¹⁹³⁸ In *Northland Insurance Companies v Blaylock* 115 F.Supp.2d 1108 (D. Minn. 2000) the court observed "that insurance is the type of product that implicitly reflects a high degree of consumer care when making purchasing decisions. Furthermore, the purchaser of insurance services is apt to exercise an even higher degree of care when using the Internet to attempt to reach plaintiff's business." (At 1122). A copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/northland.pdf>.

- where the parties are not competitors and the goods or services they offer differ completely and their trade marks and domain names differ, Internet users will not be confused as to an association between the parties;¹⁹³⁹ and
- “[n]avigating amongst web sites involves practically no effort whatsoever, and arguments that Web users exercise a great deal of care before clicking on hyperlinks are unconvincing.”¹⁹⁴⁰

However, it has been observed that, even though the parties use virtually identical trade marks for their services on the Internet, Internet users are able to distinguish between a search engine and a literary service.¹⁹⁴¹

In instances where the defendant incorporated the plaintiff’s trade mark name into his domain name or used the plaintiff’s trade mark name as a metatag for his web site, the courts maintained that this type of confusion affects all Internet users and consequently the sophistication criterion is was irrelevant.¹⁹⁴² Two exceptions to this general principle have been identified:

¹⁹³⁹ In *BigStar Entertainment Inc v Next Big Star Inc et al (supra)* the court noted: “The Court deems it unlikely that an appreciable number of ordinary, reasonably informed potential customers searching for ‘bigstar.com’ to purchase a video or obtain movie star information who mistakenly navigate to the talent search at ‘nextbigstar.com’ would be confused in that they would assume, despite the dissimilarities in the marks, that the two websites are associated.” See also *NVST.com Inc v Nvest LLP et al* 2002 US App. LEXIS 2336 (9th Cir. 2002). A copy of this judgment was obtained from LEXIS.

¹⁹⁴⁰ *Goto.com v The Walt Disney Company et al* 202 F.3d 1199 (9th Cir. 2000). A copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9956691>.

¹⁹⁴¹ In *Alta Vista Corp Ltd v Digital Equipment Corp* 44 F.Supp.2d 72 (D. Mass. 1998) the court was of the opinion that Internet users are sufficiently sophisticated to distinguish between a search engine and an online literary service, even though the parties to the dispute used similar trade marks (“Alta Vista” and “AltaVista”). (At 78). A copy of this judgment was obtained from Westlaw.

¹⁹⁴² In *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* 86 F.Supp.2d 176 (W.D.N.Y. 2000) the plaintiff owned the registered and well-known trade mark “The Buffalo News” which it used for marketing its newspaper, The Buffalo News. The defendant registered the domain name www.thebuffalonews.com where it provided a public forum for criticism of plaintiff’s web site. The plaintiff averred that the defendant was guilty of trade mark infringement. The court stated that “the particular type of confusion caused by defendants’ use of the [plaintiffs’ trade mark as a] domain name afflicts sophisticated Internet users no less than it does unsophisticated users.” A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>. See also *Jews for Jesus v Brodsky (supra)* where the court stated that “considering the vastness of the Internet and its relatively recent availability to the general public, many Internet users are not sophisticated enough to distinguish between the subtle difference in the domain names of the parties.” The case of *Green Products Co v Independence Corn By-Products Co* 992 F.Supp. 1070 (N.D. Iowa 1997) is also instructive. The

- a) Where the relevant products or services are expensive. In that instance Internet consumers are presumed to exercise more sophistication;¹⁹⁴³
- b) Where the defendant registered a domain name, incorporating the plaintiff's trade mark name, which he subsequently used as a forum to criticise the plaintiff.¹⁹⁴⁴

Some courts have maintained that Internet users are more likely to be confused as to the ownership of a particular web site, than compared to possible confusion as to a

defendant registered the domain name www.greenproducts.com which incorporated the plaintiff's protected trade mark. The court maintained that "ordinary internet users do not undergo a highly sophisticated analysis when searching for domain names. Because of the low level of care used to search for domain names, an ordinary internet user trying to find Green Products' web site would likely guess that Green Products' domain name was the same as its trademark, and thus type 'greenproducts.com'." The court went on to state that "even if an ordinary internet user began to search for Green Products' web site by typing key words into a search engine (instead of starting the search by guessing at what Green Products' domain name is), the number of web sites the search engine would retrieve may encourage the internet user to try to guess the domain name by typing Green Products' trademark, instead of muddling through the eight-hundred some sites that the search engine retrieved." A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/green.html>. In *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999) the plaintiff had used the common law trade mark "NYSSCPA" since 1984 and operated a web site at "nysscpa.org" since 1997. Defendant, a non-competitor, registered the domain name "nysscpa.com" in January 1999 and shortly thereafter began operating the site. Defendant's web site clearly stated that it was not affiliated with plaintiff, and provided a hyperlink to the latter's web site. The web site also used "NYSSCPA" as a metatag. Plaintiff alleged that the defendant committed trade mark infringement. The court maintained that the question as to the sophistication of consumers, in determining whether a likelihood of confusion existed, was irrelevant "because the particular type of confusion caused by Defendant's use of the 'nysscpa.com' domain name and the 'NYSSCPA' meta-tag afflicts sophisticated visitors no less than it does unsophisticated visitors." A copy of this judgment was obtained from Westlaw.

¹⁹⁴³ In *Strick Corporation v Strickland* 162 F.Supp.2d 372 (E.D. Pa. 2001) the plaintiff was a manufacturer of transportation equipment and also owned the registered trade mark "Strick" for the manufacture and selling of transportation equipment. The defendant was a computer consultant and software developer and registered the domain name www.strick.com. The court stated, with regard to the factor of consumer care, that "[c]onsumers must use at least ordinary caution in making purchasing decisions and it is presumed that consumers use more care when purchasing important or expensive products ... Here, customers are likely to be discriminating when purchasing transportation equipment or computer software. Purchasing transportation equipment or hiring a computer consultant, not insignificant financial transactions, would require a high degree of care and attention from a consumer." A copy of this judgment can be downloaded from www.strick.com/kauffman.htm.

¹⁹⁴⁴ See *Northland Insurance Companies v Blaylock* (*supra*):1118.

physical store's ownership.¹⁹⁴⁵ Furthermore, it has also been noted that sophisticated users and/or purchasers may, under given circumstances, be unsophisticated Internet users.¹⁹⁴⁶

2.3.3. Initial interest confusion

Throughout this study, reference was made to the courts' analysis of the "initial interest confusion" doctrine. The following is a summary of how US courts apply this doctrine to cyberspace.

In the Internet context, the initial interest confusion doctrine concerns the diversion and distraction of potential cyber-customers from one web site to a competing web site: The harm to the trade mark owner occurs when potential customers realise that the web site they have accessed is not the one they were looking for, but decide to use the web site where they presently are or to purchase goods from that particular web site without continuing their search.¹⁹⁴⁷

Where a web site owner registers a domain name consisting of a third party's trade mark name plus dot-com he causes a likelihood of confusion. However, many courts have maintained that this only applies to scenarios where the parties to the dispute are competitors or where the Internet user employs the trade mark name for commercial gain.¹⁹⁴⁸ Where he merely employs the domain name for the purpose of criticism, no such confusion arises.

¹⁹⁴⁵ *Northern Light Technology Inc v Northern Lights Club* (supra):113; *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999) [a copy can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>].

¹⁹⁴⁶ See *Albert v Spencer* 1998 WL 483462 (S.D.N.Y. 1998). A copy of this judgment was obtained from Westlaw. As the court in *Advance Magazine Publishers Inc v Vogue International et al* 123 F.Supp.2d 790 (D.N.J. 2000) noted (at 797): "[M]any Internet consumers are not particularly sophisticated, especially given the relatively recent expansion of the Internet into everyday society." A copy of this judgment was obtained from Westlaw.

¹⁹⁴⁷ See Gaffney 2000. See also *BigStar Entertainment Inc v Next Big Star Inc et al* 105 F.Supp.2d 185 (S.D.N.Y. 2000) where the court stated: "The concern is that many of those initially interested potential customers of plaintiffs would be diverted and distracted by defendants' site and would either believe that defendants' site is associated with plaintiffs or would not return to plaintiffs' domain. The diversion of initial interest and the resulting relevant confusion under this doctrine relate to what *draws* the consumer to the *other* location in the first place." (own emphasis). A copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>.

¹⁹⁴⁸ In *Chatam International Inc v Bodum Inc* 157 F.Supp.2d 549 (E.D. Pa. 2001) the court stated that "[g]enerally, initial interest confusion is of greatest concern when products are in competition with each

Where the parties to the dispute are competitors, US courts maintain that where X uses Y's trade mark name as a metatag for his web site, X causes initial interest confusion because his web site is displayed amongst the search results, which may divert Internet users to his unaffiliated web site.¹⁹⁴⁹

Numerous courts have also stated that when initial interest confusion is present a disclaimer does not cure the confusion and a likelihood of confusion remains present.¹⁹⁵⁰

other - in those instances, customers may be drawn to a product and identify it with a particular source without realizing until later that it came from elsewhere ... Where companies 'are non-competitors, initial interest confusion does not have the same consequence, because there is no substituted product to buy from the junior user, and the senior user does not bear the prospect of harm.' " A copy of this judgment can be downloaded from www.strick.com/chambord.htm. In *BigStar Entertainment Inc v Next Big Star Inc et al (supra)* the court stated that "as in the case of likelihood of other kinds of confusion, the form associated with the diversion of initial interest presumably would not arise, or would be minimized, in circumstances where the products in question are used for substantially different purpose". In fact the court maintained that it would not apply the initial interest confusion test "in the context of the Internet in cases involving (1) non-competitors; (2) web addresses not virtually identical; (3) weak marks without sufficient evidence of secondary meaning; (4) substantially different products; (5) similar names and trademarks used by other third parties; (6) no intentional use of plaintiffs' marks by defendants in defendants' metatags; and (7) no evidence of bad faith efforts by defendants to divert patronage by trading on any name, goodwill or reputation plaintiff may have established." The court continued to note: "The Court deems it unlikely that an appreciable number of ordinary, reasonably informed potential customers searching for 'bigstar.com' to purchase a video or obtain movie star information who mistakenly navigate to the talent search at 'nextbigstar.com' would be confused in that they would assume, despite the dissimilarities in the marks, that the two websites are associated. *Similarly, we view it as unlikely that numerous such prospective video customers, upon realizing an error in reaching the wrong website, would not resume their endeavor to find the product they originally sought by reason of some attraction to defendants' talent competition.*" (own emphasis).

¹⁹⁴⁹ In *Playboy Enterprises Inc v Netscape Communications Corp & Excite Inc* 55 F.Supp.2d 1070 (C.D. Cal. 1999) the court explained this as follows: "Generally speaking, initial interest confusion may result when a user conducts a search using a trademark term and the results of the search include web sites not sponsored by the holder of the trademark search term, but rather of competitors ... the user may be diverted to an unsponsored site, and only realize that she has been diverted upon arriving at the competitor's site. Once there, however, even though the user knows she is not in the site initially sought, she may stay. In that way, the competitor has captured the trademark holder's potential visitors or customers." A copy of this judgment can be downloaded from www.mama-tech.com/peinet.html.

¹⁹⁵⁰ See e.g. *Toys "R" Us Inc et al v Abir et al* 45 USPQ.2d 1944 (S.D.N.Y. 1997):1948. A copy of this judgment was obtained from Westlaw.

2.3.4. When are parties considered to be competitors?

Various courts have addressed the question of when web site owners are considered to be business competitors for the purpose of the Internet. The following principles can be drawn from their judgments: Parties are considered to be competitors when -

- a) their web sites compete for the same Internet users who are searching for a web site that uses the plaintiff's trade mark name as its domain name address;¹⁹⁵¹
- b) the defendant misrepresents in his e-mail messages that these messages originate from the plaintiff;¹⁹⁵² or
- c) their web sites direct consumers to the same third parties, whose services Internet users are looking for.¹⁹⁵³

However, merely criticising an opponent does not make one a competitor.¹⁹⁵⁴

In *Albert v Spencer*¹⁹⁵⁵ the plaintiff had been publishing a magazine for 19 years. One of the sections of this magazine concerned theatre reviews, for which the plaintiff used the mark "AISLE SAY". The defendant, on the other hand, had been using, *bona fide*, the mark "AISLE SAY" for 3 years for his web site, which he also used for theatre

¹⁹⁵¹ See e.g. *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999):341. A copy of this judgment was obtained from Westlaw.

¹⁹⁵² See *Hotmail Corporation v Van Money Pie Inc et al* 47 USPQ.2d 1020 (N.D. Cal. 1998):1023-1024, par 26-27. A copy of this judgment was obtained from Westlaw.

¹⁹⁵³ In *iCARumba Inc v Inter-Industry Conference on Auto Collision Repair* 57 USPQ.2d 1151 (W.D. Wash. 2000) the plaintiff (I-CAR) offered a searchable database for particular repair technicians by means of its web site. The defendant (iCARumba) offered an online automotive information service by means of its web site. Only a section of this service was dedicated to directing Internet users, by means of a searchable database, to professionals in the auto industry. The court held that these parties were, to some extent, competitors: "It appears that I-CAR and iCARumba's services are related. While the parties may not be direct competitors, it certainly cannot be said that their services are unrelated or that they are non-competitors. Both parties offer websites with searchable databases allowing layperson consumers to obtain information about auto care professionals. These databases also serve auto care professionals by directing consumers to their services. As noted above, the fact that these services are both offered over the Internet contributes to the relatedness and potential for confusion between I-CAR and iCARumba." A copy of this judgment was obtained from Westlaw.

¹⁹⁵⁴ In *Bally Total Fitness Holding Co v Faber* 29 F.Supp.2d 1161 (C.D. Cal. 1998) the court maintained (at 1164) that where A used his web site as a commercial advertisement forum and B used his web site to criticise A's service or products, they were not competitors, even though they both used the Internet, because their web sites served fundamental different purposes. A copy of this judgment was obtained from Westlaw.

¹⁹⁵⁵ 1998 WL 483462 (S.D.N.Y. 1998). A copy of this judgment was obtained from Westlaw.

reviews. The question was whether the parties were competitors, which the court answered in the negative maintaining that the parties' respective performances differed in that the plaintiff's performance was embodied in a physical medium and the defendant's performance on an electronic web site:

"If one considers the product simply as theatre reviews, plaintiff and defendant's products are in direct competition. However, it is more appropriate to ask whether plaintiff's reviews compete with defendant's reviews for readers. The answer to that question is no, because plaintiff's reviews appear in print in a specific magazine while defendant publishes his reviews only at his web cite."

3. INTERNATIONAL REGULATION OF DOMAIN NAME REGISTRATIONS AND ADJUDICATION OF DOMAIN NAME DISPUTES

Under this heading the international regulation of domain name registrations as well as the international adjudication of domain name disputes are discussed. Some South African trade mark owners have already used these domain name dispute resolution mechanisms.

3.1. ICANN and the Uniform Domain Name Dispute Resolution Policy

The *Internet Corporation for Assigned Names and Numbers* (also known as *ICANN*)¹⁹⁵⁶ oversees the registration of all domain names.¹⁹⁵⁷ ICANN was formed by the US government in June 1998 in response to a White Paper issued by the US Department of Commerce.¹⁹⁵⁸ UNINET, designated by ICANN, administers the ".za" domain registration.¹⁹⁵⁹ However, UniForm SA administers the "co.za" domain registration.¹⁹⁶⁰ Like other domain name registrars, they do not check whether the registration of the proposed domain name infringes a third party's trade mark rights.¹⁹⁶¹

¹⁹⁵⁶ Previously known as the Internet Assigned Numbers Authority.

¹⁹⁵⁷ Kudo 2000:11. ICANN's web site is www.icann.org. Prior to ICANN, Network Solutions Inc (NSI) was from 1993 until 1998 the sole authorised registrar providing registration services for .com, .org and .net web sites. See Kaufman 2000:37; Kubiszyn 2000.

¹⁹⁵⁸ Kubiszeyn 2000. ICANN has been described, by at least one US court, as a *quasi-governmental* Internet-regulating body. See *Weber-Stephen Products Co v Armitage Hardware* 54 USPQ.2d 1766 (N.D. ILL. 2000). A copy of this judgment can be downloaded from www.sork.com/domain/weber1.html.

¹⁹⁵⁹ Webster 2001; Green Paper 2000:92 & 94.

¹⁹⁶⁰ Webster 2001. Its web site can be found at www.uniform.org.za.

¹⁹⁶¹ Anonymous 2001:5.

Because of the special features of domain name disputes, such as the fact that the laws of multiple countries may apply to a particular scenario, considerable support was expressed for the development of expeditious and inexpensive dispute-resolution procedures, which would be comprehensive in the sense of providing a single means for resolving a dispute involving conflicting rights between trade mark proprietors and domain name owners.¹⁹⁶²

In response to the above, ICANN developed a *Uniform Domain Name Dispute Resolution Policy*¹⁹⁶³ (hereafter the *UDRP*) which is incorporated by reference into every TLD registrar's registration agreement with its registrants.¹⁹⁶⁴ It provides that domain name registrants (i.e. the web site owners) submit themselves to a mandatory arbitration provided by ICANN where someone else (a third party) makes a complaint against the former.¹⁹⁶⁵ Only trade mark proprietors are allowed to file a complaint under the *UDRP*. The complainant has to prove that:

- 1) The registrant's domain name is identical or confusingly similar to a trade mark or service mark in which the complainant has rights;¹⁹⁶⁶ and

¹⁹⁶² (First) *WIPO Internet Domain Name Process*:44, par 133. See also p 68, par 232: "Arbitration has a number of distinct advantages in the context of domain name disputes. It provides a single procedure for resolving multijurisdictional disputes ... Arbitration offers the parties more autonomy in the choice of procedures and laws, as well as in their choice of the arbitrator or decision-maker, than litigation. It also offers a comprehensive solution, in that the arbitrator is typically empowered to grant the interim and final remedies that are available under the law."

¹⁹⁶³ Implemented by ICANN in October 1999. See Kaufman 2000:38; Barliant 2000(a). A copy of this policy can be found at www.icann.org/udrp/udrp-policy-24oct99.htm.

¹⁹⁶⁴ Kaufman 2000:38. ICANN has also issued rules for the *UDRP*. These rules can be downloaded from www.icann.org/dndr/udrp/uniform-rules.htm. These rules stipulate (1) the steps the dispute resolution provider should reasonably employ to communicate with the respondent, (2) what information the complaint must furnish in his complaint, (3) how the respondent should respond, (4) how the fees are determined, (5) the panel's general powers, and (6) how the language of the administrative proceeding is determined.

¹⁹⁶⁵ See Kudo 2000:11; Kaufman 2000:38; Barliant 2000; www.icann.org/udrp/udrp-policy-24oct99.htm; <http://arbiter.wipo.int/domains/guide/index.html>.

¹⁹⁶⁶ Note that only the domain name in question is compared to the complainant's trade mark name. For the purpose of this comparison, the web site established for the aforementioned domain name is irrelevant. See *Vivendi Universal v Mr Jay David Sallen et al* WIPO case no D2001-1121 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-1121.html>]; *A & F Trademark Inc and Abercrombie & Fitch Stores Inc v Justin Jorgensen* WIPO case no D2001-0900 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0900.html>]; *AltaVista Company v S.M.A. Inc* WIPO case no D2000-0927 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0927.html>];

- 2) The registrant has no rights or legitimate interests in respect of the disputed domain name;¹⁹⁶⁷ and
- 3) The domain name has been registered¹⁹⁶⁸ and is being used *male fide*.¹⁹⁶⁹

Therefore, the policy mandates, generally speaking, that trade mark law should be applied to Internet domain name disputes.¹⁹⁷⁰ The complainant can rely on any one of the following circumstances, which do not constitute a *numerus clausus*, to prove *male fides*:

- a) “[C]ircumstances indicating that [the domain name was registered or acquired] primarily¹⁹⁷¹ for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of documented out-of-pocket costs directly related to the domain name; or
- b) [the domain name was registered] in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that [the registrant] has engaged in a pattern of such conduct; or
- c) [the domain name was registered] primarily for the purpose of disrupting the business of a competitor; or

Government of Canada v David Bedford a.k.a. DomainBaron.com WIPO case no D2001-0470 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0470.html>].

¹⁹⁶⁷ This requirement is therefore the criterion of illegitimacy. See *Koninklijke Philips Electronics N.V. v Manageware* WIPO case no D2001-0796. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0796.html>

¹⁹⁶⁸ In *Madonna Ciccone p/k/a Madonna v Dan Parisi & 'Madonna.com'* WIPO case no D2000-0847 the panel held that bad faith acquisition satisfies the requirement of bad faith registration. This refers to the scenario where the respondent is not the original registrant but acquired the said domain name in bad faith from the said registrant. A copy of this judgment was obtained from Westlaw.

¹⁹⁶⁹ www.icann.org/udrp/udrp-policy-24oct99.htm:par 4.a; Kudo 2000:11; Kaufman 2000:38.

¹⁹⁷⁰ *Telstra Corporation Ltd v Warren Bolton Consulting Pty Ltd* WIPO case no D2000-1293. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1293.html>.

¹⁹⁷¹ In *Corinthians Licenciamentos LTDA v Sallen et al* WIPO case no D2000-0461 the panel held that “ ‘Primarily’ as used in the Policy does not mean ‘exclusively’. Instead ... the word means either a) ‘for the most part’ (as a synonym of ‘chiefly’, or b) ‘in the first place’ (as a synonym of ‘originally’) ... This leads the Panel to conclude that the only reasonable choice is to construe the Policy as describing a situation where the *chief or main objective* of the registration was the sale of the domain name looking after a profit. A Panel is allowed to deduct that such purpose is present from any relevant circumstances shown in the proceeding, no matter when such circumstances occur (before, during or after the moment of registration).” A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0461.html>.

d) by using the domain name, [the registrant] has intentionally attempted to attract, for commercial gain, Internet users to [his] web site or other online location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the web site or location or of a product or service on the web site".^{1972 1973}

A respondent (the registrant) has the following defences available, which do not constitute a *numerus clausus*, to prove his rights or legitimate interests in the disputed domain name:

- Prior to notice of the dispute, he used, or showed a demonstrable preparation to use, the domain name in connection with a *bona fide* offering of goods or services;¹⁹⁷⁴ or
- He (as an individual, business, or other organisation) has been commonly known by the domain name, even where he has acquired no trade mark or service mark rights in the name; or
- He is making a legitimate non-commercial or fair use of the domain name, without (a) an intent for commercial gain to misleadingly divert consumers or (b) an intent to tarnish the trade mark or service mark at issue.¹⁹⁷⁵

The policy provides for two available remedies: a) Cancellation of the disputed domain name and b) transfer of the said domain name to the complainant.^{1976 1977} The

¹⁹⁷² www.icann.org/udrp/udrp-policy-24oct99.htm:par 4.b.

¹⁹⁷³ In *Koninklijke Philips Electronics N.V. v Manageware (supra)* the panel stated that "the criterion of bad faith goes to the circumstances surrounding the registration and use of the domain name by the Respondent, and focuses on the Respondent's intentions, either as they are stated explicitly or as can be inferred from the Respondent's actions and the facts of the matter."

¹⁹⁷⁴ In *Two Systems Enterprises Co Ltd v Sonie's Creations* eResolution case no AF-0911 the panel noted that the offering of goods or services in association with an infringing trade mark use does not constitute a "*bona fide*" offering of goods and services. A copy of this judgment can be downloaded from www.disputes.org/eresolution/decisions/0911.htm.

¹⁹⁷⁵ www.icann.org/udrp/udrp-policy-24oct99.htm:par 4.c. Therefore, this factor focuses on the objective connections that the respondent has to the disputed domain name. This requirement is therefore the criterion of illegitimacy. See *Koninklijke Philips Electronics N.V. v Manageware (supra)*.

¹⁹⁷⁶ www.icann.org/udrp/udrp-policy-24oct99.htm:par 4.i.

¹⁹⁷⁷ To ensure that domain name holders do not circumvent the *UDRP*, the policy provides that: "You may not transfer your domain name registration to another holder (i) during a pending administrative proceeding brought pursuant to Paragraph 4 or for a period of fifteen (15) business days (as observed in the location of our principal place of business) after such proceeding is concluded; or (ii) during a pending court proceeding or arbitration commenced regarding your domain name unless the party to whom the domain name registration is being transferred agrees, in writing, to be bound by the decision

administrative panel, appointed to adjudicate the dispute, cannot award damages.¹⁹⁷⁸ Furthermore, all disputes adjudicated in terms of this policy are published in full over the Internet, except where the Panel, resolving the dispute, decides otherwise.¹⁹⁷⁹

Even though this dispute resolution arbitration is mandatory, both the registrant as well as the complainant are allowed to submit "the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded."¹⁹⁸⁰ Furthermore, where the panel decides that the registrant's domain name registration should be cancelled or transferred, ICANN waits 10 business days after it was informed of the Panel's decision before implementing that decision. ICANN will refrain from implementing the panel's decision where it receives official documentation that the registrant has instituted proceedings in a court of law against the complainant. ICANN will take no further action, until it receives -

"(i) evidence satisfactory to [it] of a resolution between the parties; (ii) evidence satisfactory to [it] that [the registrant's] lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from such court dismissing [the registrant's] lawsuit or ordering that [the latter does] not have the right to continue to use [the] domain name."¹⁹⁸¹

Therefore, ICANN's policy protects trade mark owners against cybersquatting,¹⁹⁸² but simultaneously protects legitimate and innocent domain name registrants by requiring the complainant to prove bad faith.¹⁹⁸³ The advantages that this policy, therefore, offers are¹⁹⁸⁴ a) the speed at which the dispute is resolved,¹⁹⁸⁵ b) it is not as expensive as normal litigation,¹⁹⁸⁶ c) the panellists are experts in domain name, Internet and

of the court or arbitrator. We reserve the right to cancel any transfer of a domain name registration to another holder that is made in violation of this subparagraph." See www.icann.org/udrp/udrp-policy-24oct99.htm:par 8.a.

¹⁹⁷⁸ <http://arbitrator/wipo.int/domains/guide/index.html>.

¹⁹⁷⁹ www.icann.org/udrp/udrp-policy-24oct99.htm:par 4:j & par 16.b.

¹⁹⁸⁰ www.icann.org/udrp/udrp-policy-24oct99.htm:par 4.k.

¹⁹⁸¹ www.icann.org/udrp/udrp-policy-24oct99.htm:par 4.k.

¹⁹⁸² In fact, it can be stated that the *UDRP* establishes a contractual prohibition on cybersquatting.

¹⁹⁸³ See Kudo 2000:12.

¹⁹⁸⁴ See Kudo 2000:12; Kaufman 2000:37; Kubiszeyn 2000; <http://arbitrator/wipo.int/domains/guide/index.html>.

¹⁹⁸⁵ Generally speaking, judgment is delivered within 30 days from the date the complainant filed the complaint.

¹⁹⁸⁶ The fees of the *UDRP* range from \$1 500 to \$4 000. See www.spoor.co.za/articles/tra_art_6.htm. This excludes the fees of one's legal representative.

electronic commerce issues,¹⁹⁸⁷ and d) arbitration is more informal than litigation.¹⁹⁸⁸

ICANN designates (i.e. accredits) other registrars to provide dispute resolution services.¹⁹⁸⁹ Currently, there are four such providers, namely¹⁹⁹⁰ (1) the *WIPO Arbitration and Mediation Center*,¹⁹⁹¹ (2) *The National Arbitration Forum*,¹⁹⁹² (3) the *CPR Institute for Dispute Resolution*¹⁹⁹³ and (4) the *Asian Domain Name Dispute Resolution Centre*.¹⁹⁹⁴ Each one of these arbitration providers has developed its own *Supplementary Rules to the UDRP*.¹⁹⁹⁵

Four final notes. Firstly, where a trade mark owner seeks action against multiple domain name holders, the *UDRP* does not allow a consolidation of multiple proceedings into one action. Consequently, separate actions must be instituted against each domain name holder.¹⁹⁹⁶ Secondly, one of the Rules to the *UDRP* stipulates that where a panel is of the opinion that a complaint was brought in bad faith, it is obliged to declare in its decision that the complaint was brought in bad faith and that it constitutes an abuse of the administrative proceeding.¹⁹⁹⁷ The rule provides two examples of such bad faith, namely a) where the complaint was brought primarily to harass the domain-name holder, or b) a *male fide* attempt to deprive a registered domain name holder of a domain name, which practice is also known as reverse domain name hijacking.¹⁹⁹⁸ It is unclear what the purpose of such a declaration is.¹⁹⁹⁹

¹⁹⁸⁷ See <http://arbiter/wipo.int/domains/guide/index.html>.

¹⁹⁸⁸ See <http://arbiter/wipo.int/domains/guide/index.html>.

¹⁹⁸⁹ Kaufman 2000:37.

¹⁹⁹⁰ Kubiszeyn 2000:2; Barliant 2000(b); Hurter 2000:204; Wilbers 1999:273; <http://arbiter.wipo.int/domains/guide/index.html>; www.icann.org/udrp/approved-providers.htm. eResolution was also a service provider, but stopped excepting proceedings from 30/11/2001.

¹⁹⁹¹ <http://arbiter.wipo.int/domains/>.

¹⁹⁹² www.arbforum.com/domains/.

¹⁹⁹³ www.cpradr.org/ICANN_Menu.htm.

¹⁹⁹⁴ www.adndrc.org/adndrc/index.html.

¹⁹⁹⁵ This can be downloaded from www.icann.org/udrp/approved-providers.htm.

¹⁹⁹⁶ Cabell 2000.

¹⁹⁹⁷ S 15(e).

¹⁹⁹⁸ S 15(e) read with s 1. See also paragraph 2.2.3.4.4 of this chapter for a discussion of reverse domain name hijacking.

¹⁹⁹⁹ A classic example of bad faith reserve domain name hijacking is the case *Aspen Grove Inc v Aspen Grove* WIPO case no D2001-0798. The respondent registered the domain name www.aspengrove.com in 1997, which it continued to use as an e-mail address. *Two years later* the complainant, Aspen Grove Inc, was incorporated. The complainant subsequently instituted action in terms of the *UDRP*, whilst it enjoyed no trade mark rights in its name. The panel labelled this case as an abuse of administrative

Thirdly, one panel has noted that the *UDRP* corresponds to a certain extent with *ACPA*.²⁰⁰⁰ They correspond in that (1) the defendant's domain name must be identical or confusingly similar to the complainant's trademark, (2) both require that the defendant must act in bad faith, and (3) both consider the degree to which the defendant has legitimate interests in the disputed domain name.²⁰⁰¹

Finally, rule 15(a) permits a panel to decide a complaint in accordance with "any rules and principles of law that it deems applicable".²⁰⁰² For this reason the administrative panels normally apply US jurisprudence to the domain name dispute.

3.2. Examples of online disputes in terms of the UDRP

Next a few judgments, delivered by administrative panellists in terms of the *UDRP*, are scrutinised in order to illustrate that these judgments, dealing with domain name issues, correspond to a great extent with US judgments.²⁰⁰³ Therefore, should instances arise where South African courts have to adjudicate similar issues in terms of the South African trade mark law, guidance can be drawn from these judgments. It should further be borne in mind that due to the fact that many of these panellists are US lawyers and judges, US jurisprudence influenced many of these panel decisions.

When these *UDRP* decisions are discussed, particular emphasis will be on the question whether the domain names in question were confusingly similar to the complainants' trade mark names.

3.2.1. Recognition of common law trade marks

UDRP panels have maintained that both registered as well as common law trade

proceedings and specifically as reverse domain name hijacking. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0798.html>.

²⁰⁰⁰ Discussed in paragraphs 2.2.3.4.5.1 & 2.2.3.4.5.2 of this chapter.

²⁰⁰¹ *Wal-Mart Stores Inc v wallmartcanadasucks.com et al* WIPO case no D2000-1104. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1104.html>.

²⁰⁰² Note that the *Final Report of the WIPO Internet Domain Name Process* indicates that if the parties are resident in one country, the domain was registered through a registrar in that country, and the evidence of bad faith registration and use arises from activities in that country, it is appropriate to refer to that country's trade mark laws.

²⁰⁰³ It should always be borne in mind that by June 2002 some 6 000 decisions had been delivered in terms of the *UDRP*. See Loomis 2002.

marks are protected in terms of the *UDRP*.²⁰⁰⁴ The question discussed under this heading is: When do these panels protect unregistered marks and personal names as common law trade marks?

3.2.1.1. Unregistered marks

Although no *UDRP* panel has enunciated general criteria for the recognition of unregistered marks as common law trade marks, these panels have stated that they will recognise common law trade marks where the -

- complainant's mark is arbitrary or fanciful and is adopted and used in commerce,²⁰⁰⁵ or
- the complainant can put forth "an appropriate showing of prior, continuous use in a given product and territorial market of an unregistered mark or a tradename over a sufficiently long period to evidence the acquisition of common law trademark rights".²⁰⁰⁶ Or as one panel put it: The complainant's mark must have become inherently distinctive by means of commercial use.²⁰⁰⁷

²⁰⁰⁴ See e.g. *Julia Roberts v Boyd* WIPO case no D2000-0210 [a copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0210.html>]; *Jeanette Winterson v Mark Hogarth* WIPO case no D2000-0235 [a copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0235.html>].

²⁰⁰⁵ See *Google Inc v Xtraplus Corp* WIPO case no D2001-0125.html. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0125.html>.

²⁰⁰⁶ The panel in *Google Inc v Xtraplus Corp (supra)* noted earlier that the complainant had used its marks continuously and extensively on the Internet for commercial purposes and that due to extensive advertising and promotion consumers associated the marks with the complainant. Due to such extensive advertising and promotion, the panel held that the complainant's marks became distinctive and well-known amongst members of the purchasing public.

²⁰⁰⁷ In *Clifton Park Center v Icom* eResolution case no AF-0794 the complainant was the Clifton Park Center. The respondent registered the domain name www.cliftonparkcenter.com. The complainant was required to establish that it owned a common law trade mark. However, the term "Clifton Park Center" had been the name of seven outlets in the city of New York for more than 100 years. With regard to the question whether the complainant established its common law rights in this term, the panel noted that "[t]he complainant has not ... alleged any facts regarding the duration, continuity, or extent of its use of the 'Clifton Park Center' trade name. Given the complainant's proximity to the geographic 'Clifton Park Center,' the Complainant has failed to establish that its use of the term in association with a retail shopping mail is inherently distinctive as opposed to geographically descriptive. The Complainant has similarly failed to assert facts which demonstrate that its trade name has become distinctive through use. For example, the Complainant has failed to assert facts demonstrating the quantity of its commercial use of the trade name, the amounts spent in promotion and advertising in association with the trade name, the scope of publicity given the trade name, or any facts showing wide exposure of the

The following general criteria can therefore be inferred: In order to prove common law trade mark rights in a particular mark, the complainant must prove 1) the duration and extent of his use of the mark and 2) that the mark had become distinctive of his performance, by showing that consumers associate the mark with a particular source. For this purpose, the complainant is obliged to indicate (a) the extent of advertising and promotion of the mark in question and (b) the extent that this mark has been exposed to publication in articles, etc. Consequently the court will only recognise common law trade mark rights when the complainant can prove sufficient secondary association.²⁰⁰⁸ Stated succinctly, a mark will only be protected as a common law trade mark whenever it is continuously used as an indicator of source.²⁰⁰⁹

3.2.1.1.1. Names of government departments and agencies can constitute common law trade marks

In *Government of Canada v David Bedford a.k.a. DomainBaron.com*²⁰¹⁰ the question arose whether the names of government departments and agencies were protected from cybersquatting. The panel noted that even though these names could not be registered as trade marks under Canadian law, such names could constitute common law trade marks where they had been used to such an extent that they indicated only the services of a particular government department or agency.

trade name to relevant consumers." A copy of this judgment can be downloaded from www.eresolution.com/services/dnd/decisions/0794.htm.

²⁰⁰⁸ *Daniel J Quirk Inc v Michael Maccini* National Arbitration Forum case no FA94964. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/94964.htm.

²⁰⁰⁹ See e.g. *Government of Canada v David Bedford a.k.a. DomainBaron.com* WIPO case no D2001-0470 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0470.html>]; *Brisbane City Council v Warren Bolton Consulting Pty Ltd* WIPO case no D2001-0047 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0047.html>]. In the *Brisbane City* case the panel held that "[i]t is, therefore, possible for an action to be brought under the Uniform Policy, in relation to an unregistered word, phrase or string of characters (hereafter an 'unregistered mark'), but only so long as the unregistered mark is a 'trademark'. For the unregistered mark to constitute a 'trademark', it must function as a trademark. That is to say, the unregistered mark must perform the function of distinguishing the goods or services of one person in trade from the goods or services of any other person in trade."

²⁰¹⁰ WIPO case no D2001-0470. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0470.html>.

3.2.1.1.2. Names of cities can constitute common law trade marks

In *Brisbane City Council v Warren Bolton Consulting Pty Ltd*²⁰¹¹ the question arose whether the name of a city, which constitutes a geographical indication, is protected under the *UDRP*. The panel was of the opinion such a name was protected under the *UDRP* whenever it constituted a common law trade mark – i.e. as a result of use it distinguished the complainant's performance from other persons' or entities' performances.²⁰¹² The panel continued to state that whenever such a name is merely descriptive of a geographical location, such name does not perform the function of a trade mark and consequently does not constitute a trade mark for the purpose of the *UDRP*.²⁰¹³

3.2.1.2. Personal names

UDRP panels have recognised personal names as common law trade marks. Specifically, these panels have recognised the names of actors,²⁰¹⁴ famous writers,²⁰¹⁵

²⁰¹¹ WIPO case no D2001-0047. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0047.html>.

²⁰¹² The court stated that "the important issue in a case, such as this one, concerning an unregistered mark that is a geographical location, is whether the facts of the case show that the unregistered mark is indeed performing the function of a trademark – that is to say, whether the unregistered mark is distinguishing the goods or services of the Complainant in trade from the goods or services of any other person in trade." A similar conclusion was reached in *City of Hamina v Paragon International Projects Ltd* WIPO case no D2001-0001. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0001.html>

²⁰¹³ See also *Stadt Heidelberg v Media Factory* WIPO case no D2001-1500 where the panel noted that "[n]one of those cases [which dealt with these issues] stands for the proposition that a geographical name *per se* can be assimilated to a trade mark or a service mark. Each of those cases rested upon a showing that by virtue of the activities carried on by the Complainant, the geographical name either with, or without additional matter, had come to denote the goods or service of Complainant, and had acquired the character of a trade mark. That does not appear to be the case here ... In the opinion of the Panel, it is clear from the Policy itself and from the Report of the First WIPO Domain Name Process, the Report of the Second WIPO Domain Name Process and previous Panel decisions, that the provisions of the Policy do not extend to the misappropriation of geographical names *per se* ... Complainant has adduced no evidence to show that its name has acquired distinctiveness as a trade mark in respect of any goods or service which it may offer. The Panel therefore cannot conclude that Complainant has rights in its name *as a trade mark or service mark*." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-1500.html>.

²⁰¹⁴ See e.g. *Julia Roberts v Boyd* WIPO case so D2000-0210 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0210.html>]; *Kevin Spacey v*

artists²⁰¹⁶ and singers²⁰¹⁷ as common law trade marks.

Although these panels did not set forth a general criterion for the recognition of personal names as common law trade marks, it transpires from these judgments that a personal name will only be protected as a common law trade mark when an individual employs his or her name as an indicator of source or when his or her name has been recognised as such an indicator.²⁰¹⁸

Merely indicating how many "hits" a particular search engine lists, containing the name of the complainant, does not suffice to establish that such name is recognised as a source of products or services.²⁰¹⁹ The evidence must establish that either a) the web site establishes a link between the complainant's name and his/her services and/or goods,²⁰²⁰ or b) the complainant must indicate that his or her name has acquired distinctive secondary meaning or association.²⁰²¹

Zunccarini National Arbitration Forum case no FA96937 [a copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96937.htm].

²⁰¹⁵ *Jeanette Winterson v Mark Hogarth* WIPO case no D2000-0235. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0235.html>.

²⁰¹⁶ *Judy Larson v Judy Larson Club* National Arbitration Forum case no FA96488. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96488.htm.

²⁰¹⁷ *Bruce Springsteen v Jeff Burgar et al* WIPO case no D2000-1532. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1532.html>.

²⁰¹⁸ In *Judy Larson v Judy Larson Club (supra)* the panel noted that "a growing line of UDRP panel decisions have held that artists, performers, and the like, can acquire protectable rights in their names under the UDRP, if their names have been used and/or are recognized as indicators of the origin of their goods or services, even if they do not own registered trademarks." See also *George Wimpey Plc v Easy4all Internet Solutions* CPR Institute for Dispute Resolution case no CPR0103 where the panel noted that "[s]urnames can, of course, function as valid trademarks (e.g., Ford). But, it takes proof that the surname also serves a trademark-specifically, a source-identifying-function (sometimes called 'secondary meaning')." A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR0103-010515.htm.

²⁰¹⁹ In *Judy Larson v Judy Larson Club (supra)* the panel stated: "[T]o the extent that Ms. Larson asserts trademark rights in her name, the only proof of such rights is the Lycos search results she submitted. Without more, the mechanical listing of 'hits' from a search engine containing the words 'judy larson' does not establish trademark rights. Many of the 'hits' revert back to Ms. Larson's presently existing web site, under the domain name <judylarson.net> . Other 'hits' refer the user to third party sites, but there is insufficient information from the search results to determine whether 'Judy Larson' is recognized as an indicator of the source of products." A similar opinion was expressed in *Mark Jenkins v DB Enterprise Attn: Dan Black* WIPO case no D2001-1106. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-1106.html>

²⁰²⁰ In *Judy Larson v Judy Larson Club (supra)* the panel remarked that "[h]er [i.e. the complainant's] site creates a nexus between her name and the lithograph art works she has created and offers for sale.

3.2.2. Adding “.com” to the complainant's trade mark name

3.2.2.1. Minor differences between a trade mark name and a domain name

The *UDRP* panels have maintained that minor differences between the complainant's protected trade mark and the respondent's domain name, incorporating the former's trade mark name, are insignificant and consequently the domain name in question is confusingly similar to the complainant's trade mark. Specifically, the following differences have been noted to be insignificant: (1) The omission of apostrophes,²⁰²² ampersands, spaces between words,²⁰²³ and hyphens between words,²⁰²⁴ (2) The

[The complainant's] site also provides references to several other galleries where her art works have been or are being shown. Thus ... the Panel [is provided] with evidence that [the complainant] uses her name as a trademark, and that it is recognized by at least the [respondent] and art galleries as an indicator of the source of her artwork.”

²⁰²¹ In *Julia Roberts v Boyd (supra)* the panel maintained that “the name ‘Julia Roberts’ has sufficient secondary association with Complainant that common law trademark rights do exist under United States trademark law”. See also *Kevin Spacey v Zuncarini (supra)* where the panel held that the actor had common law trade mark rights in his name because it had acquired secondary meaning throughout the US as well as internationally. See further *Bruce Springsteen v Jeff Burgar et al (supra)* where the panel maintained that “in the case of very well-known celebrities their names can acquire a distinctive secondary meaning giving rise to rights equating to unregistered trade marks, notwithstanding the non-registerability of the name itself.”

²⁰²² E.g. in *Nandos International Limited v Farukhi* WIPO case no D2000-0225 the complainant was the owner of the well-known trade marks “Nando's” and “Nandos chicken”. The respondent, a cybersquatter, registered two domain names, namely www.nandos.com and www.nandoschicken.com, which he never used. He stated that his intention was to sell them to the complainant. With regard to the question whether these domain names were confusingly similar to the complainant's trade mark, the panel held that “[t]he trademark ‘Nando's’ is arguably not identical to the domain name <nandos> registered in the name of the Respondent, in that the domain name has no apostrophe in the word ‘nandos’. But there is no doubt that it is so similar to the trademark ‘Nando's’ owned by the Complainant, that confusion is bound to occur in the mind of the public who have got used to the trademark. This is especially so because members of the public are unlikely to detect the presence or absence of an apostrophe when they direct their minds to the Complainant's trademarks. In any case, domain names on the Internet do not admit the insertion of apostrophes ... In the present case, although in writing there might be the slight difference created by the apostrophe, in speech, the two written words are identical. Again, the trademark ‘Nandos Chickenland’ is not identical with the domain name <nandoschicken.com>. But the similarity to the business of the Complainant's business is so close that the use of the word ‘chicken’ in conjunction with the name ‘Nandos’ is also bound to lead to confusion in the minds of the public.” A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0225.html>.

²⁰²³ See *Two Systems Enterprises Co Ltd v Sonie's Creations* eResolution case no AF-0911 where the panel noted that “[t]he omission of spaces between the components of a trademark when used in a

insertion of (e.g.) a hyphen between words, constituting a trade mark name;²⁰²⁵ (3) The addition of a Top Level Domain to a trade mark name;²⁰²⁶ (4) the replacement of an

domain name does not mean that the domain name and the mark cease to be identical. The omission of spaces is simply a function of the technological limitations of domain names, and should be disregarded when determining whether the domain name is identical or confusingly similar to a mark." A copy of this judgment can be downloaded from www.disputes.org/eresolution/decisions/0911.htm. See also *Monty and Pat Roberts Inc v J Bartell* WIPO case no D2000-0300. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0300.html>

²⁰²⁴ See *Wal-Mart Stores v Walsucks* WIPO case no D2000-0477 where the complainant was the owner of the registered trade mark "Wal-Mart" in various countries, including Puerto Rico. The respondent registered the domain name www.walmartpuertorico.com. The panel held that "[t]he elimination of the hyphen between 'Wal' and 'Mart' does not significantly affect the visual impression made by the domain name as compared with the mark, and does not affect the pronunciation of the domain name as compared with the mark ... The elimination of spaces between 'walmart', 'puerto' and 'rico', and the use of lower case letters in 'puertorico' is dictated by technical factors and customary practice among domain name registrants, and is without legal significance from the standpoint of comparing 'walmartpuertorico.com' to 'Wal-Mart' ". A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0477.html>. See further *America Online Inc v Dolphin@Heart* WIPO case no D2000-0713 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0713.html>]; *Teradyne Inc Teradyne Inc v 4Tel Technology* WIPO case no D2000-0026 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0026.html>]; *.AT&T Corp v WorldclassMedia.com* WIPO case no D2000-0553 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0553.html>].

²⁰²⁵ For example in *Gateway Inc v Pixelera.com* WIPO case no D2000-0109 the complainant was the owner of the registered trade mark "Gateway". The respondent registered the domain name www.gateway.com. The panel held that the disputed domain name was confusingly similar to the complainant's trade marks "Gateway" and "Gateway.com". According to the panel, the hyphen was insufficient to avoid confusion. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0109.html>.

²⁰²⁶ See *Wal-Mart Stores v Walsucks* (*supra*) where the panel stated that "[t]he addition of the generic top-level domain (gTLD) name '.com' is without legal significance since use of a gTLD is required of domain name registrants, '.com' is one of only several such gTLDs, and '.com' does not serve to identify a specific enterprise as a source of goods or services." See also *Government of Canada v David Bedford a.k.a. DomainBaron.com* WIPO case no D2001-0470 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0470.html>]; *Monty and Pat Roberts Inc v J Bartell* (*supra*); *Bruce Springsteen v Jeff Burgar et al* WIPO case no D2000-1532 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1532.html>]; *Two Systems Enterprises Co Ltd v Sonie's Creations* (*supra*); *Judy Larson v Judy Larson Club* National Arbitration Forum case no FA96488 [a copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96488.htm].

ampersand with the word "and";²⁰²⁷ and (5) The fact that the trade mark name is written in upper case letters whilst the disputed domain name only employs lower case letters.²⁰²⁸

3.2.2.2. Using descriptive or generic words as domain names

3.2.2.2.1. Where complainant's trade mark consists of a descriptive word

In *The World Phone Company (Pty) Ltd v Telaccount Inc*²⁰²⁹ the facts were, extremely simplified, that the complainant was a South African telecommunications company and owner of the South African registered trade mark "Worldphone". The respondent was a US software company operating a web site at www.worldphone.com which it used for Internet voice communication. The panel held that the domain name was identical to the complainant's registered trade mark. However, with regard to the question whether the respondent had any legitimate rights or interests in the disputed domain name, the panel remarked that -

"the respondent's activities lie in the general field of communication via the Internet, in relation to which the domain name is an appropriate description; [and] the name worldphone is a combination of ordinary descriptive words and therefore, unlike an invented or arbitrary name, not immediately recognizable as denoting the goods or services of any particular trader. The weakness of the mark is shown by the fact that the complainant was required to disclaim exclusivity in the word phone separately and apart from the mark WORLDPHONE as a condition of registration of that trademark."

Consequently, the panel concluded that the respondent enjoyed such legitimate rights or interests. Furthermore, the panel held that because the respondent was unaware of the existence of the complainant, it did not register and use the said domain name in bad faith.

²⁰²⁷ See *A & F Trademark Inc and Abercrombie & Fitch Stores Inc v Justin Jorgensen* WIPO case no D2001-0900. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0900.html>.

²⁰²⁸ See *Wal-Mart Stores v Walsucks* (*supra*) where the panel stated that "[i]nsofar as domain names are not case sensitive, differences in the upper and lower case format that are used in the domain name and the mark are differences without legal significance from the standpoint of comparing 'walmartpuertorico.com' to 'Wal-Mart'." See also *Monty and Pat Roberts Inc v J Bartell* (*supra*).

²⁰²⁹ WIPO case no D2000-1163. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1163.html>.

3.2.2.2.2. Using generic terms, that also constitute a trade mark name, as one's domain name

The question arose whether web site owners are allowed to register domain names consisting of generic words, when third parties' enjoy trade mark rights in these words. The following three judgments illustrate how the administrative panels resolved this issue.

In *Goldberg & Osborne v The Advisory Board Forum Inc*²⁰³⁰ the complainant was a law firm in the US state Arizona and proprietor of the registered trade mark "The Injury Lawyers". The respondent, also a law firm but located in the US state Florida, registered the domain name www.theinjurylawyers.com. The complainant alleged that the domain name infringed upon its registered trade mark. The respondent, in turn, maintained that it merely registered common generic terms as its domain name, which *bona fide* related to the legal services it offered and which further described its services. Therefore, it alleged that it enjoyed legitimate rights in the disputed domain name and further that it *bona fide* registered and used the domain name in question.

The panel specifically addressed two questions namely (1) whether the respondent had any legitimate rights and/or interests in the disputed domain name and (2) whether the domain name had been registered and used in bad faith.²⁰³¹ It held, with regard to the issue of possible disruption of the complainant's business, that -

"[m]ere use of a Complainant's trademark as a domain name does not constitute disruption of Complainant's business. While Respondent's registration prevents Complainant from using its exact mark as a domain name within the .com TLD, Complainant may use its mark as a domain name in the .net and .org TLDs. Even if Complainant were prevented from using its mark as a domain name in all gTLDs, such a result does not necessarily constitute bad faith by Respondent. Trademark rights are not coextensive with rights to a domain name and thus trademark holders do not have the absolute right to reflect their mark in a domain name."

With regard to the issue whether a likelihood of confusion existed, the panel noted that "[t]here is no likelihood of confusion regarding Complainant's sponsorship or affiliation

²⁰³⁰ WIPO case no D2001-0711. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0711.html>.

²⁰³¹ The panel found it unnecessary to address the issue whether the contested domain name was identical or confusingly similar to complainant's trade mark name.

of Respondent's web site. The web page to which the domain name resolves clearly states the name of Respondent's law firm ... The web site states that the firm is composed of Florida lawyers representing Florida clients who suffer personal injury. Users will not mistakenly believe that they have arrived at a web site that is sponsored, affiliated with, or endorsed by Complainant ... an Arizona law firm." The panel further held that respondent enjoyed legitimate rights in the domain name in that it was *bona fide* using the domain name "in its generic or descriptive sense to identify Respondent's services" and to offer *bona fide* legal services.

As can be seen from the above statements, the panel did not apply the US initial interest confusion doctrine.

In *CRS Technology Corp v Condenet Inc*²⁰³² the complainant had a Canadian registered trade mark "Concierge" for travel services and information. Three years after the complainant registered the above trade mark, the US respondent, a subsidiary of Conde Nast Publications, registered the domain name www.concierge.com where it extended the travel magazine "Conde Nast Traveler" to the Internet. The web site established for this domain name contained information on travel and accommodation. The complainant submitted that the domain name caused confusion.

Firstly, the panel held that the disputed domain name was identical to the complainant's trade mark. However, the panel was of the opinion that the respondent enjoyed legitimate rights and/or interests in the domain name because:

- 1) A person or entity may legitimately register and use many domain names that are different from its corporate or trade names. According to the panel, the absence of a corporate or trade name from which a domain name is derived does not render the registration and use of a domain name illegitimate.
- 2) The domain name in question described the respondent's services: "CondeNet selected as its domain name a mark that is somewhat descriptive, and is meant to communicate some aspect of the services provided (*i.e.*, the kind of assistance one could expect from a hotel concierge). The very reason it is attracted to this domain name is because of the positive image associated with the word, and not at all because of any desire to cause confusion with [complainant's] trademark rights. In these circumstances, the first to register a domain name containing a generic or

²⁰³² National Arbitration Forum case no FA93547. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/93547.htm.

descriptive mark should prevail absent bad faith and a lack of legitimate interest.”

- 3) The complainant’s trade mark had not acquired any secondary meaning and was consequently inherently weak due to its widespread descriptive use. The term “concierge” was not, according to the panel, associated with just one source: “[E]ven though the trademark and the name are all but identical, the Panel has determined that the first person or entity to register the domain name should prevail in circumstances such as these where the domain name is a generic word, here indicating a provider of services, and where that word is widely used as a trade or service mark, although almost always in connection with modifiers or qualifiers.”

In *Zero International Holding GmbH & Co Kommanditgesellschaft v Beyonet Services et al*²⁰³³ the complainant was a German company with trade mark registrations in various European countries for the word “Zero”. It also owned various domain names corresponding to EU jurisdictions, such as www.zero.de. The respondent, a US network engineer, registered the domain name www.zero.com, which he used for his business as well as personal e-mail communications. Prior to the institution of the administrative proceedings, the respondent was unaware of the complainant’s existence. The respondent alleged that he chose the disputed domain name because it is a common word, short, simple and easy to remember.

The panel firstly held that the domain name was identical to complainant’s trade mark. However, the panel held that the respondent had legitimate rights and/or interests in the disputed domain name:

“The word ‘zero’ is a common English word. Although any number of organisations (including the Complainant) may have trade mark rights in such a word (and indeed the Respondent has produced evidence of numerous US trade marks which include or comprise the word ‘zero’) that does not preclude the Respondent effecting registration of a common word on the ‘first come, first served’ basis which was available. The Respondent’s reasons for doing so, namely that it was short, simple and easy to remember provide an entirely reasonable and proper explanation for the Respondent’s choice of this word.”

The panel also found no fault with the fact that the respondent registered his domain

²⁰³³ WIPO case no D2000-0161. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0161.html>.

name as a dot-com.²⁰³⁴

It follows that *UDRP* panels allow the registration and use of domain names consisting of generic words, even though third parties enjoy trade mark rights in those words, where such registration and use are *bona fide*. In such instances, the rule of “first-come, first-served” prevails.

3.2.2.3. Surnames, trade mark rights and domain names

3.2.2.3.1. Dedicated fan-web sites

The question emerged whether a celebrity “fan” is allowed to register a domain name, using the name of the celebrity to whom the web site is dedicated. The following two judgments illustrate how administrative panels approached this problematic issue.

In *Estate of Tupac Shakur v Barranco*²⁰³⁵ a Mr Tupac was a well-known musician in the US, prior to his death in 1996. He was known by his name “Tupac Shakur” as well as by his stage name “2pac.” The respondent registered two domain names namely www.tupac.com and www.tupac.net. The latter web site transported Internet surfers to the www.tupac.com web site. The respondent operated a dedicated “fan club” at this Internet address.²⁰³⁶ It provided information to the general public about Tupac’s music, poetry, movies, etc. The respondent’s web site further indicated that it was not an official web site of Tupac and provided a link to the official web site located at www.2pac.com, operated by the complainant. He also provided links to legitimate vendors selling authorised Tupac products. The respondent had been operating the web site for approximately two and a half years before the complainant filed the complaint. He had not engaged in cybersquatting activities, had no intention of selling the domain name and derived no financial benefit from his web site.

²⁰³⁴ The panel specifically noted that “[i]t is, we believe, a matter of general knowledge (which we can properly take account of) that there are no specific restrictions upon registration within the ‘.com’ domain name series and registration of such names is widely effected by both individuals and partnerships, as well as bodies which have separate legal personalities. In any event, and so far as relevant, we find that the Respondent’s registration was effected with a view to him using that registration as part of the commercial activities he, as an individual, was undertaking. The fact that he undertook those activities by reference to a trading name (Beyonet Services) does not render the registration objectionable and it is, in our opinion, very far from the type of ‘bad faith’ contemplated by the Policy.”

²⁰³⁵ Eresolution case no AF-0348a/b. A copy of this judgment can be downloaded from www.eresolution.ca/services/dnd/decisions/0348.htm.

²⁰³⁶ It contained over 400 pages of information.

Whilst the complainant contended that a likelihood of confusion existed as to the source, sponsorship, affiliation or endorsement of these web sites, the respondent submitted that he was making a legitimate fair use of the domain name by providing news and educational resources relating to the deceased.²⁰³⁷ He further asserted that because his web site provided news and information it was protected by his civil rights namely the right to freedom of speech and freedom of press. Finally, he contended that the complainant had no trade mark rights in "Tupac". It only had a US registered trade mark for "2pac". The Panel held that:

- In the context of the Internet, the domain names at issue were "patently identical to the corresponding mark".²⁰³⁸
- Respondent had some legitimate interests in the relevant domain names.²⁰³⁹ The panel continued to state that "[t]he position asserted by the Claimant, if accepted, would effectively prohibit any fan club from being established on the Internet if it mentioned in the site name an artist's name, where part or all of that name related to a registered mark or even perhaps transgressed claims of common law rights in a name. It would also permit persons in the position of this Claimant to unjustly enrich themselves by confiscating the work of fans and admirers in establishing a web site supporting their favorite artists without any opportunity for compensation."
- The complainant failed to prove bad faith. Furthermore, no likelihood of confusion existed as to the source, sponsorship, affiliation or endorsement of the respondent's web sites with or by the complainant.

The case of *Julia Roberts v Boyd*²⁰⁴⁰ concerned the famous Hollywood actress Julia Roberts. The respondent, a cybersquatter, registered the domain name www.juliaroberts.com, which he subsequently put up for auction on a commercial auction web site. The respondent contended that he used the domain name for his

²⁰³⁷ E.g. he published a monthly online newsletter and provided news stories and updates by means of e-mail.

²⁰³⁸ The Panel failed to clarify what this "corresponding mark" was. As mentioned above, the complainant only owned a US registered trade mark for "2pac".

²⁰³⁹ The panel noted that the respondent's contentions regarding his dedicated web site supported his alleged legitimate interest. The *UDRP* requires that the respondent must have no legitimate interest in the domain names at issue.

²⁰⁴⁰ WIPO case no D2000-0210. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0210.html>

dedicated fan web site. The panel held, after it noted that the domain name was identical or confusing similarly to the plaintiff's common law trade mark, that the respondent had no rights or legitimate interest in the domain name because the content posted on the web site had no relevance to the complainant. Bad faith was present, according to the panel, in that 1) the respondent had registered numerous domain names consisting of the names of famous actors and actresses and 2) he had put up these domain names for auction.²⁰⁴¹

3.2.2.3.2. Using surname or nickname as a domain name

UDRP panels have been faced with the following question: Is an Internet user allowed to register a domain name using his surname or nickname, when that particular name also constitutes the name of a third party's registered or common law trade mark? Two judgments are discussed, each addressing this question.

In *Societe des Produits Nestle S.A. v Pro Fiducia Treuhand AG*²⁰⁴² the complainant was the owner of the well-known and registered trade mark "Maggi", for various food products. The chairman of the respondent, Romeo Maggi, registered the domain name www.maggi.com for his own personal use, namely he established a web site for this domain name containing only one family photograph. The complainant alleged that the domain name infringed its trade mark rights. The panel, after finding that the domain name was identical to the complainant's trade mark name, was of the opinion that because (1) the domain name corresponded with the respondent's surname and (2) it appeared that he intended to use the domain name in good faith for his family, the

²⁰⁴¹ See also *Judy Larson v Judy Larson Club* National Arbitration Forum case no FA96488 where the complainant was a well-known US artist. The respondent registered the domain name www.judylarson.com. The respondent, claiming that he registered the said domain name for his fan club web site dedicated to the complainant, failed to establish a web site for this domain name. The panel held that the respondent did not enjoy any rights or legitimate interests in respect of the contested domain name: "Before any notice to the Club of this dispute, the Club did not make use of, or have demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a *bona fide* offering of goods or services." The panel further held that bad faith was present in that the disputed domain name prevented the complainant from "reflecting her name in which she has trademark rights in the most logical corresponding .com domain name by which Internet users would find [her] on the Internet" and consequently disrupted her business. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96488.htm.

²⁰⁴² WIPO case no D2001-0916. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0916.html>.

registration and use of the disputed domain name was permitted because he had a legitimate interest in his surname.

In *Strick Corporation v Strickland*²⁰⁴³ the complainant was Strick Corporation and proprietor of the registered trade mark "Strick", registered and used in connection with automobiles. The respondent, a Mr Strickland, was a computer consultant with the nickname "Strick". The respondent wanted to register the domain name www.strickland.com for his business, but discovered that a third party had already registered that particular domain name. He then registered the domain name www.strick.com. At that particular time, the respondent had no knowledge of the complainant's existence.

The panel held that no likelihood of confusion existed in that even though the domain name was identical to the complainant's registered trade mark, potential clients seeking the complainant's services on the Internet were not likely to be confused "because of the ease of locating the Complainant's web page [by means of a search engine] and the difference in the nature of their businesses". Furthermore, the panel held *obiter* that the respondent enjoyed legitimate rights in the domain name in that he was commonly known as "Strick" and further made a fair and legitimate use of the domain name. There was, according to the panel, no intent for commercial gain to misleadingly divert consumers from the complainant.

It can, therefore, be inferred from these judgments that administrative panels permit domain names consisting of surnames, which also constitute third parties' registered or common law trade marks, when these domain names are used for *bona fide* purposes.²⁰⁴⁴

3.2.2.4. Chat forums

In *DFO Inc v Williams*²⁰⁴⁵ the complainant was the owner of the registered trade mark "Denny's", registered and used for its family restaurants.²⁰⁴⁶ The respondent registered

²⁰⁴³ National Arbitration Forum case no FA94801. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/94801.htm.

²⁰⁴⁴ See also *G. A. Modefine S.A. v A.R. Mani* WIPO case no D2001-0537. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0537.html>.

²⁰⁴⁵ WIPO case no D2000-0181. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0181.html>.

²⁰⁴⁶ The complainant operated approximately 2 000 Denny's restaurants throughout the US.

the domain name www.dennys.net, which he used for his chat group web site, where complainant's patrons could exchange news and views. The complainant contended that the respondent's domain name caused confusion amongst Internet users. Furthermore, the complainant submitted that bad faith was present because the respondent used the web site established for the disputed domain name to publish "sexist" and "racist" comments. Unfortunately, neither the complainant nor the panel elaborated on this issue. The respondent's defence was that he made fair use of the domain name and further that no confusion could arise due to a disclaimer displayed on the web site established for the said domain name.

The panel remarked that the respondent's conduct did not constitute fair use: "Respondent did not choose a domain name that made fair use of the DENNY'S service mark to identify his website for what it was, ie, a DENNY'S restaurant chat group with no official affiliation with DENNY'S restaurants. Any number of ways of styling such a fair use domain name come readily to mind ... this Panel also finds it appropriate to follow the general United States' consensus that a disclaimer such as Respondent's does not remedy Respondent's confusing and therefore infringing use of Complainant's service mark, particularly in view of the fact that the confused public would have been drawn to the <DENNY'S.NET> domain name and, only after clicking on that name, would have read the disclaimer".

The panel held that because the respondent had actual knowledge of the complainant's trade mark rights, the domain name was registered in bad faith. Furthermore, the panel held that "bad faith use" was present because the respondent published sexist and racist comments on the web site. It further transpires from the judgment that the panel was influenced by the respondent's statement that if he was allowed to keep the disputed domain name, he would no longer use it as a Denny's chat group.²⁰⁴⁷

Two observations can be made. Firstly, it is clear that the panel applied the US doctrine of "initial interest confusion". Secondly, it is unclear how one should distinguish between chat groups web sites and dedicated fan (celebrity) web sites, as

²⁰⁴⁷ As the court put it: "Finally, but not least importantly, Respondent states he no longer frequents Denny's restaurants and that, if the domain name were returned to him, he would not use it for a Denny's chat group."

discussed above.²⁰⁴⁸ The panel in this judgement failed to refer to previous *UDRP* judgments dealing with fan web sites.

3.2.2.5. Bona fide registration of a domain name

In *Kis v Anything.com Ltd*²⁰⁴⁹ the complainant was the owner of the trade mark "KIS", registered in various countries. The respondent registered the domain name www.kis.com. The home page, of the web site established for this domain name, was entitled "Korean Information Site", which contained information about Korea such as Korean history, Korean news and Korean products as well as links to other web sites offering information on these topics. The respondent stated that he chose www.kis.com as an acronym for "Korean Information Site". The panel firstly held that the domain name was identical to complainant's trade mark: "[I]t does not make a difference whether the word 'kis' is used as such or as the combination of the letters 'k', 'i' and 's'." Secondly, the panel resolved that the respondent's activity, namely using the domain name for a web site providing information on Korea, qualified as a *bona fide* activity and further proved his legitimate interest and/or rights in the domain name. Accordingly, the panel permitted the respondent to keep his domain name.

3.2.2.6. Sellers or distributors using trade mark names as their domain names

The question arose whether a distributor or reseller of a third party's product was allowed to use the latter's trade mark name in his domain name, which he (the distributor or seller) subsequently used to market the third party's products. *UDRP* panels have given inconsistent judgments concerning this issue.

In *Société Civile Agricole Chateau Margaux v Goldman Williams Ltd*²⁰⁵⁰ the complainant was the owner of the well-known and international registered trade mark "Chateau Margaux", used for alcohol. It also owned two domain names namely www.chateaumargaux.com and www.chateaumargaux.net. The respondent, a UK company engaged in the buying and selling of wines, registered the domain name www.chateaumargaux.org. It motivated this by stating that it was permitted by the UK

²⁰⁴⁸ See paragraph 3.2.2.3 of this chapter.

²⁰⁴⁹ WIPO case no D2000-0770. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0770.html>.

²⁰⁵⁰ WIPO case no D2001-1147. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-1147.html>.

Trade Marks Act to use any trade mark as a means of indicating the characteristics of the goods its sold. The panel, after holding that the disputed domain name was identical to the complainant's trade mark, responded to this contention by noting that -

“one should not misunderstand the true nature of the right to a domain name once it has been legitimately acquired and used. Certainly, the Respondent is permitted to use any trademark as a means of indicating the goods he is selling, just as is any other person who has an interest in using the trademark to the same extent. It is, however, a non exclusive use of the trademark, i.e. it does not impinge on the right of the trade mark owner and on the right of third parties equally to use the same trade mark to indicate which goods they are selling. On the contrary, a domain name registration will only confer the use of the said domain name to its owner. Any other person will be prevented from using that domain name, cybersquatting not being tolerated any longer. The right to a legitimately registered domain name is therefore an exclusive right, and its nature is very different from the right the Respondent has to use the trademark for describing the merchandises sold in its business. Once again, if the Respondent were to be allowed to keep the domain name at issue, third parties would be prevented to indicate to the public that they are suppliers of the same wine through the use of an Internet domain name.”

The panel was further of the opinion that no compelling reasons were provided why the respondent should be allowed to keep the disputed domain name: It could sell the complainant's wine by means of its (the respondent's) own web site, located at www.goldmanwilliams.com, and it could further use the words “Chateau Margaux” as metatags for that particular web site to attract potential customers to its site through a search engine. The panel further held that the element of *male fide* was present in that the disputed domain name disrupted the complainant's business seeing that it could not “reflect its own trade mark in a domain name belonging to itself”. The panel was further of the opinion that the disputed domain name diluted the complainant's trade mark. Finally, the court also held that bad faith was present because the respondent was “free-riding on the long-standing advertising and marketing efforts of the Complainant, which is in itself akin to unfair competition.”²⁰⁵¹

In *Adaptive Molecular Technologies Inc v Priscilla Woodward & Charles R. Thorton, d/b/a Machines et al*²⁰⁵² an opposite view was expressed by the relevant panel. The

²⁰⁵¹ The panel noted that these circumstances would justify the action of passing-off.

²⁰⁵² WIPO case no D2000-0006. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0006.html>.

complainant was the owner of two US registered trade marks "Militec" and "Militec-1", which it used for its lubricants. The respondent was a lawful reseller of the complainant's products. It registered the domain name www.militec.com which it solely used to promote and sell the complainant's lubricants. The web site also indicated that it was owned by the respondent. The complainant contended that the respondent's web site caused a likelihood of confusion in that Internet users would assume that the complainant endorsed the respondent's web site or that the parties were affiliated. The panel held that the disputed domain name was confusingly similar to the complainant's trade marks. With regard to the issue of legitimate rights and/or interests, the panel maintained that the respondent appeared to have legitimate rights in the domain name in that the respondent's use of the domain name could constitute nominative fair use: "Respondent's use of the domain *militec.com* in connection with a web site devoted to sales of genuine MILITEC-1 product may constitute a fair use under principles of trademark law." However, the panel refused to make a final determination on this issue in that it felt that this was rather an issue for a court of law.

3.2.2.7. Companies with identical names

The following question arose: What is the legal position when one entity owns a registered trade mark and another entity, with a business name that is identical to the first mentioned entity's trade mark name, registers a domain name consisting of its business name?

In *Artemis Management Systems Inc v Web TV Networks Inc (formerly known as Artemis Research)*²⁰⁵³ the complainant was Artemis Management Systems Inc, involved in the software industry, and owner of the registered trade mark "Artemis", since 1981, in various countries. The respondent, Artemis Research, was involved in the development of Web TV technology that allowed a user to display the Internet on a standard television monitor. It had no trade mark rights. In 1995 the respondent registered the domain name www.artemis.com, where it provided information about itself. It can be mentioned here that Artemis is the name of the Greek goddess of the hunt and of the moon. The complainant instituted proceedings alleging that the respondent's domain name was infringing upon its trade mark rights and that the respondent had no legitimate rights and/or interests in the disputed domain name. The

²⁰⁵³ WIPO case no D2001-0153. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0153.html>.

respondent maintained that it made *bona fide* use of the disputed domain name in that it used the domain name for two purposes, namely (1) for historical purposes of its corporate history and (2) for its internal e-mail system.²⁰⁵⁴

The panel firstly held that the domain name was identical to the complainant's trade mark. It further held that the respondent had legitimate rights in the domain name:

- a) The fact that the said domain name corresponded to the name under which the respondent operated constituted *bona fide* use of the domain name.
- b) Because the disputed domain name corresponded to the name of a well-known Greek goddess, the respondent would still have been within its rights to register the said domain name even if it had received actual notice, prior to the registration of the said domain name, of the complainant's trade mark rights.
- c) The fact that the respondent used the domain name for its e-mail purposes was evidence of its legitimate rights and interests.

3.2.2.8. Companies using their previous names as domain names

The question arose: When an entity's name is "A" and it registers a domain name consisting of its name, but subsequently changes its name to "B", is the entity allowed to keep the said domain name, when that particular domain name corresponds with the registered trade mark name of a third party?

In *Gateway Inc v Pixelera.com*²⁰⁵⁵ the complainant was a direct seller of computers and owner of the registered trade marks "Gateway" and "Gateway.com", since 1996.²⁰⁵⁶ It also owned the domain names www.gateway.com and www.gateway.net. The respondent's company name was Gateway Media Productions Inc and was involved in the development of web-based applications. In 1997 it registered the domain name www.gate-way.com which it used as a commercial web site. In 2000, the respondent changed its name to Pixelera.com. From then on, the respondent commenced using another domain name as its main web site and only used the "gate-way" domain name to re-direct Internet users to its new web site. Both parties were Canadian businesses. The complainant alleged that the respondent's domain name

²⁰⁵⁴ Both parties were US companies.

²⁰⁵⁵ WIPO case no D2000-0109. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0109.html>.

²⁰⁵⁶ In the US, Canada, and elsewhere.

was confusingly similar to its trade marks and therefore guilty of contravening the *UDRP*. The defendant contended that the word “gate-way” had a generic meaning because it was widely used throughout the Internet.

Firstly, the panel held that the disputed domain name was confusingly similar to the complainant’s trade marks “Gateway” and “Gateway.com”. With regard to the question whether the defendant enjoyed any rights and/or interests in the disputed domain name, the panel noted that because the respondent’s first name included the word “gateway”, it was entitled to register the gate-way.com domain name shortly after it adopted its previous corporate name.²⁰⁵⁷

With regard to the fact that the respondent subsequently changed its name, the panel responded by stating that “[t]here is no foundation for the contention that by changing its corporate name the respondent abandoned any rights it might have acquired in the disputed domain name. The respondent continues to generate income from it and uses it to redirect persons to its new website. There is no evidence of improper diversion of trade from the complainant.”

3.2.3. Adding a suffix and “.com” to a trade mark name

3.2.3.1. Where the suffix has no meaning or indication on its own

In *America Online Inc v John Deep*²⁰⁵⁸ the complainant was the owner of the registered and internationally famous trade mark “AIM”, an acronym for “AOL Instant Messenger”.²⁰⁵⁹ The respondent registered various domain names incorporating this trade mark name, such as www.aimster.com, www.aimstertv.com and a1mster.com, which the respondent used to provide specific services interacting with the complainant’s services, namely P2P file services.²⁰⁶⁰ The complainant contended that these domain names were confusingly similar to its trade mark and prevented it from reflecting its trade mark in a domain name. The complainant further submitted that

²⁰⁵⁷ The respondent registered the disputed domain name before the complainant registered the domain name www.gateway.com.

²⁰⁵⁸ National Arbitration Forum case no FA96795. A copy of this judgment can be downloaded from www.arb-forum.com/domains/decisions/96795.htm.

²⁰⁵⁹ When the panel was required to resolve the dispute, over 80 million Internet users used the complainant’s “AIM” or “ICG” services.

²⁰⁶⁰ For a discussion of P2P (peer-to-peer) file services, see paragraph 3.2.1.1 of chapter three.

these domain names caused a likelihood of confusion as to affiliation and/or endorsement.

The panel firstly held that the evidence established that when the mark "AIM" is used in any domain name, consumers associate the domain name with the complainant's corresponding services. The panel further stated that confusion would likely arise when and if the respondent used the "AIM" based domain names in conjunction with services similar to those offered by the complainant: "Such confusion, should it occur, would undoubtedly cause Internet users intending to access the Complainant's web site, but who reach a web site through any of the contested domain names, to think that an affiliation of some sort exists between the Complainant and the Respondent ... when, in fact, no such relationship would exist at all."

The panel further elaborated when a likelihood of confusion would arise: "All that is necessary is that the domain name misappropriates sufficient textual components from the mark(s), whether registered or unregistered, such that an ordinary Internet user who is familiar with the goods or services distributed under the mark(s) would upon seeing the domain name likely think that owing to the visual and/or phonetic similarity between the mark(s) and the domain name that an affiliation exists between the site identified by that domain name and the owner or licensed user of the mark(s)."

The panel maintained that the disputed domain names were confusingly similar "inasmuch as each of the contested domain names includes the mark 'AIM' in which the Complainant has acquired trademark rights, both at common law and through its registrations. Confusing similarity is not dispelled by virtue of the Respondent appending the suffix 'ster' (or similar) to the Complainant's mark (or to 'a1m' - which is clearly a minor variant, as the Respondent implicitly admits to the term 'AIM', but which it registered in the context of 'A1mster.com' as, in its own words, a 'protective registration' to form each of the contested domain names.)"

The panel went on to deal with the issue of prefixes and suffixes:

"While, in certain instances, the addition of that term may be sufficient to fundamentally change the character of the domain name vis-à-vis the mark so as to successfully ameliorate any likelihood of user confusion by reducing that likelihood to a de minimis level thus precluding a finding of trademark infringement, in other instances, depending on the nature of the term and the mark, it may not. Furthermore, the question of confusion is also assessed in connection with the products or services being offered

under the domain name and the mark. While concurrent use of two identical marks is permitted under the Lanham Act as well as concurrent use of a mark and a domain name is permitted under the Policy, the determinant of the allowability of such concurrent use hinges on whether users seeing one mark, in the context of use with its goods or services, will be confused by seeing the other mark or domain name when it is used in conjunction with its corresponding goods or services. Clearly, given the uniqueness of each situation, the issue of whether that additional term is sufficient or not, in any one instance, to realistically dispel such confusion must be determined strictly on a case-by-case basis. There is no hard and fast rule as to the exact quanta of change which that term must bring to the mark, when the resulting domain name is viewed as a whole, and which will suffice across all situations. Where extremely strong marks are at issue, such as the Complainant's mark 'AIM', that exhibit substantial consumer recognition, and hence enjoy very broad trademark rights, much more will need to be added to any of these marks to form a composite domain name that will not engender confusion with any of those marks. To succeed, those additions must, of necessity, be sufficiently 'radical' to fundamentally change user perception of the domain name, when it is viewed as a whole, away from connoting a linkage of some type between the domain name and the mark and thus not confuse the users. If the domain name and the mark are used in conjunction with the same or related goods or services - and such is clearly the case here inasmuch as the Complainant uses its 'AIM' in conjunction with instant messaging and the Respondent uses its 'Aimster' mark in conjunction with a file sharing service that interacts with and utilizes the Complainant's instant messaging service - then such changes would need to be even more striking to adequately dispel user confusion that would otherwise result through concurrent use of both. Conversely, where rather weak marks are involved, e.g., marks that are not highly distinctive and thus do not enjoy wide consumer recognition, much less needs to be added to any of these marks in forming a composite domain name that will not be confusingly similar to that mark."²⁰⁶¹

²⁰⁶¹ See also *America Online Inc v Anson Chan* WIPO case no D2001-0004 where the complainant was the owner of the registered and internationally well-known trade mark "ICQ", in connection with Internet services. The complainant also owned numerous trade marks which incorporated the mark "ICQ" such as "ICQ Games", "ICQMail", etc. It also owned the domain name www.icq.com. The respondent registered www.icqroaming.com where it provided software services that interacted with the complainant's service. His web site also contained links to various Internet-related sites that contained commercial advertisements for services competing with the complainant's ICQ service. The panel held that the domain name was confusingly similar to the complainant's trade mark: "[T]he disputed domain name incorporates the whole of the Complainant's mark ICQ. In the minds of millions of Internet users, to whom the ICQ mark is extremely well known, the addition of the words 'roaming' and '.com' do nothing to detract from and indeed are likely to reinforce the strong association between the word ICQ

The panel concluded that the file-sharing service offered by the respondent under its mark "AIMSTER", and particularly given that this service required the use of the complainant's "AIM" service, was so highly related to the complainant's service that the addition of the term "ster" in the composite domain name www.aimster.com (including its variants such as www.aimstertv.com and www.a1mster.com) was insufficient to prevent user confusion arising from concurrent use of both marks. The panel court further viewed the suffix "ster" as suggesting a relation between the domain name and the service provided by the complainant.²⁰⁶²

The panel was further of the opinion that Internet users would reasonably think that the respondent's services emanated from the complainant, seeing that the parties' services, whilst not directly competitive, were complementary to each other and very closely related. The panel proceeded to state that "it was certainly incumbent on, if not a clear duty of, the Respondent here to have selected a mark and a domain name for use with its service that would minimize, rather than enhance, the potential for such confusion - an action which the Respondent intentionally failed to do."

With regard to the question whether the respondent had any legitimate rights or interests in the disputed domain names, the respondent alleged that he made fair use of the "AIM" mark by simply identifying a particular service.²⁰⁶³ The panel rejected this contention observing that -

"these domain names were intentionally selected, then registered and are being used by the Respondent due to their high degree of similarity to the Complainant's marks and hence for their potential to mislead the Complainant's users to the benefit of the Respondent ... clearly the Respondent could have chosen other domain names that engendered far less, if any, user confusion - though perhaps the service linkage would not be as explicit to its users; yet it intentionally chose the contested 'AIM' based

and the Complainant." A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0004.html>.

²⁰⁶² The court noted that "Internet users who learn of the Respondent's service would naturally think that this suffix implies that a relationship, affiliation or sponsorship of some sort exists between that service and the Complainant when, in actuality, no such linkage exists at all. This confusion is compounded by the fact that the Respondent buries this information within its site causing the user to be rather hard-pressed to discern the truth."

²⁰⁶³ The respondent stated that the complainant's service was functionally associated with his service in that the latter's service was effectively an underlying component part or ingredient and consequently his domain names simply reflected that functional linkage.

names, without the authorization of the Complainant, which incorporated the Complainant's registered marks 'AIM' either identically (in the case of 'Aimster.com', 'Aimstertv.net' and 'Aimstertv.com') or nearly so (in the case of 'A1mster.com') to enhance its own consumer recognition at the expense of the Complainant."

The panel was further of the opinion that bad faith was present in that the respondent, by relying on the above-mentioned confusion, intentionally attracted, for its own commercial gain, Internet users who thought that they were accessing a service provided by the complainant, to its own web site rather than the complainant's. The panel also held that respondent "is obtaining this recognition and ultimate financial gain by spring-boarding off, i.e., capitalizing on, the extensive reputation, recognition and goodwill enjoyed by the Complainant."

The panel made the following recommendation: "Had the Respondent chosen the term 'IMSTER' (or the like such as '1MSTER') rather than 'AIMSTER' (or correspondingly 'A1MSTER') for inclusion in its domain names, the Panel opines that, in view of the generic nature of the term 'IM' ... to mean 'instant message', then, in all likelihood, this would have led to an entirely different, and in fact directly opposite, result from that which the majority of the Panel reached here."²⁰⁶⁴

It can therefore be concluded that when A wants to register a domain name incorporating B's trade mark name, A must use a composite domain name which includes a suffix that can adequately distinguish his domain name from B's trade mark and prevent consumer confusion as to affiliation and/or sponsorship. The better known

²⁰⁶⁴ In a minority judgment, one panellist was of the opinion that because the respondent's service interacted with the plaintiff's service, it was "perfectly legitimate for Respondent to bring to the mind of the user a nominative reference to the AIM service." The panellist further stated that "[c]ontrary to AOL's argument that it has not licensed or authorized the Respondent to provide an interactive service interacting with the AOL AIM service, I am aware of no law which requires a business entity to obtain a license in order to make use of another service where it merely interacts with and permits a legitimate user of the first service to have a supplemental service provided by others. Thus, if a business creates an answering service that works with the Pacific Bell telephone system, that business is not required to obtain a license from Pacific Bell to assist a legitimate Pacific Bell user in adding services to his telephone. Nor is it prevented by the trademark laws from making a reference to the Pacific Bell trademarks that identify the services. This is a lawful nominative or fair use of a trademark. Similarly, people who have an aftermarket in parts for automobiles surely are not prevented from stating in their advertising and even in the names of their businesses that they provide add-on part to Volkswagen owners, for example. There is really no alternative to use of the trademark to describe what the add-on or aftermarket parts makers do, as with the AIMSTER domain name. AOL simply does not own all references to the AIM mark."

the complainant's trade mark name, the more distinctive the suffix has to be.

3.2.3.2. Where the suffix is a generic term

The question arose whether the addition of a generic word, as a suffix, to the complainant's trade mark name in the respondent's domain name prevents consumer confusion as to affiliation and/or sponsorship between the domain name owner and the trade mark proprietor. The following two judgments address this question.

In *Digital City Inc v Smalldomain*²⁰⁶⁵ the complainant was of the owner of the registered US trade mark "Digital City". It also owned the domain name www.digitalcity.com where it provided information on numerous US cities. The respondent registered the domain name www.digitalcitymap.com.²⁰⁶⁶ The complainant maintained that the domain name was confusingly similar to its trade mark. The respondent, in turn, contended that the phrase "digital city" is generic and that the addition of the word "map" prevents the domain from confusing Internet users.

With regard to the addition of the word "map", the panel maintained that the respondent's "argument would be stronger if the domain name in issue involved the Complainant's marks with a prefix attached, rather than a suffix attached, to the Complainant's marks. Confusion on the part of the consumer is more likely where she has already read and processed the initial expression 'digitalcity', potentially associated it with the Complainant, and then confronted a new word added as a suffix. The implication would be that this is an addition to the earlier 'digitalcity' expression, and therefore some confusion may occur. I decline to accept the implication in the Respondent's argument however, that suffixes, in general, create a completely different term."

The panel proceeded to state that because the complainant's trade mark name was composed of two fairly generic words²⁰⁶⁷ and was further not an extremely well-known

²⁰⁶⁵ WIPO case no D2000-1283. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1283.html>

²⁰⁶⁶ The Respondent was a UK land surveyor. He claimed that he intended to use this domain name for the online provision of digital maps. The panel disbelieved him.

²⁰⁶⁷ The panel maintained that the complainant's mark was a "concatenation of two words which are fairly generic and which adopt and trade on the typical metaphors used for the web and the Internet: that cyberspace is a 'place'; that we 'inhabit' these electronic zones and spaces; that we can build communities, 'cities' and 'places' online; and so on."

and distinctive mark, the elementary principle that the addition of a suffix does not alter the underlying mark, and therefore does not avoid confusion, did not apply: "The effect of strictly adopting the principle from the suffix cases would be to stop any other registration of domain names which adds a suffix to registered marks that are quite generic. It would provide the unfortunate result that the Complainant would essentially be given a monopoly on domain names that add words to the expression 'digital city'. As a matter of policy, this is undesirable and unacceptable. The scope of the concept of 'confusing similarity' must take account of policies such as this. I decline therefore to adopt the broadest interpretation of the principle from the suffix cases, and instead conclude here that consumers are not likely to be confused where: (1) A domain name comprises a mark and a suffix; (2) Where that mark is essentially generic within the online world and has not acquired such distinctiveness as to merit broader protection; and (3) Where the suffix (or the domain name as a whole) does not relate specifically to the business of the Complainant. For all the promotion and advertising spent by the Complainant, the marks have not become so well known as to acquire the requisite degree of distinctiveness taking them out of their generic nature. Further, though the Complainant is in the business of providing city information it is not in the business of providing maps. Thus, I conclude that the domain name 'digitalcitymap.com' is not confusingly similar to the DIGITAL CITY marks."

In *Google Inc v Xtraplus Corp*²⁰⁶⁸ the complainant was the owner of the famous search engine "GOOGLE", operated at www.google.com. The complainant also offered promotional items bearing the Google mark at this web site as well as at the web site established for www.googlestore.com. The panel observed that complainant enjoyed common law trade mark rights in the word "Google". The respondent registered the domain names www.googlebuy.com, www.googlebuy.org, www.googlebuy.net and www.googlegear.com, which it used for selling computer software, hardware and related accessories.

The first question was whether the respondent's domain name was confusingly similar to the complainant's trade mark. The panel answered this question in the affirmative:

"The Domain Names are not identical to Complainant's mark. However, the Domain Names are all formed by adding a generic term to Complainant's mark: 'gear' and 'buy'. Both terms would be apt selections in the context of marketing promotional products for

²⁰⁶⁸ WIPO case no D2001-0125. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0125.html>.

Complainant's site ... GOOGLE is the salient feature of the terms at issue. The additional generic terms, 'gear' and 'buy', are apt choices for promotional goods relating to Complainant's site."

With regard to the question whether the respondent had any legitimate interests and/or rights in the domain name, the panel noted that the respondent's selection and use of the disputed domain names constituted a deliberate infringement of the complainant's rights and consequently the respondent lacked a legitimate right and/or interest in the domain names. With regard to the issue of bad faith, the panel maintained that respondent intentionally attempted to attract, for commercial gain, Internet users to its web site by creating a likelihood of confusion with the complainant's trade mark as to affiliation of its products or services with the GOOGLE web site.

From the above judgments, the following principles can be inferred:

1. The question is whether the suffix or prefix, added to the complainant's trade mark name, adequately distinguishes the respondent's domain name from the former's registered or common law trade mark name.
2. Where the suffix or prefix consists of a generic word and such word generally relates to the services offered by the complainant, the respondent's domain name is confusingly similar to the complainant's trade mark name.²⁰⁶⁹

²⁰⁶⁹ In *Victoria's Secret et al v Victoria's Cyber Secret* National Arbitration Forum case no FA96536 the complainant was the owner of the internationally famous and registered trade mark "Victoria's Secret". The respondent registered various domain names incorporating this trade mark, such as www.victoriasssexsecret.com, www.victoriasssexysecret.com, www.victoriasssexsecret.com and www.victoriasssexysecret.com, which it never used. The panel held that because the disputed domain names fully incorporated the complainant's trade mark, the said domain names were virtually identical to the complainant's trade mark and confusingly similar: The "reasonable Internet user seeking Complainants' mark would assume that Respondent's domain name is somehow associated with Complainants' famous mark." A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96536.htm. In *Feni Brembo S.p.A. v Webs We Weave et al* WIPO case no D2000-1717 the complainant was the proprietor of the registered trade mark "Brembo", which it employed for marketing its brake systems. The respondent, a reseller of the complainant's Brembo brakes, registered the domain name www.brembobakes.com. The panel held that the respondent's domain name was confusingly similar to the complainant's trade mark name in that the word "brakes", added to the word "Brembo", was generic and also referred to the complainant's product. It was insufficient to distinguish the domain name from the complainant's trade mark. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1717.html>. See also *America Online Inc v Vadim Eremeev* WIPO case no D2001-0003 where the court was of the opinion that because the complainant was the owner of the well-known and internationally registered trade mark "ICQ" and engaged in the practice of adding descriptive words to his trade mark in order to indicate

3. The better known the complainant's trade mark name, the more distinctive the suffix or prefix has to be.
4. However, where the complainant's trade mark name consists of generic words, the panels seem in favour of the view that the addition of a generic word, which is generally speaking not related to the complainant's business and/or performance for which he uses his trade mark, adequately distinguishes the respondent's domain name from the complainant's trade mark name, provided that the complainant's trade mark name is not well-known.
5. At least one panel was of the opinion that prefixes tend to avoid confusion more than suffixes.

3.2.3.3. Where the suffix is a geographical term

UDRP panels have continuously maintained that merely adding a country name, or another geographic descriptor, to the complainant's trade mark name, is insufficient to dispel user confusion from occurring.²⁰⁷⁰ This is especially the case where the

additional services in connection with his trade mark, such as ICQphone and ICQmail, the respondent's domain name www.ICQplus.org was confusingly similar to the former's trade mark name in that it "is likely to be regarded by the public as another official ICQ service and trademark". A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0003.html>. See further *Volvo Trademark Holding AB v e-motordealer Ltd* WIPO case no D2002-0036 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2002/d2002-0036.html>]; *BL Flame Inc dba Black Label v LVH Holdings Inc* CPR Institute for Dispute Resolution case no CRP018 [a copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR018-010213.htm]; *Reuters Limited v Global Net 2000 Inc* WIPO case no D2000-0441 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0441.html>]; *Weber-Stephen Products Co v Armitage Hardware* WIPO case no D2000-0187 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0187.html>].

²⁰⁷⁰ See *Nike Inc v Jaeik Jung* WIPO case no D2000-1471 where the complainant was the owner of the registered and internationally famous trade mark "NIKE" and had extensive presence in Europe. The respondent registered the domain names www.nikeeurope.com, www.nike-europe.com, www.nikeurope.com, and www.euronike.com. The panel remarked that "[g]eographical additions do not alter the underlying meaning of a domain name, so as to avoid confusing similarity". The panel further noted that because the complainant had extensive business in Europe, "and on the basis of the extensive similarity between the domain names and the Complainant's marks, individuals confronting the Respondent's domain names are likely to be confused, and to believe that the Respondent, his activities and/or web sites are connected or affiliated with, sponsored or endorsed by, or emanate from Complainant." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1471.html>. See also *AltaVista Company v S.M.A. Inc* WIPO case no D2000-0927 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/>

complainant normally registers domain names consisting of its trade mark name and a particular country's name.²⁰⁷¹ Not even the insertion of a dash, a hyphen or an underscore between the trade mark name and the geographical indicator will avoid a likelihood of confusion.²⁰⁷² Other panels have elaborated on this issue, by stating that²⁰⁷³ -

- the addition of the name of a place to a trade mark is a common method for indicating the location of a business enterprise identified by the trade mark or service mark;

2000/d2000-0927.html]; *AT&T Corp v WorldclassMedia.com* WIPO case no D2000-0553 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0553.html>].

²⁰⁷¹ See e.g. *Ebay Inc v GL Liadis Computing Ltd et al* WIPO case no D2000-1463 where the complainant was the owner of the famous and registered trade mark "eBay". The respondent registered various domain names adding a country's name to the word "ebay", such as www.ebaygreece.com. The panel held that "[i]t is beyond question that confusion would likely arise when and if the Respondents, or any third-party not affiliated with the Complainant to which either of the Respondents were to transfer any of the contested domain names, or were to start using that name in conjunction with goods and/or services similar to those of the Complainant. Such confusion, should it occur, would undoubtedly cause Internet users intending to access the Complainant's website, but who reach a website through any of the contested domain names, to think that an affiliation of some sort exists between the Complainant and the Respondents or its third-party transferee, when, in fact, no such relationship would exist at all ... This is particularly telling here inasmuch as the Complainant repeatedly promotes its services using domain names and marks that are formed by prepending its registered mark 'EBAY' to a country name, such as France and Canada to form <ebayfrance.com> and <ebaycanada.com>, respectively.... In fact, given the manner in which the Complainant regularly forms a name and a domain name for use in various countries through concatenating its mark 'EBAY' with the name of each specific country, Internet users located in a specific country, such as in Greece, Turkey or New Zealand, who seek the Complainant's web site unique to that country, and are familiar with the Complainant's naming convention, would naturally think to form a domain name in the same manner, then enter that name into a web browser as a component of a URL and expect to reach the Complainant's web site for that specific country. The Panel takes notice of the large numbers of Internet users that visit the Complainant's web sites and/or are familiar with the Complainant. Hence, the contested domain names present considerable potential for user confusion." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1463.html>.

²⁰⁷² In *AT&T Corp v WorldclassMedia.com* (*supra*) the panel stated that "where a domain name is composed of a trade mark juxtaposed with a place name, a reader will naturally split them in that way, and the absence of a space, or the insertion of a dash, underscore, or hyphen does not prevent that approach." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0553.html>.

²⁰⁷³ See *Wal-Mart Stores v Walsucks* WIPO case no D2000-0477 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0477.html>]; *America Online Inc v Dolphin@Heart* WIPO case no D2000-0713 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0713.html>].

- the addition of a place name generally does not alter the underlying mark to which it is added; and
- a consumer or user of the Internet viewing the disputed domain name, consisting of the complainant's trade mark name and a country's name, is likely to assume that the complainant is the sponsor of, or associated with, the web site incorporating the disputed domain name, especially where the complainant either (1) operates a number of retail stores in that particular country or (2) routinely uses his trade mark name in combination with country names in his advertisements on the Internet.

3.2.3.4. Distributors using third parties' trade mark names as part of their domain names

UDRP panels were faced with the question whether a distributor and a reseller is permitted to register a domain name consisting of the manufacturer's trade mark name plus a suffix and a Top Level Domain. Inconsistent judgments concerning this issue were given.

In *Feni Brembo S.p.A. v Webs We Weave et al*²⁰⁷⁴ the complainant was the owner of the US registered trade mark "Brembo" which it employed as a trade mark for the manufacturing of its motor vehicle and motorcycle brake systems. The complainant also offered its services *via* the domain names www.brembo.com and www.brembo.it. The "real" respondent²⁰⁷⁵ was a licensed distributor of Brembo brakes and subsequently registered the dispute domain name www.brembobrakes.com. The complainant alleged that the disputed domain name would cause confusion, amongst potential consumers, by suggesting that respondent and its products were affiliated with or endorsed by the complainant. It should also be noted that on the web site established for disputed domain name the respondent clearly stated that it was not connected with the complainant in any way except as a legal reseller of the complainant's parts. The respondent contended that it made fair use of the trade mark name in that it could indicate to Internet users, by means of the disputed domain name, the goods it sold.

²⁰⁷⁴ WIPO case no D2000-1717. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1717.html>.

²⁰⁷⁵ The first respondent, Webs We Weave, was the entity who registered the domain name on behalf of Valto Motors, the main respondent.

The panel firstly held that the said domain name was confusingly similar to the complainant's trade mark name. Secondly, with regard to the question whether the respondent enjoyed any legitimate rights and/or interests in the domain name, the panel held that it "is apparent from the Respondent's website that Respondent is reselling Complainant's products under the Trademark in its capacity as a distributor for Complainant. Although it appears that Respondent has also used its web page to sell products other than those of the Complainant's (Valter Moto components), these instances appear to be minor." The panel further held that the domain name was used in connection with a *bona fide* offering of goods and services and therefore the respondent's use was legitimate.²⁰⁷⁶

With regard to the issue of bad faith, the panel held that the plaintiff failed to prove bad faith on the part of the respondent because -

- a) any likelihood of confusion that could arise was reduced by the respondent's disclaimer;
- b) no evidence was presented that the complainant's trade mark had been tarnished by the respondent's actions;
- c) the respondent's use of the disputed domain name did not prevent the complainant from making its commercial presence known on the Internet: "The Complainant and its affiliates themselves have registered 'brembo.it' and 'brembo.com'. There is no rule that the registration of a mark gives the owner the right to all TLDs using the mark or a portion of the mark"; and
- d) as a distributor of the complainant's genuine products the respondent was allowed to use the complainant's trade mark name in its domain name: "In these present circumstances, it is natural that the Internet users will regard Respondent's domain name as having some relation to the Complainant – this corresponds to the reality of the business relationship between the Complainant and the Respondent, since the Respondent is an authorized distributor of the Complainant's products."

²⁰⁷⁶ However, the panel also maintained that it lacked the necessary "jurisdiction or the mandate to decide whether or not a distributor or reseller has the right to make use of a tradename or a trademark owned by the principal. Such causes of action require a profound analysis of the factual issues and a complicated weighing of the parties' various interests which these administrative proceedings are not designed to accommodate. The question must be addressed by an ordinary court."

The case of *Weber-Stephen Products Co v Armitage Hardware*²⁰⁷⁷ differed in one important aspect from the *Feni Brembo* case. The complainant was the manufacturer of Weber grills and related products. It owned the registered trade mark "Weber". The respondent, a hardware store and an authorised seller of complainant's products, registered several domain names incorporating the complainant's trade mark name, such as www.webergrills.com, www.webergrill.com, www.weber-grills.com, www.weber-grill.com, www.webergrillsource.com, www.webergrillstore.com, www.webergrills-ah.com, www.webergrillshowroom.com, www.webgrills.com and www.web-grills.com, which it used to promote sales of the complainant's products.

Firstly, the panel maintained that the respondent's domain names were confusingly similar to the complainant's trade mark. The panel further held that the respondent had legitimate rights and/or interests in the disputed domain names. The panel also held that the respondent made *bona fide* use of the disputed domain names in connection with its sales of the complainant's goods: "It is apparent from the Respondent's web page that Respondent is selling Complainant's goods under Complainant's registered trademark. Although it appears that Respondent has also used its web page to sell (directly or indirectly) products other than Complainant's, these instances appear to be minor and Complainant has not controverted Respondent's alleged removal of these items." Consequently, the panel held that the complainant failed to prove its case. It appears that the registration of multiple domain names incorporating the complainant's trade mark name did not influence the panel's decision.

In *DaimlerChrysler A.G. v Donald Drummonds*²⁰⁷⁸ the complainant was the owner of the famous trade mark "Mercedes". The respondent registered the domain name www.mercedesshop.com. The respondent established a web site for this particular domain name which he used for two purposes, namely (a) a discussion forum where mechanics and owners of complainant's products could discuss the care, maintenance and performance of the latter's products; and (b) offered genuine Mercedes parts and accessories for sale, which parts and accessories were obtained through fully authorised channels of distribution. The respondent's web site further contained a disclaimer, stating that his web site was not affiliated with the complainant. The complainant instituted proceedings in terms of the *UDRP*.

²⁰⁷⁷ WIPO case no D2000-0187. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0187.html>.

The panel firstly held that the respondent's domain name was confusingly similar to the complainant's famous trade mark. With regard to the question whether the respondent enjoyed any legitimate rights or interests in the said domain name, the panel was of the opinion that this question had to be answered in the affirmative in that the respondent's domain name was descriptive of the business conducted at the web site established for that particular domain name.²⁰⁷⁹ Furthermore, the panel noted that the required bad faith was not present in that the respondent's disclaimer clearly dispelled any potential confusion between his domain name and the plaintiff's trade mark name.²⁰⁸⁰

The panel was further of the opinion that scenarios such as the one under consideration should never be prohibited by the *UDRP*: "Under the present facts, if the Panel were to find for the Complainant, the majority can conceive of no case in which a legitimate competitor in the sale of parts and aftermarket accessories could ever register a domain name descriptive of that business. The Policy was designed to deal only with the limited problem of cybersquatting. It was not designed to establish for the holder of a strong trademark a bar to entry of online competitors."

In *BL Flame Inc dba Black Label v LVH Holdings Inc*²⁰⁸¹ the complainant was the proprietor of the registered trade mark "Black Label", used and registered for

²⁰⁷⁸ WIPO case no D2001-0160. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0160.html>.

²⁰⁷⁹ The panel maintained that "Respondent is serving as a clearinghouse for information concerning Complainant's vehicles and is selling parts and accessories exclusively for Complainant's vehicles. The domain name and the name of Respondent's web site 'MercedesShop' is descriptive of the business conducted there. In conducting the business that Respondent is conducting, 'it would be difficult, if not impossible for [respondent] to avoid altogether the use of the word 'Mercedes' . . . which [is] the normal term which, to the public at large, signify [complainant's] cars' ".

²⁰⁸⁰ The court specifically noted: "However, the majority does not find that Respondent is attracting users to the site by creating a likelihood of confusion, nor are such users likely to believe they are dealing with an authorized agent of Complainant or that Complainant sponsors the site. A user searching for Complainant's Mercedes-Benz division would surely first enter either <mercedes-benz.com> or <mercedes.com>. Upon doing so, the user would be taken to Complainant's web site. It is exceedingly unlikely that any user seeking to find Complainant would enter <mercedesshop.com>. Moreover, there is a clear disclaimer at Respondent's web site of any affiliation between Complainant and Respondent. In cases where a respondent has been engaged in the exclusive sales of a complainant's goods or services and has disclaimed any relationship with the respondent, Panel decisions have not found that the respondent acted in bad faith."

²⁰⁸¹ CPR Institute for Dispute Resolution case no CRP018. A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR018-010213.htm.

skateboards. The respondent, an authorised distributor, registered the domain name www.blacklabelskateboards.com, which it was planning to use for the sale of complainant's skateboards. The panel, after holding that the said domain name was confusingly similar to the complainant's trade mark, was of the opinion that the respondent's status as an authorised distributor of complainant's trade marked goods conferred upon it a legitimate interest in the disputed domain name.

However, recently a *UDRP* panel in *Volvo Trademark Holding AB v e-motordealer Ltd*²⁰⁸² rejected the arguments advanced by the panel in the *DaimlerChrysler* case. The complainant was the owner of the well-known and internationally registered trade and service mark "Volvo" for motor vehicles. This trade mark was also registered in the UK for motor vehicle insurance. Furthermore, one of the complainant's subsidiary companies was "Volvo Financial Services" operating under the trade mark "Volvo Insurance". The respondent registered the domain name www.volvoinsurance.com, alleging that it wanted to use this domain name for insurance products relating to Volvo motor vehicles.

The panel firstly held that the disputed domain name was confusingly similar to the complainant's "Volvo" trade mark.²⁰⁸³ With regard to the question whether the respondent enjoyed any legitimate rights and/or interests in the said domain name, the respondent relied on the *DaimlerChrysler* case, contending that the domain name was descriptive of its proposed business. The panel rejected this contention:

"In view of the available technology of using META-tags to increase the number of hits on search engines, there is no need for Respondent to include the protected trademark VOLVO, or any other car manufacturers' protected trademarks, in the domain name in order to carry out its business. Even if the domain name did not include the component VOLVO, Respondent's web page could be found on the Internet. Avoiding Complainant's mark in the Domain Name, therefore, would be easy and would constitute no impediment to Respondent's business."

²⁰⁸² WIPO case no D2002-0036. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2002/d2002-0036.html>.

²⁰⁸³ The panel held that: "Since Complainant's mark is also registered in Class 36 (Insurance; financial affairs; monetary affairs; real estate affairs.) [in the UK] the Panel is satisfied that the Domain Name <volvoinsurance.com> is confusingly similar to Complainant's mark VOLVO. By incorporating Complainant's popular mark with the generic term 'insurance' - one of Complainant's offered services - at the end of the Domain Name, the likelihood of confusion is rather aggravated than dispelled".

The panel further rejected the conclusion in the *DaimlerChrysler* case that if the domain name www.mercedesshop.com was not allowed there would be no instance where "a legitimate competitor in the sale of parts and after-market accessories could ever register a domain name descriptive of that business", maintaining that it did not see -

"a vested right of anybody, particularly not of a competitor, to incorporate a famous trademark in its domain name in a manner confusing or diverting Internet users. As mentioned above, Respondent is not prevented from using the word or syllable VOLVO as a META tag on search engines in order to be visible on the Internet, nor is it prevented to use the term in a non-trademark sense on its webpage. It could even use the word or syllable VOLVO in the Domain Name, but, in view of the wording of paragraph 4(c)(iii) of the Policy, only in a *non-confusing and non-diverting manner*. By allowing the use of misleading and diverting domain names, Respondent could get a free ride and could bank on the goodwill created by the trademark holder with great investments and over a long period of time. Had Respondent registered a non-confusing domain name, identifying the trademark to belong to someone else, such as for instance: [<insuranceforvolvos.com>](http://insuranceforvolvos.com) or [<volvoinsurancebroker.com>](http://volvoinsurancebroker.com) (which examples do not imply or even clearly exclude ownership, affiliation, endorsement or support by the trade mark holder), the Panel would have taken a different view as to their admissibility. By contrast, the Domain Name chosen by Respondent at first sight appears to be one of Complainant's and it is only upon arriving at and studying the web page that the (intended) disclaimer can be seen. At that point, the consumer has already been diverted and misled, attracted by the false impression created by the misleading Domain Name. The Policy wants to avoid this."

Therefore, the panel was of the opinion that the said domain name caused initial interest confusion, which, according to them, was proscribed by the *UDRP*. Finally, the panel maintained that bad faith was present in that the respondent intended to attract Internet users to its web site by causing a likelihood of confusion "because the name itself implies the source, sponsorship, affiliation or endorsement by Complainant. The way the Domain Name is worded (without any clarifying component indicating a third party use), Respondent is trading upon Complainant's considerable goodwill and reputation, and hence infringes Complainant's registered trademark and service mark VOLVO, as well as its trade name VOLVO INSURANCE".

Therefore, the following principles can be inferred from the majority of the above-mentioned judgments: An authorised distributor or reseller (hereafter the respondent)

is permitted to register a domain name consisting of the complainant's trade mark name plus a generic suffix provided that the following two conditions are met, namely the respondent must -

- a) use the web site, established for this domain name, primarily for selling only the complainant's products; and
- b) clearly state that this web site is not affiliated with, or sponsored by, the complainant. The web site must indicate that it belongs to the respondent. A disclaimer suffices.

If these guidelines are complied with, the respondent's domain name is protected by the fair use defence in that he employs the said domain name to describe the business conducted at the said domain name. It further transpires from these judgments that a trade mark proprietor does not enjoy the "right" to be the exclusive user of all domain names consisting of his trade mark name together with a suffix and the Top Level Domain ".com", where third parties legitimately use this domain name.

3.2.4. Adding a prefix and ".com" to a trade mark name

UDRP panels maintain that where an Internet user registers a domain name consisting of the complainant's well-known trade mark name and the prefix "cyber" or "e", consumer confusion is likely to occur in that these prefixes tend to indicate that the complainant has an online presence.²⁰⁸⁴

²⁰⁸⁴ In *National Academy of Recording Arts & Sciences Inc v Las Vegas Computer Journal* National Arbitration Forum case no FA95168 the complainant was the owner of the famous and registered trade mark "Grammy" which it used for its annual Grammy musical awards ceremonies. The respondent, a cybersquatter, registered the domain name www.cybergrammy.com. The panel simply stated that because the respondent's domain name incorporated the plaintiff's trade mark name, "the prefix 'cyber' suggests cyberspace and the internet," and consequently the domain name "conveyed the impression that the Complainant had a presence in cyberspace. It was likely that an observer would be confused, misled, or deceived when encountering the disputed domain name." A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/95168.htm. Likewise, the panel in *Nike Inc v Farrukh Zia* WIPO case no D2000-0167 held that where the complainant was the owner of the internationally famous and registered trade mark "NIKE" and the respondent, a cybersquatter, registered the domain names www.enike.com and www.e-nike.com, the complainant was entitled to the transfer of these domain names in that they were confusingly similar. The panel noted that "[a]s the Domain Name[s] consists only of Complainant's trademark preceded by the letter 'e,' an increasingly common prefix indicating the electronic or Internet-based version of something (e.g., e-commerce; e-business), the Panel concludes that the Respondent's" domain names are confusingly similar to complainant's

These panels have further maintained that where the complainant's trade mark is well-known and the respondent registered a domain name consisting of the former's trade mark name and a prefix, which prefix (1) was either insufficient on its own to distinguish the disputed domain name from the complainant's trade mark²⁰⁸⁵ or (2) was a word which the complainant frequently used in connection with its performance,²⁰⁸⁶ the said domain name caused a likelihood of confusion amongst average Internet users in that the focus primarily falls on the main word constituting the domain name.²⁰⁸⁷

well-known trade mark. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0167.html>.

²⁰⁸⁵ For example, in *Tata Sons Limited v D & V Enterprises* WIPO case no D2000-0479 the plaintiff was the owner of the Asian famous and/or registered trade marks "Tata" and "Tatas". The respondent registered the domain name www.bodacious-tatas.com which it employed for its adult entertainment web sites. The panel held that the domain name was confusingly similar to the plaintiff's trade mark. The addition of the word "bodacious" to the trade mark name "tatas" failed to sufficiently distinguish the plaintiff's trade marks from the respondent's domain name, due to the fact that the trade marks "Tata" and "Tatas" enjoyed considerable goodwill. The panel further maintained that "it is now generally accepted in most countries that well-known marks, particularly those surrounded by an aura of high repute, excellent quality and respectability, deserve wide protection." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0479.html>.

²⁰⁸⁶ For example in *Wal-Mart Stores Inc v Kenneth E. Crews* WIPO case no D2000-0580 the panel stated that by adding a common descriptive term (such as the word "super") to the complainant's trade mark, the respondent did not create a new or different mark. The panel further explained this aspect: "Complainant's 'Wal-Mart' mark is well known. Its use in a domain name with the common descriptive term 'super' is likely to cause consumers to associate the combination 'www.superwal-mart.com' with Complainant as the source of products on or sponsor of a website identified by that name. Complainant uses the term 'super' to identify certain of its own retail establishments, i.e. 'Supercenters' ... thereby increasing the prospect that consumers would draw a connection between it and the disputed domain name." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0580.html>.

²⁰⁸⁷ In *Koninklijke Philips Electronics N.V. v Manageware* WIPO case no D2001-0796 the complainant was the proprietor of the well-known and internationally registered trade mark "Philips" for electronic products. The respondent registered the domain name www.myphillips.com to provide information on lightning protectors. The panel was of the opinion that "the possessive pronoun 'my' is less important to determining the uniqueness of the domain name than the main noun, 'phillips'. Put another way, it is the word 'phillips' which is the distinguishing or distinctive feature of the domain name. As such it is logical to focus on that main word in making a determination. Given that PHILIPS is such a strong mark, it would thus be fair to conclude that 'myphillips' is at the very least confusingly similar, if not effectively identical, to the Complainant's mark. The average internet user would likely confuse 'myphillips' with products and services offered by [complainant] under the PHILIPS mark." The respondent also registered the domain name www.myphilipslighting.com for the same purpose as set out above. The panel was of the opinion that no "average consumer or Internet user would automatically equate the

In addition, the panels have noted that where the respondent registers a domain name which omits a period between “www” and the Second Level Domain, such practice is known as typo-piracy.²⁰⁸⁸ An example is where the respondent registers the domain name www.wwwreuters.com. Such domain name is confusingly similar to the trade mark “Reuters”.²⁰⁸⁹

3.2.5. Criticising the complainant

The question arose whether an Internet user is permitted to register a domain name, consisting of a third party’s trade mark name and the suffix “sucks” or consisting solely of the third party’s trade mark name, which he then employs for his forum to criticise the third party and/or his performance. Stated differently, are these domain names protected by the right to freedom of speech and/or a “fair use doctrine”? Inconsistent judgments regarding these issues exist.

3.2.5.1. Using the complainant’s trade mark name plus a TLD

*Bridgestone Firestone Inc et al v Myers*²⁰⁹⁰ is an example of where the respondent, for the purposes of criticism, registered a domain name consisting of the complainant’s

phrase ‘Philips lighting’ with the PHILIPS trademark.” The complainant did not adduce evidence that average consumers would confuse the dispute domain name with complainant’s trade mark. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0796.html>.

²⁰⁸⁸ In *Reuters Limited v Global Net 2000 Inc* WIPO case no D2000-0441 the panel defined the practice of typo-piracy as “attracting to a different web site the Internet user who mistakenly fails to insert a period after the letters ‘www’ when typing the URL of the intended web site.” A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0441.html>. See also *World Wrestling Federation Entertainment Inc v Matthew Bessette* WIPO case no D2000-0256. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0256.html>

²⁰⁸⁹ In *Reuters Limited v Global Net 2000 Inc (supra)* the panel held that “[t]he letters ‘www’ thus have no distinguishing capacity in the context of domain names. In fact, in the context of domain names, the letters ‘www’ have the effect of focusing particular attention on the word succeeding them, in this case the word ‘reuters’. This is because a casual reader of the domain name may wrongly think that there is a period between the ‘www’ and the succeeding word, and so wrongly assume that the domain name is in fact comprised only of the succeeding word.” See also *World Wrestling Federation Entertainment Inc v Matthew Bessette (supra)*.

²⁰⁹⁰ WIPO case no D2000-0190. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0190.html>.

trade mark plus a TLD. The complainants were the owners of the registered and well-known trade marks "Bridgestone" and "Firestone". They also owned the domain name www.bridgestone-firestone.com. The respondent, a former employee of the complainants, registered the domain name www.bridgestone-firestone.net, where he criticised the complainants. The latter contended that the respondent infringed their trade mark rights. The respondent, in turn, argued that his domain name was protected by his constitutional right to freedom of speech as well as the doctrine of fair use. The home page established for the said domain name displayed a disclaimer stating that the web site was not affiliated with the complainants.

The panel, after holding that the disputed domain name was confusingly similar to the complainants' trade marks, held, with regard to the question whether the respondent enjoyed any legitimate rights or interests in the domain name, that -

"Respondent's use of the Domain Name to designate a website for criticism and commentary about the Complainants constitutes legitimate noncommercial use and fair use within the meaning of the Policy ... The Panel sees no reason to require domain name registrants to utilize circumlocutions like <trademarksucks.com> to designate a website for criticism or consumer commentary. 'We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.' ... In the cybersquatting cases, the domain names in question generally were <trademark.com> domain names, which prevented the trademark holder from utilizing the customary commercial domain name for its 'official' site ... Here, however, the domain name registrant has not usurped the <.com> domain but has utilized only the <.net> domain, has posted disclaimers on the website homepage, and has included criticism and commentary on the site so that a reasonably prudent Internet user can tell that the site is not the trademark holder's 'official' site."²⁰⁹¹

In particular, the panel maintained that no likelihood of confusion existed due to the disclaimer. Neither was trade mark dilution present in that the domain name was protected by fair use. The panel further remarked that the respondent's conduct was lawful in that he used the disputed domain name not for a commercial purpose, but to exercise his constitutional right to freedom of speech: "The use of the <trademark.net> domain name appears to be for the communicative purpose of identifying the companies, which are the subject of his complaints." The panel further remarked that

²⁰⁹¹ The court three times emphasised the fact that the respondent did not register a ".com" domain name.

respondent's registration and use of the disputed domain name did not harm the complainants commercially:

"Respondent's use of the <.net> domain has not prevented Complainant from making its commercial presence known on the Internet. The Panel notes that the Complainants themselves have registered various <trademark.com> and <trademarksucks.com> domain names ... Since there are now seven generic top level domains, with more in the process of being approved, as well as some 240 country top level domains, there are hundreds of domain name permutations available to Complainants. Respondent's use of one of those permutations other than the principal <.com> domain name for purposes of critical commentary is a legitimate noncommercial and fair use."

It therefore appears that this panel regarded the fact that the respondent only registered a dot-net domain name, and not a dot-com domain name, as crucial to the question whether the respondent made a non-commercial fair use of the complainant's trade mark name.

In *Ahmanson Land Co v Save open Space et al*²⁰⁹² the panel observed that where the respondent registered the complainant's trade mark name as its domain name (www.ahmanson.org), for the purpose of criticising the complainant *and* to obtain funding, the domain name in question was protected as non-commercial fair use, where the respondent was a non-profit organisation attempting to obtain profits to criticise the complainant.²⁰⁹³ Likewise, the panel in *Savannah College of Art and*

²⁰⁹² WIPO case no D2000-0858. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0858.html>.

²⁰⁹³ The complainant was Ahmanson Land Company, engaged in a ranch project. The respondent, an environmental opponent to this project, registered the domain name www.ahmanson.org, where it criticised the aforementioned project. The complainant submitted that it enjoyed common law trade mark rights in the word "Ahmanson" and that the respondent was guilty of "trade mark infringement" because the disputed domain name was likely to cause confusion. The respondent, a non-profit organisation, argued, in turn, that the domain name was protected by fair use and its constitutional right to freedom of speech and that the complainant's only motive in instituting the present *UDRP* proceedings was to attempt to shut the web site down. The panel firstly held that the complainant had no trade mark rights in the name "Ahmanson". Furthermore, the panel stated *obiter* that "[t]he record does show legitimate noncommercial use or fair use by Respondents since the purpose of Respondents' website is to serve as a noncommercial platform to criticize the development activities of Complainant. Determinations regarding legitimate noncommercial and fair use under the Policy require a balancing of trademark holder and other public interests." With regard to the fact that the respondent accepted donations by means of this web site, the panel maintained that respondent's conduct did not constitute commercial use in that it solicited contributions, as a non-profit organisation, in order to further its objectives namely to oppose the ranch project.

*Design v Philippe Houeix*²⁰⁹⁴ held that where the complainant was the owner of the trade mark "SCAD" and the respondent registered the domain name www.scad.info to criticise the complainant, such domain name was protected by the respondent's right to free speech. Such use constituted a legitimate non-commercial use of the said trade mark name.

However, two panels maintain that a domain name, consisting only of the complainant's trade mark name and a TLD, used for criticising the complainant and/or his performance, is not protected by the right to freedom of expression in that it tarnishes the complainant's trade mark value. For example, in *CSA International v Shannon et al*²⁰⁹⁵ the complainant was the proprietor of the US and Canadian registered trade marks "CSA" and "CSA-international" and also owned the domain names www.csa-international.org, www.csa.ca, www.csa-usa.org, www.csa-intl.org and www.csa-international.com. The respondents registered the domain names www.csa-canada.com and www.csa-international.net which they used to criticise the complainant. The respondents' defence was that their domain names were protected by their constitutional right to freedom of speech. The panel ruled that the respondents' right to freedom of speech did not "require the use of Complainant's trade marks in the domain names for that purpose." The panel continued to state that "[t]he adoption by the Respondents of an Internet address substantially identical or confusingly similar to that of the name, Internet address and trade marks of the Complainant must inevitably and misleadingly divert consumers to that address and have the effect of tarnishing the trade marks." Furthermore, because the web sites, established by the respondents for the disputed domain names, directed Internet users to the respondents' home page where their goods were promoted, the panel concluded that their conduct was for commercial gain.

In *Compagne de Saint Gobain v Com-Union Corp*²⁰⁹⁶ the panel was also of the opinion that a domain name consisting of the complainant's trade mark name (www.saint-gobain.net) was not protected by the respondent's constitutional right to freedom of

²⁰⁹⁴ CPR Institute for Dispute Resolution case no CPR0206. A copy of this judgment can be downloaded from <http://www.cpradr.org/ICANNDecisionCPR0206-020401.htm>.

²⁰⁹⁵ WIPO case no D2000-0071. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0071.html>.

²⁰⁹⁶ WIPO case no D2000-0020. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0020.html>.

speech.²⁰⁹⁷

However, in *Daniel J Quirk Inc v Michael Maccini*,²⁰⁹⁸ where the respondent registered a domain name consisting of the complainant's trade mark name plus the TLD dot-com which he subsequently used to criticise the complainant's business practice, the panel simply stated that such domain name was protected by the respondent's constitutional right to freedom of speech.

²⁰⁹⁷ The complainant was the owner of the international registered trade mark "Saint-Gobain". The respondent registered the domain name www.saint-gobain.net in order to criticise the complainant. With regard to the question whether the respondent enjoyed any legitimate rights or interests in the said domain name, the panel remarked that "[i]t goes without saying that shareholders or other interested parties have the right to voice opinions, concerns and criticism with respect to a listed company and that the Internet constitutes an ideal vehicle for such activities. The issue at hand is however not as Respondent seems to contend, the freedom of speech and expression but the mere choice of the domain name used to exercise this inalienable freedom of speech and expression ... Respondent could have chosen a domain name adequately reflecting both the object and independent nature of its site, as evidenced today in thousands of domain names. By failing to do so, and by knowingly choosing a domain name which solely consists of Complainant's trademark, Respondent has intentionally created a situation which is at odds with the legal rights and obligations of the parties." A similar view was expressed in *Monty and Pat Roberts Inc v J Bartell* WIPO case no D2000-0300. The complainant was the proprietor of the common law trade mark "Monty Roberts". The respondent registered the domain name www.montyroberts.org and established a web site for criticising the complainant. With regard to the question whether the respondent enjoyed any legitimate rights in this confusingly similar domain name, the respondent alleged that this domain name was protected by his constitutional right to freedom of speech. The panel held a different view: "[T]he Panel is greatly concerned to assure that rights of the public to freely communicate their views on the Internet are protected and preserved. However, in balancing the rights of Complainant in its mark, and the rights of Respondent to freely express its views about Complainant's services, the Panel concludes that Respondent has impermissibly taken advantage of Complainant's commercial interests in the mark. Respondent has the right to express its views concerning Complainant on the Internet (within the boundaries of laws relating to libel and similar causes of action). In the instant proceeding, the Panel makes no findings as to the truth or falsity of the allegations of Respondent in so far as they relate to the quality or characteristics of Complainant's services. However, the right to express one's views is not the same as the right to use another's name to identify one's self as the source of those views. One may be perfectly free to express his or her views about the quality or characteristics of the reporting of the New York Times or Time Magazine. That does not, however, translate into a right to identify one's self as the New York Times or Time Magazine ... the Panel does not dispute Respondent's right to establish and maintain a website critical of Complainant ... However, the Panel does not consider that this gives Respondent the right to identify itself as Complainant. Respondent is using Complainant's famous mark to attract Internet users to its own website."

²⁰⁹⁸ National Arbitration Forum case no FA94964. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/94964.htm.

It can therefore be concluded that administrative panels are divided on the issue whether third parties should be permitted to register domain names consisting of a trade mark name and a Top Level Domain in order to criticise the trade mark proprietor and/or his performance. The relevant judgments can be divided into three groups:

- (1) Those that maintain that a domain name consisting of the complainant's trade mark name and the TLD dot-com is protected by the respondent's constitutional right to freedom of speech and possibly by the defence of fair use.²⁰⁹⁹
- (2) Those that maintain that a third party is permitted to register a domain name consisting of the trade mark proprietor's trade mark name plus any TLD, except dot-com, in order to criticise the trade mark proprietor and/or his performance. These judgments maintain that these domain names are protected by the fair use defence of legitimate non-commercial use as well as by the domain name owner's constitutional right to freedom of speech.²¹⁰⁰ The panel in the *Bridgestone* case specifically noted that there is no reason why someone should be required to register a trademarksucks.com domain name in order to criticise the trade mark proprietor.
- (3) Finally those where the adjudicating panels were of the opinion that a third party is not permitted to register a domain name consisting of a trade mark name and a TLD, where he wants to use this domain name to criticise the trade mark proprietor and/or his performance. These panels maintained that no-one has the right to identify himself as the trade mark proprietor and furthermore stated that such a domain name was likely to tarnish the trade mark's reputation in that the third party used the said trade mark name to criticise the trade mark proprietor.²¹⁰¹

3.2.5.2. Adding the suffix "sucks" to the complainant's trade mark name

No instance has come before the *UDRP* panels that involved a *bona fide* domain name, consisting of a trade mark name and the word "sucks", used for criticising a third party. In all the reported instances the respondent did not use the disputed domain name to voice criticism.

However, it transpires from these judgments that the majority of *UDRP* panels

²⁰⁹⁹ See *Daniel J Quirk Inc v Michael Maccini*.

²¹⁰⁰ See *Bridgestone Firestone Inc et al v Myers & Ahmanson Land Co v Save open Space*.

²¹⁰¹ See *CSA International v Shannon & Compagne de Saint Gobain v Com-Union Corp*.

considered a "sucks.com" domain name to be confusingly similar to the complainant's trade mark name. These panels have provided four reasons for this conclusion:

- a) The domain name in question is confusingly similar to the trade mark name in that a search engine will list the domain name to a search enquiry using the trade mark's name,²¹⁰² and/or
- b) The dominant part of this domain name remains the complainant's trade mark name,²¹⁰³ which might confuse some consumers.²¹⁰⁴ In *Vivendi Universal v Mr Jay*

²¹⁰² See e.g. *Cabela's Inc v Cupcake Patrol* National Arbitration Forum FA95080. The complainant was the proprietor of the US registered trade marks "Cabelas" and "Cabelas.com". The respondent registered the domain name www.cabelassucks.com. With regard to the question whether the disputed domain name was confusingly similar to the complainant's trade mark name, the panel noted: "The Panel does not infer that '-sucks' domain names are immune from scrutiny as being confusingly similar to trademarks to which they are appended. Each case must be considered in light of the facts presented ... By using Complainant's marks in its domain names, Respondent makes it likely that Internet users entering 'Cabela's' into a search engine will find 'CABELASSUCKS.COM' in addition to the Complainant's site <cabelas.com>. Respondent's domain name is sufficiently similar to Complainant's marks that the search engine results will confusingly list the Respondent's domain name when searching for Complainant's mark." A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/95080.htm. See also *Bloomberg L.P. v Secaucus Group* Arbitration Forum case no FA97077 where the panel maintained that "[b]y using the Complainant's marks in its domain names, the Respondent makes it likely that Internet users entering 'Bloomberg' into a search engine will find <michaelbloomborgsucks.com> in addition to the Complainant's sites. The requirement of likelihood of confusion is satisfied by the fact that the public searching for the Complainant's products and services will be faced with the domain name found by search engines, and will divert potential users' of the Complainant's products and services by using the Complainant's mark." A copy of this judgment can be downloaded from www.arb-forum.com/domains/decisions/97077.htm.

²¹⁰³ *Bloomberg L.P. v Secaucus Group* (supra).

²¹⁰⁴ See e.g. *Dixons Group Plc v Purge I.T. and Purge I.T. Ltd* WIPO case no D2000-0584. The complainant was the proprietor of numerous international registered trade and service marks for the word "Dixons". It also owned 28 Top Level Domains incorporating the word "dixons". The respondent registered the domain name www.dixonssucks.com. With regard to the question whether the disputed domain name was confusingly similar to the complainant's trade mark name, the panel stated: "Given the apparent mushrooming of complaints sites identified by reference to the target's name, can it be said that the registration would be recognised as an address plainly dissociated from the Complainant? In the Panel's opinion, this is by no means necessarily so. The first and immediately striking element in the Domain Name is the Complainant's name. Adoption of it in the Domain Name is inherently likely to lead some people to believe that the Complainant is connected with it. Some will treat the additional 'sucks' as a pejorative exclamation and therefore dissociate it after all from the Complainant; but equally others may be unable to give it any very definite meaning and will be confused about the potential association with the Complainant." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0584.html>.

*David Sallen et al*²¹⁰⁵ the panel was of the opinion that because not all Internet users speak English as their mother tongue, the addition of the word “sucks” fails to distinguish the disputed domain name from the complainant’s trade mark name;²¹⁰⁶ and/or

- c) The word “sucks” is a generic term and consequently this word does not sufficiently distinguish the domain name from the complainant’s trade mark name;²¹⁰⁷ and/or
- d) In given circumstances, the word “sucks” is purely descriptive. In *Vivendi Universal v Mr Jay David Sallen et al*²¹⁰⁸ the panel explained this as follows: “[The word ‘sucks’ may signify a purely descriptive meaning] as in the advertising slogan ‘Nothing sucks like Electrolux’ (If there were a website at <electroluxsucks.com>, it would be unlikely to be taken as unaffiliated with the company Electrolux)”.

Note, however, that two panels maintained that domain names incorporating the word

²¹⁰⁵ WIPO case no D2001-1121. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-1121.html>.

²¹⁰⁶ A similar opinion was expressed in *Diageo plc v John Zuccarini, Individually and t/a Cupcake Patrol* WIPO case no D2000-0996. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0996.html>.

²¹⁰⁷ E.g. see *Wal-Mart Stores v Walsucks et al* WIPO case no D2000-0477. The complainant was the owner of the registered and well-known trade mark “Wal-Mart”. The respondent registered the domain names www.walmartcanadasucks.com, www.wal-martcanadasucks.com, www.walmartuksucks.com, www.walmartpuertorico.com and www.walmartpuertoricosucks.com. With regard to the question whether the contested domain names were confusingly similar to the complainant’s trade mark name, the panel noted: “Respondent has appended the term ‘-sucks’ to domain names that are, in the absence of that term, confusingly similar to Complainant’s mark. The addition of the pejorative verb ‘sucks’ is tantamount to creating the phrase ‘Wal-Mart Canada sucks’ (and comparable phrases with Respondent’s other ‘-sucks’ formative domain names) ... The addition of a common or generic term following a trademark does not create a new or different mark in which Respondent has rights ... By using Complainant’s ‘Wal-Mart’ mark in its domain name, Respondent makes it likely that Internet users entering ‘Wal-Mart’ into a search engine will find its ‘walmartcanadasucks.com’ and other ‘walmart’-formative websites. Respondent’s domain names are sufficiently similar to Complainant’s mark ... in that Internet search engine results will list Respondent’s domain names and websites when searching Complainant’s mark. Internet users with search engine results listing Respondent’s domains are likely to be puzzled or surprised by the coupling of Complainant’s mark with the pejorative verb ‘sucks’. Such users, including potential customers of Complainant, are not likely to conclude that Complainant is the sponsor of the identified websites. However, it is likely (given the relative ease by which websites can be entered) that such users will choose to visit the sites, if only to satisfy their curiosity. Respondent will have accomplished his objective of diverting potential customers of Complainant to his websites by the use of domain names that are similar to Complainant’s trademark.” A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0477.html>.

²¹⁰⁸ *Supra*.

"sucks" are not confusingly similar to the complainant's trade mark name.²¹⁰⁹

With regard to the question whether the respondents enjoyed any legal rights and/or interests in these domain names, the panels maintained that these domain names "may be justified by fair use or legitimate noncommercial use considerations for free expression forums [such as] to express opinions or to seek opinions of others."²¹¹⁰ Each case must, however, be decided on its own merits.²¹¹¹ Seeing that the respondents in the above-mentioned cases failed to use their domain names for *bona fide* criticism they had no legitimate rights or interests in the disputed domain names.²¹¹²

²¹⁰⁹ See e.g. *Lockheed Martin Corporation v Dan Parisi* WIPO case no D2000-1015 where the panel held that "[b]oth common sense and a reading of the plain language of the Policy support the view that a domain name combining a trademark with the word 'sucks' or other language clearly indicating that the domain name is not affiliated with the trademark owner cannot be considered confusingly similar to the trademark ... In reaching this Decision, the Panel is mindful that the current nature of the internet is such that search engines may well pull in the disputed domain names when the searcher intends to find only Complainant's well-known company. However, the Panel believes that once the searcher sees <lockheedsucks.com> and <lockheedmartinsucks.com> listed among the websites for further search, she will be able readily to distinguish the Respondent's site for criticism from Complainant's sites for goods from aerospace to t-shirts." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1015.html>. See also *Wal-Mart Stores Inc v wallmartcanadasucks.com et al* WIPO case no D2000-1104. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1104.html>.

²¹¹⁰ See *Cabela's Inc v Cupcake Patrol (supra)*. See also *Dixons Group Plc v Purge I.T. and Purge I.T. Ltd (supra)* where the panel noted that "[t]hose who have genuine grievances against others or wish to express criticisms of them - whether the objections are against commercial or financial institutions, against governments, against charitable, sporting or cultural institutions, or whatever - must be at liberty, within the confines set by the laws of relevant jurisdictions, to express their views. If today they use a website or an email address for the purpose, they are entitled to select a Domain Name which leads others easily to them, if the name is still available." See also *Wal-Mart Stores v Walsucks (supra)*.

²¹¹¹ *Wal-Mart Stores v Walsucks et al (supra)*.

²¹¹² See *Cabela's Inc v Cupcake Patrol (supra)*. See also *Dixons Group Plc v Purge I.T. and Purge I.T. Ltd (supra)* where the respondent did not use the domain name to criticise the complainant, but instead acted like the Mafia, stating that it registered the domain name to protect the complainant from criticism and embarrassment and that it would only transfer the domain name to the latter when it paid the respondent a substantial amount. The panel simply held that the respondent had no legitimate rights or interests in the domain name and that it registered and used the domain name in bad faith. See further *Wal-Mart Stores v Walsucks et al (supra)* where the respondent registered "sucks.com" domain names with the intention to extract money from the complainant. The panel noted that a "demand for payment from the potential and actual subject of critical sites is fundamentally inconsistent with the right of free expression. It is as if a newspaper were to approach the potential subject of an adverse investigative

It can therefore be concluded that administrative panels are divided on the question whether a trademarksucks.com domain name is confusingly similar to the complainant's trade mark name. It is submitted that the above reasons why trademarksucks.com domain names are confusingly similar cannot hold water for the simple reason that no reasonable Internet user would believe that the domain name www.cocacolasucks.com is sponsored or affiliated with the company Coca-Cola. It is submitted that any reasonable Internet user would assume upon seeing this domain name, for example in a search engine results list, that the web site established for this particular domain name voices criticism against Coca-Cola and/or its products.²¹¹³

3.2.5.3. Adding a prefix to the complainant's trade mark name

In *America Online Inc v Johuathan Investments Inc & AOLLNEWS.COM*²¹¹⁴ the complainant was the owner of the famous trade mark "Netscape". The respondent registered the domain name www.fucknetscape.com. With regard to the question whether the disputed domain name was confusingly similar to the complainant's trade mark, the panel responded by stating that no Internet user would associate the said domain name with the complainant or the complainant's trade mark.²¹¹⁵

3.2.6. Domain names that differ only in one or two letters

3.2.6.1. Typosquatting

The case of *Playboy Enterprises International Inc v Sand WebNames – For Sale*²¹¹⁶ is a typical example of typosquatting. The complainant was the owner of the internationally registered and famous trade mark "Playboy". The respondent registered

report to propose that for an appropriate fee the report could be avoided. This would not be characterized as 'free speech' activity. It would rather be characterized as 'extortion'."

²¹¹³ See in this regard the case of *America Online Inc v Johuathan Investments Inc & AOLLNEWS.COM* discussed in the next paragraph.

²¹¹⁴ WIPO case no D2001-0918. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0918.html>.

²¹¹⁵ Specifically, the panel noted that "[t]he Panel regards it as inconceivable that anyone looking at this Domain Name will believe that it has anything to do with a company of such high repute as the Complainant. It is manifestly, on its face, a name, which can have nothing whatever to do with the Complainant. It is a name, which, by its very nature, declares that it is hostile to Netscape."

²¹¹⁶ WIPO case no D2001-0094. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0094.html>.

the domain name www.plaboy.com. On the web site established for this domain name, the respondent displayed links to other pornography web sites.

The panel maintained that the disputed domain name was confusingly similar to complainant's trade mark and that the respondent had no legitimate rights and/or interests in the domain name. With regard to the question of bad faith registration and use, the panel stated that "[i]t is hard to see that the Respondent's registration and use of the domain name could possibly be bona fide, given the Complainant's pervasiveness in the world IT market. The very similarity between the disputed name and the mark indicates a deliberate strategy by the Complainant to register something very similar but a bit different." Furthermore, the court held that the respondent acted *male fide* in that:

"(a) <plaboy.com> gives the appearance of a connection with services provided worldwide by the Complainant.

(b) The Respondent must have known of the Complainant's mark and reputation when he registered the name.

(c) The domain name seeks to take advantage of typographical errors made by Internet users who are seeking the Complainant's commercial website. It intentionally diverts those users to Respondent's website for purposes of commercial gain by creating confusion as to Complainant's affiliation with or sponsorship of Respondent's website."

Other panels have also stated that a one letter difference between the respondent's domain name and the complainant's trade mark name causes a likelihood of confusion and consequently renders the respondent's domain name confusingly similar.²¹¹⁷

²¹¹⁷ In *Telstra Corporation Ltd v Warren Bolton Consulting Pty Ltd* WIPO Case no D2000-1293 the panel found that the respondent's domain name www.bigpons.com was confusingly similar to the complainant's registered and famous trade mark "Big Pond": "The effect on the viewer must be such that there is a real likelihood of confusion between the two expressions. The noun 'pons' (derived from the Latin word for bridge) is not in common usage and has a restricted, anatomical meaning. The one letter difference between the two expressions creates the confusion." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1293.html>. Finally see *Reuters Limited v Global Net 2000 Inc* WIPO case no D2000-0441 where the panel stated that in answering the question whether a typosquatter's domain name was confusingly similar to the complainant's domain name, "it is helpful to consider the context in which the domain names are being used, as well as the aural and visual similarity between the domain names and the Complainant's trade mark ... A domain name which differs by only one letter from a trademark has a greater tendency to be confusingly similar to the trademark where the trademark is highly distinctive." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0441.html>. See further *CarDay Inc v Capital Results Inc* CPR Institute for Dispute Resolution case no CPR0102 -

3.2.6.2. Descriptive fair use

In *Porto Chico Stores Inc v Otavio Zambon*²¹¹⁸ the complainant was the owner of the registered trade mark "Lovely Girl", with a picture of a heart replacing the letter "o" in "lovely", which it used for selling female related products such as make-up products. It also operated the domain name www.lovelygirl.com. The respondent registered the domain name www.lovelygirls.com where it offered adult-orientated pornographic services. The complainant averred that the respondent was not entitled to the said domain name in terms of the *UDRP*. The respondent failed to file a response to the complainant's allegations. The panel firstly observed that the disputed domain name was confusingly similar to the plaintiff's trade mark. However, with regard to the question whether the respondent had any legitimate rights or interests in the disputed domain name, the panel held that -

"[o]wnership of such a mark [consisting of two generally common descriptive English words] as a means of identifying the source of particular goods and services does not entitle the owner of the mark to prevent use of those words by others in commerce accurately and descriptively in accordance with their primary meaning in the English language. Thus, although the complainant has rights in the stylized form of the trademark LOVELY GIRL in relation to women's apparel and women's care products, those rights cannot prevail over the use of the words 'lovely girls' as an accurate description of lovely girls. Likewise the owner of the trademark APPLE in relation to computers cannot prevent use of the word 'apple' in relation to apples."

The panel further stated that the respondent's registration of the disputed domain name was legitimate: "Here the disputed domain name is being used in connection with a pornographic website. The words 'lovely girls' are descriptive ... There is nothing illegitimate about offering pornography on a website. There is no evidence the respondent seeks to mislead potential customers of the complainant into visiting the respondent's site."

With regard to the issue of alleged bad faith, the panel was of the opinion that because

"CarDay" and www.carsday.com [a copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR0102-010515.htm]; *America Online Inc v Johuathan Investments Inc & AOLNEWS.COM* WIPO case no D2001-0918 - "AOL" and www.aol!news.com [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0918.htm>].

²¹¹⁸ WIPO case no D2000-1270. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1270.html>.

no evidence was presented to establish whether the respondent had actual knowledge of the complainant's trade mark rights, it could neither find that the respondent intentionally adopted the former's mark in the disputed domain name nor that the respondent was using the domain name intentionally to attract Internet users to its site by creating a likelihood of confusion with the complainant's mark. Furthermore, the panel was of the opinion that "[e]ven if the respondent had constructive knowledge of the complainant's registered trademark rights, the use by the respondent of the disputed domain name so accurately describes the content of the pictures it offers that it negates any presumption of an intent to deceive the public or to derive benefit from the complainant's mark."

Furthermore, the panel maintained that "[i]t is true that the disputed domain name differs only in the additional letter 's' from the complainant's website 'www.lovelygirl.com' and this may account for instances of actual confusion of customers of the complainant who may have found themselves inadvertently visiting the respondent's website. But the relevant criteria under the Policy relate to the complainant's trademark, not its website. The complainant has not established trademark rights in the words 'LOVELY GIRL' otherwise than in the particular stylized form registered and otherwise than in relation to the particular goods and services with respect to which the mark is registered. Its website address is not in that particular stylized form."

3.2.6.3. Parody

The question arose whether a web site operator is allowed to registered a third party's trade mark name as his domain name under the guise of parody. The panel in *A & F Trademark Inc and Abercrombie & Fitch Stores Inc v Justin Jorgensen*²¹¹⁹ addressed this question. The panel maintained that –

- (a) parody constitutes a defence under given circumstances, even though the *UDRP* fails to explicitly list it as a defence;
- (b) a domain name will be protected under the auspices of parody whenever it complies with two criteria namely -

²¹¹⁹ WIPO case no D2001-0900. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0900.html>.

- (1) when the domain name itself has the capacity to constitute parody. This means that the domain name, without reference to the web site established for it, must convey two simultaneous messages, namely that it is the original but also that it is not the original and instead a parody; and
- (2) the respondent's use of the web site established for that particular domain name must be consistent with his claim of parody. This would be the case where e.g. the respondent's web site makes fun of the goods or services associated with the complainant's marks. However, use of a third party's trade mark to poke fun at something unrelated to the complainant's mark will not constitute parody. Neither will use of the complainant's trade mark to promote a third party's goods or services constitute parody.

The panel held that the respondent's domain name www.abercrombieandfilth.com constituted a parody of the complainant's trade mark "Abercrombie & Fitch", and therefore complied with the first requirement set out above. However, the web site established for the aforementioned domain name contained gay-orientated material and therefore failed to comply with the second requirement. Consequently, the panel was of the opinion that the respondent's defence of parody failed and as a result the respondent enjoyed no legitimate rights or interests of the disputed domain name.

3.2.7. Registering a domain name that is phonetically identical to the complainant's trade mark name

In *XS Inc v World Wide Web Marketplace Inc*²¹²⁰ the complainant was the proprietor of the common law trade mark "XS Ag", which it used for its agricultural services. The respondent registered the domain name www.excessag.com which it intended to use for direct competing services. The panel was of the opinion that due to the phonetic similarity between the two marks as well as the fact the said domain name was to be used for direct competing services, the respondent's domain name was confusingly similar.

²¹²⁰ CPR Institute for Dispute Resolution case no CPR0001. A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR001-000718.htm.

3.2.8. Issues surrounding legitimate use

3.2.8.1. Web site not yet active

The *UDRP* panels have addressed the following questions: (1) When no web site has been established for the respondent's domain name, which is identical or confusingly similar to the complainant's trade mark name, does his domain name cause any likelihood of confusion, and (2) Can it be inferred from the fact that the respondent created no web site that he registered and uses the disputed domain name in bad faith, as required by the *UDRP*?

The case of *Nike Inc v Jaeik Jung*²¹²¹ sheds light on the first question posed above. The respondent registered a domain name confusingly similar to the complainant's trade mark. When the complainant instituted *UDRP* proceedings against him, the respondent raised the defence that he had not yet established a web site at that particular domain name, and therefore no likelihood of confusion could arise. The panel responded by stating that "[t]his is no defence to this part of the Complaint: the domain names are still registered and may be perused on the WHOIS database. And the users seeking to go to the Complainant's European operation are likely to be confused by the fact that the obvious domain names (<nikeeurope.com>, <nike-europe.com>, <nikeurope.com>, and <euronike.com>) are registered but do not take the user to a NIKE website ... The domain names are confusingly similar to the Complainant's trade marks."

With regard to the second question posed above, the case of *Telstra Corporation Ltd v Nuclear Marchmallows*²¹²² is instructive. The complainant was the owner of a well-known and registered trade mark "Telstra". The respondent registered the domain name www.telstra.org. He supplied incorrect contact details, with the result that he could not be contacted by both the complainant as well as the WIPO Arbitration Centre. The panel held that the domain name was identical to the complainant's trade mark and that the respondent had no legitimate rights in using the domain name. The domain name in question did not direct an Internet surfer to a web site or to another online presence. The question arose whether the domain name was registered and

²¹²¹ WIPO case no D2000-1471. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1471.html>.

²¹²² WIPO case no D2000-0003. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0003.html>.

used in bad faith. With regard to this question, the panel stated that -

“[f]irst, the provision [that the respondent must have registered and is using the domain name in bad faith] contains the conjunction ‘and’ rather than ‘or’. Secondly, the provision refers to both the past tense (‘has been registered’) and the present tense (‘is being used’) ... The significance of the use of the conjunction ‘and’ is that paragraph 4(a)(iii) requires the Complainant to prove use in bad faith as well as registration in bad faith ... The use of both tenses draws attention to the fact that, in determining whether there is bad faith on the part of the Respondent, consideration must be given to the circumstances applying both at the time of registration and thereafter. So understood ... the requirement ... will be satisfied only if the Complainant proves that the registration was undertaken in bad faith and that the circumstances of the case are such that Respondent is continuing to act in bad faith.”

With regard to the question whether the domain name was registered in bad faith the panel noted that (a) the respondent did not conduct any legitimate commercial or non-commercial business activity by means of the web site and (b) he has taken deliberate steps to ensure that its true identity cannot be determined and that no-one can communicate with him. Consequently, the panel held that the domain name was registered in bad faith. With regard to the question whether the domain name “is being used in bad faith” the panel noted that -

“there is no positive action being undertaken by the Respondent in relation to the domain name ... This fact does not, however, resolve the question ... the relevant issue is not whether the Respondent is undertaking a positive action in bad faith in relation to the domain name, but instead whether, in all the circumstances of the case, it can be said that the Respondent is acting in bad faith. The distinction between undertaking a positive action in bad faith and acting in bad faith may seem a rather fine distinction, but it is an important one. The significance of the distinction is that the concept of a domain name ‘being used in bad faith’ is not limited to positive action; inaction is within the concept. That is to say, it is possible, in certain circumstances, for inactivity by the Respondent to amount to the domain name being used in bad faith ... This understanding of paragraph 4(a)(iii) is supported by the actual provisions of the Uniform Policy ... The other three circumstances [which the policy enumerates as evidence of registration and use in bad faith] contemplate either a positive action or inaction in relation to the domain name ... the point is that paragraph 4(b) recognises that inaction (eg. passive holding) in relation to a domain name registration can, in certain circumstances, constitute a domain name being used in bad faith. Furthermore, it must be recalled that the circumstances identified in paragraph 4(b) are ‘without limitation’ -

that is, paragraph 4(b) expressly recognises that *other* circumstances can be evidence that a domain name was registered and is being used in bad faith ... The question that then arises is what circumstances of inaction (passive holding) other than those identified in paragraphs 4(b)(i), (ii) and (iii) can constitute a domain name being used in bad faith? This question cannot be answered in the abstract; the question can only be answered in respect of the particular facts of a specific case. That is to say, in considering whether the passive holding of a domain name, following a bad faith registration of it, satisfies the requirements of paragraph 4(a)(iii), the Administrative Panel must give close attention to all the circumstances of the Respondent's behaviour."

The panel consequently held that the passive holding of the disputed domain name by the respondent constituted use in bad faith.²¹²³

Other panels have also noted that a domain name can be "used" in bad faith, even though it has no corresponding web site.²¹²⁴

Therefore, the panels have answered the above posed questions as follows:

(1) With regard to the question whether the element of confusing similarity is present,

²¹²³ Its reasons were the following: "(i) the Complainant's trademark has a strong reputation and is widely known, as evidenced by its substantial use in Australia and in other countries, (ii) the Respondent has provided no evidence whatsoever of any actual or contemplated good faith use by it of the domain name, (iii) the Respondent has taken active steps to conceal its true identity, by operating under a name that is not a registered business name, (iv) the Respondent has actively provided, and failed to correct, false contact details, in breach of its registration agreement, and (v) taking into account all of the above, it is not possible to conceive of any plausible actual or contemplated active use of the domain name by the Respondent that would not be illegitimate, such as by being a passing off, an infringement of consumer protection legislation, or an infringement of the Complainant's rights under trademark law."

²¹²⁴ See e.g. *Nandos International Limited v Farukhi* WIPO case no D2000-0225 where the complainant was the owner of the well-known trade marks "Nando's" and "Nandos chicken" and the respondent, a cybersquatter, registered two domain names, namely www.nandos.com and www.nandoschicken.com, which he never used and stated that his intention was to sell them to the complainant. The panel noted that "[t]he meaning of the word 'use' in the third element of the burden of proof incumbent upon the Complainant appears to have a broader meaning, going beyond active exploitation of an article or a product. That sense comes out clearly in the definition of 'use' in the Oxford English Dictionary, which says that 'use' means: 'take, hold, or deploy (something) as a means of accomplishing a purpose or achieving a result'. What the Respondent has so far done is to hold on to the domain names until an objective which he has, is attained. That objective is, in the finding of the Panel, in bad faith. In doing so, the Respondent has 'used' the domain names in the sense of the third element of the Rules." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0225.html>.

only the respondent's contested domain name and the complainant's registered or common law trade mark is compared. The fact that no web site has been created for the respondent's domain name does not prevent a likelihood of confusion. This fact will rather increase the likelihood of confusion in that Internet users might think that the complainant has no online presence.

- (2) With regard to the question whether the respondent is using his domain name in bad faith, the phrase "used in bad faith" includes the passive holding of a domain name for a *male fide* purpose.
- (3) With regard to the question whether the respondent has registered the domain name in bad faith, the following factors are, *inter alia*, taken into account: (i) The fact that the respondent has concealed his identity and (ii) the fact that the respondent is not conducting any legitimate business by means of the said domain name.

3.2.8.2. Using a third party's trade mark name to re-direct Internet traffic

The question emerged whether the registration of a third party's trade mark name as a domain name constitutes legitimate use, when such domain name is only employed to re-direct Internet surfers to another web site. Conflicting judgments have been delivered.

In *Bruce Springsteen v Jeff Burgar et al*²¹²⁵ the complainant was an internationally well-known singer with common law trade mark rights in his name. The respondent registered a domain name consisting of the complainant's name and the Top Level Domain dot-com. When an Internet user keyed in this domain name into his web browser he was instantaneously transported to the respondent's "Celebrity 1000" web site, established for the domain name www.celebrity1000.com. The complainant contended that the respondent had no legitimate rights and/or interests in the disputed domain name.

The panel held that it could not infer from all the circumstances an intent to misleadingly divert consumers for commercial gain.²¹²⁶ Accordingly, the panel held that

²¹²⁵ WIPO case no D2000-1532. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1532.html>

²¹²⁶ This conclusion was preceded by the following statement: "In this case, the internet user, coming upon the 'celebrity1000.com' website would perhaps be unsurprised to have arrived there via a search under the name 'Bruce Springsteen'. If the internet user wished to stay longer at the site he or she could

the respondents' use of the disputed domain name to re-direct Internet users to their main web site, constituted legitimate use.

In *Judy Larson v Judy Larson Club*²¹²⁷ the complainant enjoyed common law trade mark rights in her name. The respondent registered a domain name incorporating her name. When an Internet user accessed the web site established for this domain name, he or she was directed to another web site, namely the respondent's main web site.²¹²⁸ The complainant alleged that the domain name in question infringed her trade mark rights, whilst the respondent contended that it was making fair use of the domain name as a fan dedicated web site.

With regard to the question whether the respondent enjoyed any legitimate rights or interest in the domain name, the panel maintained that the respondent's re-direction of Internet users to its main web site did not constitute a legitimate use of the disputed domain name and that "it was being used with the intent for commercial gain to misleadingly divert consumers."²¹²⁹ Consequently, the panel held that the *Bruce Springsteen* decision was flawed.²¹³⁰

Furthermore, the panel held that the registration and use of the domain name was *male fide*: "Although Ms. Larson has been able to register her name with the less desirable .net extension, the Club's registration of the <judylarson.com> domain name has prevented Ms. Larson reflecting her name in which she has trademark rights in the most logical corresponding .com domain name by which Internet users would find Ms. Larson on the Internet." Moreover, the registration of the domain name in

do so, or otherwise they could clearly return to their search results to find more instructed material concerning Bruce Springsteen himself."

²¹²⁷ National Arbitration Forum case no FA96488. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96488.htm.

²¹²⁸ Which the complainant submitted displayed no information concerning her and/or her famous artistic works.

²¹²⁹ Neither the complainant nor the panel stated why redirecting Internet users to the respondent's main web site, namely the "Celebrity 1000" web site, was for commercial gain. One can only speculate that "commercial gain" referred to the fact that the respondent sold advertising space on its "Celebrity 1000" web site, from which it derived an income.

²¹³⁰ The panel specifically noted that "[m]ere random 'hits' from search engines resulting in numerous references to Bruce Springsteen do not detract from the power of a direct, identical spelling of that name or mark to be capable of acquiring trademark rights. In fact, the very re-direction strategy that the majority in *Springsteen* recognizes as 'not an intent, for commercial gain, to misleadingly divert consumers' is the very behavior that this Panel believes violates the UDRP."

question was done, according to the panel, primarily for the purpose of disrupting the complainant's (a competitor's) business.²¹³¹

Another panel has also maintained that merely using a domain name, which is identical or confusingly similar to the complainant's protected trade mark name, to redirect Internet users to other web sites does not constitute *bona fide* use.²¹³²

3.2.8.3. Using a domain name only as an e-mail address

The question of law arose whether the use of a domain name, incorporating a third party's trade mark name, only for communicational purposes constitutes a legitimate use in terms of the *UDRP*. The *UDRP* panels answered this question in the affirmative by maintaining that the Internet can be used for various purposes, such as e-commerce and e-mail. The one is not more legitimate than the other.²¹³³

3.2.9. Transfer preferred over cancellation of domain name

UDRP panels have maintained that confusingly similar domain names should rather be transferred to the complainant than be cancelled, because cancellation would leave

²¹³¹ According to the panel, the parties were competitors: "[T]hey are competing for Internet users' attention to the art works of Judy Larson. While Ms. Larson and the Club are not competitors in the sense of promoting for sale competitive art works, they are competitors for the inquisitive eyes of Internet users. Thus, the Club has registered the domain name primarily for the purpose of disrupting the business of a competitor."

²¹³² See *Fisher Controls International Inc v Regstral.com LLC* National Arbitration Forum case no FA96749. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96749.htm.

²¹³³ For example, in *Zero International Holding GmbH & Co Kommanditgesellschaft v Beyonet Services et al* WIPO case no D2000-0161 the complainant was a German company with trade mark registrations in various European countries for the word "Zero". The respondent, a US network engineer, registered the domain name www.zero.com, which he used for his business as well as personal e-mail communications. The respondent had not established a web site for this particular domain name. The panel stated that "[a]lthough the World Wide Web is one of the most successful and widespread manifestations of the use of the Internet and the domain name system, it is by no means the only possible use. As the Respondent's activities indicate, the Internet can be used for many other purposes, e-mail and file transfer operations being two examples. We do not accept that the Complainant's contention that registration of a domain name which is only to be used for such purposes is in some way improper and constitutes bad faith." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0161.html>. See also *Aspen Grove Inc v Aspen Grove* WIPO case no D2001-0798. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0798.html>.

open the possibility for anyone, including the respondent or a third party related to the respondent such as an employee, to subsequently apply for and obtain the said domain name, following cancellation.²¹³⁴

3.3. Reversing a decision given in terms of the UDRP by a competent court

In *Corinthians Licenciamentos LTDA v Sallen et al*²¹³⁵ the respondent (a US citizen) registered the domain name www.corinthians.com. The complainant was a licensee entitled to use the Brazilian registered trade mark "Corinthiao", the Portuguese equivalent of the word "Corinthians". The "Corinthians" was a well-known Brazilian soccer team. After a year and a half the respondent contacted the complainant and informed it that it was planning to sell the aforementioned domain name. At that point in time, no web site had been established by the respondent. The complainant subsequently sent a cease-and-desist notice to the respondent alleging that he was infringing the former's trade mark rights and requested him to transfer the domain name. The respondent failed to respond and created a web site containing a quotation from the book "Corinthians" in the Bible. The complainant thereupon filed a complaint with the WIPO, requesting the transfer of the said domain name in terms of the *UDRP*. The panel held that (1) the domain name was confusingly similar to the registered trade mark because the domain name was phonetically nearly identical to the complainant's trade mark; (2) the respondent had no legitimate right or interest in the domain name because (a) he had not used or prepared to use the domain name in connection with a *bona fide* offering of goods or services before he received notice of the dispute, and (b) he was not making a legitimate non-commercial or fair use of the domain name without the intention to acquire a commercial gain or to misleadingly divert consumers; and (3) he registered and used the domain name in bad faith because he registered the domain name primarily for the purpose of selling it.

Thereupon the respondent filed an application in the US, requesting a declaration that he was not contravening the provisions of the *Anti-Cybersquatting Consumer Protection Act* and further sought an interdict prohibiting the transfer of his domain name to the complainant. The question of law was whether federal US courts

²¹³⁴ See e.g. *Kelson Physician Partners Inc v V.A. Mason* CPR Institute for Dispute Resolution case no CPR003. A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR003-000905.htm.

entertained jurisdiction to reverse *WIPO* decisions in terms of the *UDRP*. The complainant argued that US courts lacked jurisdiction because respondent had waived his right to litigate in US courts, by means of his domain name registration agreement, which incorporated the *UDRP* policy, and also because it (the complainant) had no intent to sue the respondent in terms of *ACPA*. The respondent, in turn, argued that the US court enjoyed jurisdiction to overturn the *WIPO*'s decision because his conduct, namely the registration and use of the said domain name, did not violate the provisions of *ACPA*. The First Circuit of Appeal, in *Sallen v Corinthians Licenciamentos LTDA et al*,²¹³⁶ dealt with this question as follows:

- 1) A statute must confer jurisdiction upon a federal court. Section 1114(2)(D)(v) of title 15 of the *USC*, which incorporates the provisions of *ACPA*, regulates jurisdiction. It stipulates that “[a] domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.”
- 2) Section 1114 of title 15 of the *USC* encompasses all marks and not only US registered trade marks. Therefore this section gives a cause of action to the respondent.²¹³⁷
- 3) An actual dispute existed between the parties concerning rights to the domain name in question: “Sallen has already had transferred from him a domain name, to which he claims to have legitimate rights, in an international dispute resolution proceeding. At the time Sallen filed his complaint, the dispute had already progressed far beyond those cases in which a declaratory defendant only questionably threatened suit. Sallen had been brought before a *WIPO* panel, the panel had found him in violation of the *UDRP*'s cybersquatting provision, and the

²¹³⁵ *WIPO* case no D2000-0461. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0461.html>.

²¹³⁶ 273 F.3d 14 (1st Cir. 2001). A copy of this judgment can be downloaded from www.ca1.uscourts.gov/cgi-bin/getopn.pl?OPINION=01-1197.01A.

²¹³⁷ The court held that “subsection (D)(v) is best understood to provide domain name holders with a cause of action to rectify reverse domain name hijacking by trademark holders using the *UDRP* process to require registrants to transfer domain names originally held by rightful users under U.S. law.”

panel had ordered the disputed domain name transferred to CL. Sallen objected to all of this.”

- 4) Even though complainant had not instituted action in terms of *ACPA*, the respondent alleged that his conduct had not violated the provisions of *ACPA* and consequently the court entertained jurisdiction.
- 5) The *UDRP* contemplates judicial intervention and further that independent judicial outcome will override the *UDRP* decision.²¹³⁸ Therefore, the cause of action which respondent sought to assert was consistent with the *UDRP*'s structure.
- 6) Finally, the court expressed the view that courts should “not lightly assume that Congress enacted the *ACPA*, but intended all domain name registrants to be governed by a different standard, administered by international dispute resolution panels, with no eventual recourse to whatever affirmative protections the U.S. law might provide.”

Other US courts have also maintained that they were not bound by the outcome of an ICANN administrative proceeding.²¹³⁹ At least one US court has stated that anyone is

²¹³⁸ Section 4.k provides that the *UDRP* does not prevent either the respondent or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before a *UDRP* proceeding is commenced or after such proceeding is concluded. Furthermore, where the domain name registrar receives notice within the prescribed period that court proceedings have been instituted it will take no further action, until it receives (i) evidence of a resolution between the parties; or (ii) evidence that the said proceedings have been dismissed or withdrawn; or (iii) a copy of a court order dismissing the domain name registrant's action or a court order maintaining that the domain name registrant does not have the right to continue to use the disputed domain name. Furthermore, in the *Final Report of the WIPO Internet Domain Name Process* it is stated that “[a] decision by a court of competent jurisdiction, that is contrary to a determination resulting from the administrative procedure should ... override the administrative determination”. See paragraph 196(v). It also states that the *UDRP* does “not deny the parties to the dispute access to court litigation”. See par 139. Finally, it expresses the view that parties should be able to seek a “*de novo* review” of a *UDRP* administrative dispute resolution. See para 139 & 150(iv).

²¹³⁹ See e.g. *Weber-Stephen Products Co v Armitage Hardware* 54 USPQ.2d 1766 (N.D. ILL. 2000) [a copy of this judgment can be downloaded from www.sork.com/domain/weber1.html]; *BroadBridge Media LLC v Hypercd.com* 106 F.Supp.2d 505 (S.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/002884.htm>]. In *Barcelona.com Inc v Excelentisimo Ayuntamiento de Barcelona* 189 F.Supp.2d 367 (E.D. Va. 2002) the court noted that section “1114(2)(v) contains no language which would indicate that a district court must give any deference to the arbiter's ruling. Considering the language of the statute, the panel ruling should be given no weight and this case must be decided based on the evidence presented before the Court.” A copy of this judgment can be downloaded from www.oblon.com/barcelona/196971Barcelona.pdf. See e.g. *Domain Name Clearing Co*

empowered to institute court proceedings in the US *during* the pendency of an administrative proceeding.²¹⁴⁰

3.4. Does the panel's decision constitute an arbitration award?

In *Parisi v Netlearning Inc*²¹⁴¹ the question arose whether a decision in terms of the *UDRP*, by e.g. a WIPO panel, constitutes an arbitration award in terms of the US *Federal Arbitration Act* (FAA).²¹⁴² If this question was answered in the affirmative, it would have meant that the decision could only be set aside on certain grounds (such as gross irregularity) and further that the decision could only be set aside within a certain time period. The court answered this question in the negative stating that "the *UDRP* creates a contract-based scheme for addressing disputes between domain name registrants and third parties challenging the registration and use of their domain names. However, in our view, the *UDRP*'s unique contractual arrangement renders the FAA's provisions for judicial review of arbitration awards inapplicable ... the *UDRP* contemplates parallel litigation. Nothing in the *UDRP* restrains either party from filing suit before, after, or during the administrative proceedings." Furthermore, the court noted that administrative proceedings in terms of the *UDRP* are not mandatory: An aggrieved party is not compelled by the *UDRP* to institute an action in terms of it. He or she may directly approach a court of law. Thirdly, the court noted that a court's review of a panel's decision in terms of the *UDRP* is not limited to the normal grounds for review, such as the procedural soundness of a decision: A court will adjudicate and/or review the domain name dispute *de novo*: "[I]t implies resolution of the parties' overarching trademark, contract, and other claims and defenses."

3.5. Conclusion

Generally speaking, the "law" as enunciated by the *UDRP* panels can be summarised as follows:

a) A common law trade mark is protected whenever it is used as an indicator of

L.L.C. v F.C.F. Inc 16 Fed.Appx.108 (4th Cir. 2001) where the Fourth Circuit of Appeal did not even look at the panel's decision. A copy of this judgment was obtained from Westlaw.

²¹⁴⁰ See *BroadBridge Media LLC v Hypercd.com* (*supra*).

²¹⁴¹ 139 F.Supp.2d 745 (E.D. Va. 2001) A copy of this judgment can be downloaded from www.sorkin.st/documents/netlearning1.html.

²¹⁴² Title 9 of the *USC*, s 1 *et seq*.

source.

- b) Personal names are protected whenever they adhere to the requirements posed for the recognition of a common law trade mark.
- c) An Internet user is permitted to register a domain name consisting only of a third party's trade mark name, when -
 - (1) he *bona fide* employs the domain name as a forum for criticism against the third party. Such forum is protected by the user's right to freedom of expression as well as by the fair use doctrine;
 - (2) he uses the domain name to establish a *bona fide* fan web site;
 - (3) his surname or nickname is identical to the third party's trade mark name and he subsequently uses the domain name *bona fide*;
 - (4) he is a reseller or distributor of the third party's products and employs the domain name primarily for selling the latter's products;
 - (5) his business has an identical name to the third party's trade mark name; or
 - (6) the trade mark name describes the characteristics of the Internet user's performance.
- d) A domain name that consists of the complainant's trade mark name and a country's name is confusingly similar to the complainant's trade mark.
- e) Minor differences between the disputed domain name and the complainant's trade mark name, such as the omission of spaces, apostrophes, hyphens, etc or the replacement of an ampersand with the word "and", or the addition of a Top Level Domain, or the fact that the domain name in question only uses lower case letters while the complainant's trade mark is generally used in capital letters, are considered irrelevant when considering whether the respondent's domain name is confusingly similar to the complainant's trade mark.
- f) Using a domain name only for electronic communicational purposes constitutes a legitimate use. The respondent is not required to establish a web site for a domain name before his use of the said domain name constitutes a legitimate use.
- g) Parties are considered to be competitors whenever the respondent uses the complainant's trade mark name in order to lure the latter's patrons to his web site.²¹⁴³
- h) When A incorporates B's trade mark name into his domain name and uses this domain name to advertise his pornographic material, A tarnishes the image,

²¹⁴³ See *Judy Larson v Judy Larson Club* National Arbitration Forum case no FA96488. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/96488.htm.

reputation and goodwill of B's trade mark.²¹⁴⁴

- i) The intentional registration of a domain name, knowing that it corresponds (consists of) a third party's valuable trade mark name, weighs in favour of the conclusion that the respondent's domain name is likely to cause confusion.²¹⁴⁵
- j) Bad faith is present where -
 - (1) the respondent prevents the complainant from reflecting his trade mark in the most logic domain name, namely www.trademarkname.com;
 - (2) the respondent diverts Internet users from the complainant's web presence to his web site. Stated differently, when the respondent, by using the disputed domain name, intentionally attempts to attract Internet users to his site by creating a likelihood of confusion as to source, sponsorship, affiliation or endorsement of his web site;²¹⁴⁶
 - (3) the respondent does not conduct any legitimate activity at the web site established for the domain name in question;
 - (4) the respondent has taken deliberate steps to conceal his identity and to ensure that he cannot be reached;
 - (5) the respondent passively holds the domain name for the purpose of selling it at a profit. This includes scenarios where the respondent failed to create a web site for the said domain name;
 - (6) the respondent registers a third party's well-known trade marks as his domain names.²¹⁴⁷
- k) The mere registration of multiple generic or descriptive domain names does not constitute bad faith registration.²¹⁴⁸
- l) A respondent prevents the complainant from reflecting his trade mark name in a corresponding domain name where the respondent registers a domain name consisting of the complainant's trade mark name and -
 - (1) a country name;²¹⁴⁹ or

²¹⁴⁴ See e.g. *Tata Sons Limited v D & V Enterprises* WIPO case no D2000-0479. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0479.html>.

²¹⁴⁵ See *Cabela's Inc v Cupcake Patrol* National Arbitration Forum case no FA95080. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/95080.htm.

²¹⁴⁶ See *AltaVista Company v S.M.A. Inc* WIPO case no D2000-0927. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0927.html>.

²¹⁴⁷ See *Reed Publishing (Nederland) BV et al v Select Gourmet Foods Inc* CPR Institute for Dispute Resolution case no CPR004. A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR004-000912.htm.

²¹⁴⁸ See *Reed Publishing (Nederland) BV et al v Select Gourmet Foods Inc (supra)*.

- (2) a word relating to the complainant's business.²¹⁵⁰
- m) Where the respondent uses a domain name which is confusingly similar to the complainant's trade mark in order to attract Internet users to his commercial site, such use does not constitute a *bona fide* offering of services: The respondent effectively trades on the goodwill and reputation of the complainant's trade mark.²¹⁵¹
- n) When the respondent registers a domain name which is confusingly similar to the complainant's trade mark name in order to trade on the reputation of the complainant's mark, it is no defence that other parties besides the complainant also have rights in the said mark.²¹⁵²
- o) The fact that the respondent established no web site for the disputed domain name or that the said web site was not fully operational, may lead to the conclusion that the respondent was not engaged in a *bona fide* offering of goods and/or services.²¹⁵³
- p) Evidence that the respondent registered a confusingly similar domain name to attract Internet users to his web site for commercial gain is present where –
- (1) the respondent's web site only contains banner advertisements from which he

²¹⁴⁹ For example, see *America Online Inc v Dolphin@Heart* WIPO case no D2000-0713 where complainant was the owner of the well-known, registered trade mark "AOL". Respondent registered the domain name www.aolfrance.com and www.aolgermany.com. The complainant often used its trade mark in conjunction with country names. The panel held that "Respondent has prevented Complainant from reflecting its marks in corresponding domain names." A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0713.html>.

²¹⁵⁰ For example, in *State Farm Mutual Automobile Insurance Company v Douglas LaFaive* National Arbitration Forum case no FA95407 the complainant was the owner of the registered and common law trade mark "State Farm" as well as the owner of the domain name www.statefarm.com. The complainant was involved in the insurance business. The respondent registered the domain name www.statefarm-claimshelp.com. The panel maintained that the respondent prevented the complainant from reflecting his trade mark in a corresponding domain name. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/95407.htm.

²¹⁵¹ See *A & F Trademark Inc and Abercrombie & Fitch Stores Inc v Justin Jorgensen* WIPO case no D2001-0900. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0900.html>.

²¹⁵² See *Madonna Ciccone p/k/a Madonna v Dan Parisi & 'Madonna.com'* WIPO case no D2000-0847. In particular the panel noted that "[t]he fact that others could demonstrate a legitimate right or interest in the domain name does nothing to demonstrate that Respondent has such right or interest." A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0847.html>.

²¹⁵³ See *AltaVista Company v S.M.A. Inc (supra)*.

derives an income,²¹⁵⁴ or

(2) the respondent's web site contains links to the the web sites of complainant's competitors.²¹⁵⁵

However, the few judgments discussed above illustrate that many conflicting judgments have been given by the *UDRP* panels. The following are merely a few examples:

(A) Some panels ignored the US doctrine of "initial interest confusion".²¹⁵⁶ In addition, some panel maintained that the likelihood of confusion caused by the respondent's confusingly similar domain name could be dispelled by a proper disclaimer inserted on the web site established for this domain name.²¹⁵⁷ On the other hand, there is a growing body of panel decisions where the doctrine of initial interest confusion has been applied. Furthermore, these panels have noted that such confusion cannot be dispelled by a disclaimer on the respondent's web site.²¹⁵⁸

²¹⁵⁴ See *XS Inc v World Wide Web Marketplace Inc* CPR Institute for Dispute Resolution case no CPR0001. A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR001-000718.htm.

²¹⁵⁵ See *Kelson Physician Partners Inc v V.A. Mason* CPR Institute for Dispute Resolution case no CPR003. A copy of this judgment can be downloaded from www.cpradr.org/ICANNDecisionCPR003-000905.htm.

²¹⁵⁶ See e.g. *Strick Corporation v Strickland* National Arbitration Forum case no FA94801. A copy of this judgment can be downloaded from www.arbitration-forum.com/domains/decisions/94801.htm. This judgment was discussed in paragraph 3.2.2.3.2 of this chapter.

²¹⁵⁷ See e.g. *America Online Inc v Vadim Eremeev* WIPO case no D2001-0003 where the panel maintained that "[t]he fact that the Respondent has a link on the site to the Complainant's official site and that ... the Respondent has added a notice on the site regarding ICQ Inc / AOL's ownership of the trade mark ICQ as well as a note stating that the site is not affiliated with the Complainant, contradicts the Complainant's statement that the use of the Domain Name would lead to confusions among consumers." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0003.html>.

²¹⁵⁸ See e.g. *Judy Larson v Judy Larson Club* (*supra*) where the panel noted that "the disclaimers in no way preclude 'initial interest confusion', which occurs when an Internet user directs his or her web browser to a particular site under a logically assumed domain name – only to find on arrival that the site has no relationship to the intended source. By the time the user arrives at the erroneous site, before the disclaimer is read or acted upon, confusion already has occurred." See further *Madonna Ciccone p/k/a Madonna v Dan Parisi & 'Madonna.com'* (*supra*); *Two Systems Enterprises Co Ltd v Sonie's Creations* eResolution case no AF-0911 [a copy of this judgment can be downloaded from www.disputes.org/eresolution/decisions/0911.htm]; *DFO Inc v Williams* WIPO case no D2000-0181 [a copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0181.html>]; *State Farm Mutual Automobile Insurance Company v Douglas LaFaive* (*supra*).

- (B) Some panels have stated that when the respondent registers a domain name consisting of the complainant's trade mark name plus the Top Level Domain dot-com, the respondent disrupts the complainant's business and prevents the latter from reflecting his trade mark in the most logic and corresponding domain name. Other panels have expressed a different opinion namely that trade mark holders do not have an absolute right to such a "corresponding" domain name; they can simply register a domain name with a dot-org or dot-net TLD.
- (C) Some panels remarked that distributors are allowed to register a domain name consisting of the manufacturer's trade mark name, whilst other panels maintained that such registrations render the distributor liable in terms of the *UDRP*.
- (D) With regard to the question whether third parties are allowed to use the complainant's trade mark name in their domain names, which they use as a forum to criticise the complainant and/or his performance, the panels have expressed conflicting opinions.
- (E) Some panels remarked that when the respondent uses the disputed domain name merely to re-direct Internet users to his main web site his conduct does not constitute legitimate use, while other panels expressed a contrary view.

From a perusal of the panel decisions discussed in this study, it appears that many panellists were guided by the principle that a third party is not permitted to "usurp" a domain names consisting of the complainant's trade mark name plus the Top Level Domain dot-com. Should the respondent use this domain name, for whatever purpose, he disrupts the complainant's business and prevents the latter from reflecting his trade mark in the most logic and corresponding domain name.

Finally, it should also be mentioned here that a few panellists maintained that when complicated factual issues are involved and when many considerations depend on the honesty of witnesses, a court should rather address these issues.²¹⁵⁹

4. SOUTH AFRICAN TRADE MARKS ACT 194 OF 1993

The study now turns to the South African *Trade Marks Act*. Generally speaking, this part of the study refers only to trade marks, but the same principles apply to service marks, unless otherwise indicated. The word "performance" should be understood to

²¹⁵⁹ See e.g. *Weber-Stephen Products Co v Armitage Hardware* WIPO case no D2000-0187. A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0187.html>.

refer to both goods and services, unless otherwise indicated. Furthermore, the word “user” should be understood as continuous use of a particular mark over a period of time. In addition, this study presumes that the plaintiff’s trade mark was validly registered in South Africa.

4.1. General

Trade marks are registered in terms of the *Trade Marks Act* 194 of 1993 (hereafter the “Act”). When registered, the Act affords protection to a trade mark for a period of 10 years, subject to renewal for periods of ten years.²¹⁶⁰

It should also be mentioned here that trade marks are registered in different classes and that trade marks have to be used in relation to the goods or services constituting the class for which they were registered.²¹⁶¹

4.2. What constitutes a trade mark?

The Act 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 or 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”.²¹⁶² A “mark”, in turn, is defined to mean “any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the aforementioned”.²¹⁶³

4.3. Philosophy underlying trade mark law and the purpose trade marks serve

The mischief at which trade mark law is aimed is the (1) prevention of deception and confusion as to the connection between goods and the holder of a trade mark,²¹⁶⁴ and (2) balancing competing interests namely the interest of the registered proprietor to

²¹⁶⁰ S 37.

²¹⁶¹ *Mars Inc v Cadbury (Swaziland) (Pty) Ltd and Another* 2000 4 SA 1010 SCA:1013H.

²¹⁶² S 2(1).

²¹⁶³ S 2(1).

²¹⁶⁴ *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another* 1973 4 SA 145 W:152F.

have as wide an ambit of protection as possible and the interest of other traders in the field in question not to be unduly hampered in the fair and normal conduct of their trade.²¹⁶⁵ In South Africa trade marks are used in respect of goods or services -

- to identify them with a particular proprietor or manufacturer,²¹⁶⁶ whose name may perhaps not be known.²¹⁶⁷ Put otherwise, to indicate the origin and/or source of the performance;²¹⁶⁸
- to identify the performance²¹⁶⁹ as well as the quality thereof²¹⁷⁰ and consequently to promote a business' goodwill;²¹⁷¹
- to distinguish those performances from the same kind of performances or services of third parties²¹⁷² and, consequently, to protect the public from fraud and brand confusion; and

²¹⁶⁵ *Distillers Corporation (SA) Ltd v SA Breweries Ltd and Another; Oude Meester Groep Bpk and Another v SA Breweries Ltd* 1976 3 SA 514 A:517E-F. See also *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 2 SA 522 T:541H-I.

²¹⁶⁶ Pistorius 1998:133. In *Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another* 1979 2 SA 160 T the court put it as follows (at 165H): "[I]ndicating a connection in the course of trade between goods or services and some person having the right, either as proprietor or as a registered user, to use the mark, whether with or without any indication of the identity of that person".

²¹⁶⁷ *Decro Paint and Hardware (Pty) Ltd v Plascon-Evans Paints (TVL) Ltd* 1982 4 SA 213 O:218D.

²¹⁶⁸ *Smithkline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc* 1995 2 SA 903 A:909I; *Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd* 1990 1 SA 722 A:730C-D; *The Upjohn Company v Merck and Another* 1987 3 SA 221 T:227E-F; *Frank & Hirsch (Pty) Ltd v Roopanand Brothers* 1987 3 SA 165 D:181G-H; *Wistyn Enterprises (Pty) Ltd v Levi Strauss & Co and Another* 1986 4 SA 796 T:811E & 814D; *Hampo Systems (Pty) Ltd v Audiolens (Cape) (Pty) Ltd* 1985 4 SA 257 C:261E; *Esquire Electronics Ltd v Executive Video* 1986 2 SA 576 A:587E-F; *Greaterman's Stores (Rhodesia) Ltd v Marks and Spencer (Southern Rhodesia) (PVT) Ltd* 1963 2 SA 58 FC:74A-E. See also Webster & Page 2001:3-19 – 3-22.

²¹⁶⁹ *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another (supra)*:152D. See also LAWSA 2001:vol 29, par 18.

²¹⁷⁰ Moorcraft 1992:104. See also Gaffney 2000 where he remarks that "[b]ecause consumers generally assume that products or services from the same manufacturer will be consistent, trademarks enable consumers to rely on their prior experiences and make meaningful choices among competing products. That is, they can repeat satisfactory purchases and avoid duplicating unsatisfactory ones."

²¹⁷¹ See Gaffney 2000.

²¹⁷² See the definition of a "trade mark" in 2(1) of the Act. See also *Abbott Laboratories & Others v UAP Crop Care (Pty) Ltd & Others* 1999 3 SA 624 C:631F-G & 635C-D; *Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra)*:165H. See further Webster & Page 2001:3-23; LAWSA 2001:vol 29, par 18; Green Paper 2000:59; www.mbendi.co.za/werksmns/net_law/guide03.htm. It should always be kept in mind that s 9(1) of the Act provides that a mark can only be registered as a trade mark if it is capable of distinguishing the goods or services of a person in respect of which it is registered or proposed to be registered from the goods or services of another person.

- to perform an advertising function.²¹⁷³

Due to the statutory definition of a trade mark, the primary emphasis is on the distinguishing element.²¹⁷⁴

4.4. Distinction between invented and descriptive marks

Before moving on to a discussion of the general principles of the South African trade mark law, a distinction must first be made between distinctive marks, on the one hand, and descriptive marks, on the other hand. This is necessary in that the courts often refer to these terms.

South African courts have explained the difference between distinctive marks (also known as *fancy or invented marks*) and descriptive marks as follows: A distinctive mark bears no relation to the character or quality of the goods which are (to be) sold under that mark.²¹⁷⁵ To qualify as an invented word, the creator of the word must have used his ingenuity or imagination.²¹⁷⁶

A descriptive mark, on the other hand, is a word that describes to the ordinary man either the characteristics or the quality of the goods in question.²¹⁷⁷

Finally, it can be mentioned here that Webster and Page, generally speaking, divide all marks into three categories: (a) Those marks which are (factually) inherently capable of distinguishing – invented words fall into this category;²¹⁷⁸ (b) Those marks which are not inherently distinguishing but which have become capable of distinguishing by means of user – descriptive and laudatory marks fall into this category;²¹⁷⁹ and (c) Marks which are so descriptive or so common place that they are factually incapable of

²¹⁷³ See Webster & Page 2001:3-23; LAWSA 2001:vol 29, par 18.

²¹⁷⁴ *South African Football Association v Sandton Woodrush (Pty) Ltd and Another* 2002 2 SA 236 T:241D-E; *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 2 SA 522 T:537H-J & 538A; *Abbott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others (supra)*:631F-G & 634E; *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another* 1998 1 SA 59 T:69E-G. See also LAWSA 2001:vol 29, par 18.

²¹⁷⁵ *Truck and Car Co Ltd v Hirschman and Others* 1954 2 SA 117 E:120C-121A.

²¹⁷⁶ *Truck and Car Co Ltd v Hirschman and Others (supra)*:121A.

²¹⁷⁷ In *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd* 1981 2 SA 62 T:67F-H.

²¹⁷⁸ Webster & Page 2001:3-46 & 3-48(4).

²¹⁷⁹ Webster & Page 2001:3-46 & 3-48(2). The courts are reluctant to grant absolute monopolies to these words seeing that these marks are weak. See Webster & Page 2001:3-47.

distinguishing.²¹⁸⁰

4.5. Trade mark infringements

4.5.1. General

Two sections in the Act, namely section 34(1) and section 35, deal with trade mark infringement. Section 34(1) sets out the circumstances in which the rights acquired by registration of a trade mark are infringed. Therefore, this section impliedly confers upon the proprietor of a registered trade mark certain exclusive rights.²¹⁸¹ It should be kept in mind, at all times, that only registered trade marks qualify for statutory protection in terms of section 34(1) against trade mark infringements. Stated differently, if a trade mark is not registered, proceedings in terms of section 34(1) cannot be instituted against the wrongdoer.²¹⁸²

Section 35, on the other hand, deals with the scenario when an unregistered or registered foreign trade mark, which is well-known in South Africa, is infringed. This section does not confer exclusive rights upon the proprietor of the well-known trade mark, but merely provides protection against certain activities.

Broadly speaking, the Act distinguishes between two things: On the one hand, between registered and unregistered trade marks, and, on the other hand, between well-known trade marks and "not well-known" trade marks. This can be explained as follows: "not well-known" registered trade marks are only afforded protection in terms of sections 34(1)(a) and 34(1)(b), whereas well-known registered trade marks are afforded protection in terms of sections 34(1)(a), 34(1)(b) and 34(1)(c). Section 35 can also be added to this list when the well-known mark constitutes a foreign mark. Where a well-known mark is unregistered, it only qualifies for protection in terms of section 35.

²¹⁸⁰ Webster & Page 2001:3-47.

²¹⁸¹ *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:673D-E. For more authority that section 34(1), by implication, creates exclusive rights for trade mark proprietors, see *Standard Bank of South Africa Ltd v United Bank Ltd and Another* 1991 4 SA 780 T:786J-787B; *Protective Mining & Industrial Equipment Systems (Pty) Ltd (Formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd* 1987 2 SA 961 A:988G-H; *Decro Paint and Hardware (Pty) Ltd v Plascon-Evans Paints (TVL) Ltd* 1982 4 SA 213 O:217A-B; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 3 SA 144 T:150B. See also Webster 2001; Webster and Page 2001:12-6; LAWSA 2001:vol 29, par 212.

²¹⁸² S 33.

4.5.2. Protection of registered trade marks

The following subparagraphs deal with the statutory protection of registered trade marks.

4.5.2.1. Contravening section 34(1)(a)

Section 34(1)(a) stipulates that trade mark infringement occurs where [1] an identical mark to the registered trade mark, or a mark so nearly resembling the registered trade mark as to be likely to deceive or cause confusion, is [2] used [3] without authorisation [4] in the course of trade [5] in relation to goods or services in respect of which the trade mark is registered.

Therefore, the plaintiff must prove five elements before he or she can hold the defendant liable.²¹⁸³ Next, this study turns to each of these elements, except the element of “unauthorised” which is always a question of fact.

4.5.2.1.1. Use of a mark

Section 2(2) provides that “use of a mark” should be construed as references to (a) the use of a visual representation of the mark; (b) in the case of a container, the use of such container; and (c) in the case of a mark which is capable of being audibly reproduced, the use of an audible reproduction of the mark. Furthermore, section 2(3)(a) provides that “use of a mark” in relation to goods shall be construed as references to the use thereof upon, or in physical relation, or other relation to, such goods.²¹⁸⁴ With regard to services, section 2(3)(b) provides that “use of a mark” shall be construed as references to the use thereof in any relation to the performance of such services.

²¹⁸³ Generally speaking, the courts divide this definition into 3 or 4 elements, but nothing turns on this aspect. See e.g. *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:232i-j; *Abbott Laboratories & Others v UAP Crop Care (Pty) Ltd & Others* 1999 3 SA 624 C:636F-G.

²¹⁸⁴ S 2(3)(a) was explained as follows by the court in *Abbott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others* 1999 3 SA 624 C: “Use upon goods contemplates the application of the mark to the goods themselves whilst use in physical relation to the goods covers use in physical juxtaposition to the goods, such as use on containers or wrappers for the goods or on tickets or tags attached to the goods. Use in other relation to the goods covers use physically divorced from the particular goods but of such a nature that it is identifiable with those goods.” (At 636I-J)

Except for the aforementioned definitions, the Act fails to define the word "use". The courts have maintained that the word "use" therefore bears its ordinary meaning, namely "the act of using a thing for any (especially a profitable) purpose as well as utilisation or employment for or with some aim or purpose".²¹⁸⁵ It should further be kept in mind that where the plaintiff seeks an interdict, it is unnecessary to prove actual use: A well-grounded apprehension of actual use by the defendant of the plaintiff's mark in relation to particular goods or services suffices.²¹⁸⁶

4.5.2.1.2. In the course of trade

The phrase "in the course of trade" was interpreted by the Supreme Court of Appeal in the context of section 44(1)(b) of the 1963 *Trade marks Act*, which stipulated that the rights acquired by registration is infringed by the "unauthorised use in the course of trade, otherwise than as a trade mark, of a mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in connection with goods or services for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark."

The Supreme Court of Appeal held that the phrase should be understood as having reference to a trade in goods falling into the classes for which the trade mark is registered or to goods which are so closely associated therewith that use by the alleged infringer of the trade mark will enable the alleged infringer to prey upon or take advantage of the reputation and goodwill of the said trade mark. Use in the course of any trade is insufficient.²¹⁸⁷

Webster and Page maintain that this *dictum* applies equally to enquiries under section 34(1)(a) and (b).²¹⁸⁸ It is noteworthy to mention here that in *Marks & Spencer and others v One in a Million and others*²¹⁸⁹ the Chancery Division maintained that "in the course of trade", in the context of section 10(3) of the UK *Trade Marks Act* of 1994 which corresponds with section 34(1), means "use by way of business".

²¹⁸⁵ *Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Co Ltd & Another* 1999 4 SA 1039 T:1045E-F.

²¹⁸⁶ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd* 1983 4 SA 163 T:171C.

²¹⁸⁷ *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:559C-E.

²¹⁸⁸ See Webster and Page 2001:12-23.

²¹⁸⁹ 1998 FSR 265 ChD. A copy of this judgment can be downloaded from www.io.io/news281197.html.

Webster and Page correctly state that section 34(1)(a) includes both the use as a trade mark and use otherwise than as a trade mark,²¹⁹⁰ meaning that instances where the defendant uses his disputed mark for purposes other than to distinguish his performance, such as comparative advertisements, fall within the scope of this section.

4.5.2.1.3. In relation to goods or services in respect of which the trade mark is registered

In *Miele et Cie GmbH & Co v Euro Electrical (Pty) Ltd*²¹⁹¹ the facts were, extremely simplified, that the appellant was the trade mark owner of the word "Miele", registered and used in connection with electronic appliances. The respondent, a distributor of "Miele" products, put up a prominent neon sign on the front of its store, displaying the word "Miele". The appellant alleged that the respondent was guilty of trade mark infringement in that it used the appellant's mark in relation to the goods for which the mark was registered. The respondent counter-contended by averring that it was only using the appellant's mark as a business name to indicate that it was selling the appellant's "Miele" products and therefore did not use the sign in relation to appellant's goods. One of the questions that the Supreme Court of Appeal was required to address, was whether the respondent, when using the appellant's trade mark name as a business name, was using the mark in relation to goods for which it was registered. To this the court responded that -

"[respondent] uses the mark ... as its trading style in order to indicate that its business, in which it sells Miele products, is associated with [appellant]. If that user is in relation to or in connection with anything, it is, in my view, goods and not services; the goods being the Miele products and other goods sold by [respondent]. The question still remains, however, as to whether this user does fall within the scope of the words 'in relation to or in connection with'²¹⁹² these goods ... In the present case [respondent] uses the mark as its trade name (or part thereof). Such user is likely to convey to the purchasing public that there is a trading association between [respondent] and the proprietor of the mark, [appellant]. [Respondent] deals in goods produced by the

²¹⁹⁰ Webster and Page 2001:12-11. See also LAWSA 2001:vol 29, par 214.

²¹⁹¹ 1988 2 SA 583 A.

²¹⁹² This case was decided in terms of s 44(1)(b) of the 1963 *Trade Marks Act*, which provided that where the contested mark was used "in relation to or in connection with" the goods for which the plaintiff's mark was registered, the plaintiff could institute proceedings. Although the 1993 Act omits the phrase "in connection with", it is submitted that the Supreme Court of Appeal's interpretation still remains a valid interpretation of the phrase "in relation to".

proprietor of the mark, the classes of goods for which the mark was registered, and that no doubt is the reason why it used the mark as its trade name in the first place and why it wishes to continue to do so. The other goods sold by it which do not derive from [appellant] would also, it would seem, fall into one or more of the classes for which the mark was registered. In my opinion, there is a sufficient link in this case between the use of the mark by [respondent] and goods for which the mark is registered for it to be said that the mark is used in relation to or in connection with such goods."²¹⁹³

Therefore, where the defendant sells electronic appliances and puts a "trading" sign on his shop displaying the word "Panasonic", with the intention that this word should serve as a business name, this mark (i.e. the sign) is used in relation to the goods for which the mark "panasonic" is registered, namely electronic appliances such as video machines, etc.

It can further be stated here that because section 34(1)(a) stipulates that liability only follows where the defendant uses an identical or similar mark in relation to identical goods for which the plaintiff's mark is registered, the Act requires the parties, for the purpose of this section, to be competitors.

4.5.2.1.4. Of a mark so nearly resembling the registered trade mark as to be likely to deceive or cause confusion

The Act requires, for possible liability, that the defendant either uses an identical mark to the plaintiff's registered trade mark or that he uses a mark which so nearly resembles the registered trade mark that it (i.e. the "confusingly similar" mark) is likely to cause confusion or deception.

It is, therefore, necessary to ascertain when a mark so nearly resembles - stated differently, is so similar to²¹⁹⁴ - the registered mark that a likelihood of confusion or deception is present.²¹⁹⁵ A perusal of the South African judgments dealing with this issue indicates that local courts take the following factors into consideration when

²¹⁹³ 1988 2 SA 583 A:600B-D.

²¹⁹⁴ As the court put it in *Robertsons (Pty) Ltd v Pfizer South Africa (Pty) Ltd* 1967 3 SA 12 T at 15A.

²¹⁹⁵ Some South African commentators submit that the test for similarity in trade mark infringement cases is "the average consumer's perception or the likelihood of the average consumer to become confused." Moster & Moster 1995:447. According to these commentators, such a likelihood of confusion will arise where someone produces hardware under the mark "Microsoff". They submit that this would cause a fair amount of confusion or deception among the purchasing public that the well-known company Microsoft has expanded its business to the production of hardware. See p 447.

comparing the two marks:

- 1) There must be a probability of deception or confusion.²¹⁹⁶ Stated differently, the danger of confusion or deception must be real.²¹⁹⁷ This is invariably a question of degree.²¹⁹⁸
- 2) The concept of deception or confusion is not limited to inducing in the minds of interested persons the erroneous belief or impression that the goods in relation to which the defendant's mark is used are the goods of the proprietor of the registered mark, i.e. the plaintiff, or that there is a material connection between the defendant's goods and the proprietor of the registered mark; it is enough for the plaintiff to show that a substantial number of persons will probably be confused as to the origin of the goods or the existence or non-existence of such a connection.^{2199 2200}

²¹⁹⁶ *Cowbell AG v ICS Holdings Ltd* 2001 3 SA 941 SCA:947J-948A; *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 SCA:567D; *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 2 SA 522 T:546B-H; *Bata Ltd v Face Fashions CC and Another* 2001 1 SA 844 SCA:850D; *PPI Makelaars v Personal Prudent Society of SA* 1997 4 ALL SA 444 A:448g-449d; *Professional Prudent Society of South Africa v P.P.I. Makelaars and Another* 1996 2 ALL SA 206 W:212a-g; *Safari Surf Shop CC v Heavywater & others* 1996 1 ALL SA 316 D:325b-l; *Smithkline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc* 1995 2 SA 903 A:910B; *Standard Bank of South Africa Ltd v United Bank Ltd and Another* 1991 4 SA 780 T:800B-G; *Cointreau et Cie SA v Pagan International* 1991 4 SA 706 A:716C; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1)* 1989 1 SA 236 A:246F-G; *The Upjohn Company v Merck and Another* 1987 3 SA 221 T:224G; *Tri-Ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd* 1985 1 SA 448 A:467H-I & 469B; *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 3 SA 623 A:640G; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 3 SA 144 T:150H; *Organon Laboratories Ltd v Roche Products (Pty) Ltd* 1976 1 SA 195 T:197F-G. See also Webster and Page 2001:12-12.

²¹⁹⁷ *Cowbell AG v ICS Holdings Ltd (supra)*:948G. See also Webster and Page 2001:7-4.

²¹⁹⁸ *Bristol Laboratories Inc v CIBA Ltd* 1960 1 SA 864 A:869H.

²¹⁹⁹ *Rovex Ltd and Another v Prima Toys (Pty) Ltd* 1981 2 SA 447 C:449F-G; *Juvena Produits De Beaute SA v BLP Import and Export* 1980 3 SA 210 T:217H-218A; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:150H; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd* 1976 1 SA 530 T:533D. In *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd* 1983 4 SA 163 T the court explained this (at 167A-B): "To establish the likelihood of deception or confusion, it would be enough to show that ... a substantial number of persons ... would wonder if they [the goods in relation to which the disputed mark is used] were or were not made by the same persons." See also *Heublin Inc and Another v Golden Fried Chicken (Pty) Ltd* 1984 3 SA 911 T:916I.

²²⁰⁰ See the following cases for further authority: *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd (supra)*:567D; *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:546B-H; *Bata Ltd v Face Fashions CC and Another (supra)*:850D; *PPI Makelaars v Personal Prudent Society of SA (supra)*:448g-449d; *Professional Prudent Society of South Africa v P.P.I. Makelaars and Another (supra)*:212a-g;

- 3) "Deception" means to cause someone to believe something which is false and "confusion" means to cause bewilderment, doubt or uncertainty.²²⁰¹ "Likely to cause deception", in turn, means "to lead to the respondents' product being bought and sold for that of the first applicant".²²⁰²
- 4) The question is whether the ordinary purchaser would be misled or confused.²²⁰³ The courts have identified the following characteristics of the ordinary purchaser:²²⁰⁴

Safari Surf Shop CC v Heavywater & others (supra):325b-l; Smithkline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc (supra):910C-F; Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra):800B-G; Cointreau et Cie SA v Pagan International (supra):716C; Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1) (supra):246F-G; Tri-Ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd (supra):467H-I; Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd (supra):640H-I.

²²⁰¹ *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd and Another* 1991 4 SA 850 A:860C-D; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra):150H.*

²²⁰² *Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another* 1979 2 SA 160 T:166B-C.

²²⁰³ *Levy Brothers & Lewis v Goldstein & Goldstein* 1890 6 HCG 1:4.

²²⁰⁴ The criteria for the ordinary purchaser was originally expounded in *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus* 1905 TS 472 (at 475) as: "An ordinary purchaser certainly does not mean the very careful man who knows exactly what he wants and takes very good care when he is buying an article that he gets what he exactly wants, who looks closely at the article which he is buying, and who would detect any striking difference between the article he is purchasing and the article which he intended to purchase. Nor does it mean the very careless man who does not know the particular characteristics of the article which he wants to buy, and who is not at all particular about what he gets, but who when he asks for an article accepts what is given him as being the article which he requires, and therefore does not look at it and does not very much care whether he is getting the article he asked for or not. The ordinary purchaser does not mean either the very careful or the very careless and ignorant man. I think it must be someone between the two. I take it the ordinary purchaser is a man who knows more or less the peculiar characteristics of the article he wants; he has in his mind's eye a general idea of the appearance of the article, and he looks at the article not closely, but sufficiently to take in its general appearance". This statement has been approved by numerous courts. See e.g. *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar* 1981 4 SA 706 D:714H-715A; *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd* 1981 2 SA 62 T:67A; *Softex Mattress (Pty) Ltd v Transvaal Mattress and Furnishing Co Ltd* 1979 1 SA 755 D:749C; *Humphries Ltd v Edward Sharp (SA) (Pty) Ltd* 1972 4 SA 528 C:535D; *Selected Products Ltd v Enterprise Bakeries (Pty) Ltd* 1963 1 SA 237 C:247E-G; *American Chewing Products Corporation v American Chicle Company* 1948 2 SA 736 A:744; *Aktiebolaget Hjorth & Co v Aktienbolaget Optimus* 1932 TPD 177:190; *Crossfield & Son Ltd v Crystallizers Ltd* 1925 WLD 216:219; *Zyp Products Co Ltd v Ziman Bros Ltd* 1926 TPD 224:230.

- (a) He is neither the very careful nor the very careless man; he is someone in between;²²⁰⁵
- (b) He is a person of ordinary/average intelligence²²⁰⁶ who would purchase the goods in question;²²⁰⁷
- (c) He has proper eye-sight;²²⁰⁸
- (d) He purchases with ordinary caution;²²⁰⁹
- (e) He knows more or less the peculiar characteristics of the article he wants;²²¹⁰ he has a general idea of the appearance of the article, but not an exact and accurate representation of it,²²¹¹ and he looks at the article not closely, but sufficiently to take in its general appearance.^{2212 2213}
- (f) The nature of the goods in question should also be taken into account.²²¹⁴ Where both parties' products are expensive, the courts maintain that purchasers exercise a higher degree of caution.²²¹⁵ The opposite is also true.²²¹⁶ In

²²⁰⁵ *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd* 1982 4 SA 123 T:127A-B; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:153B-C; *Greenblatt v Hirschson* 1958 4 SA 371 A:376A. See also Webster and Page 2001:7-6.

²²⁰⁶ *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd (supra)*:66H-67A; *Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another* 1979 4 SA 221 N:224H; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:153B-C; *Laboratoire Lachartre S.A. v Armour-Dial Incorporated* 1976 2 SA 744 T:746C-E; *James Humphris Co Ltd v Jacklin Henkinson & Co* 1906 NLR 771:774. See further the authority indicated in footnote 2199. See also Webster and Page 2001:7-6.

²²⁰⁷ *Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another (supra)*:224H. See also Webster and Page 2001:7-6.

²²⁰⁸ See footnote 2199.

²²⁰⁹ See footnote 2199.

²²¹⁰ *Distilleerderij Voorheen Simon Rijnbende en Zonen v Rolfes, Nebel & Co* 1913 WLD 3:10.

²²¹¹ *Hatting's Yeast Ltd v Frienlin* 1919 TPD 417:423.

²²¹² *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd* 1996 2 ALL SA 414 C:422d-e.

²²¹³ As the Supreme Court of Appeal stated in *Tri-Ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd (supra)*: "In deciding whether or not a registered trade mark has been infringed a Court, as we have seen, does not have to decide whether persons who have intimate knowledge of one of the marks will be deceived but must decide whether persons who do not have such knowledge are likely to be deceived or confused." (At 470E)

²²¹⁴ *S Wainstein & Co (Pty) Ltd v Buffalo Salt Works And Packing Co* 1966 3 SA 280 T:284F. See also Webster and Page 2001:7-5.

²²¹⁵ *Stellenbosch Farmers' Winery Ltd v Stellenvale Winery (Pty) Ltd* 1957 4 SA 234 C:242G.

²²¹⁶ In *S Wainstein & Co (Pty) Ltd v Buffalo Salt Works And Packing Co (supra)* the court stated (at 284F-G) that "where the commodity is one which will be used by a proportion of the community the likelihood of confusion is greater than in the case of an article that is only acquired by discriminating purchasers."

conjunction with this factor, one should also look at the class or type of customers who are likely to be purchasers of the goods in question.²²¹⁷ The fact that the parties' products or services are sold or offered to professional men, does not *per se* affect the test for a likelihood of confusion or deception.²²¹⁸ On the other hand, where children constitute a substantial number of purchasers of a particular product, such as bubble gum, the likelihood of confusion is greater than in other instances.²²¹⁹

The question arose whether the law requires that *purchasers* have to be confused or deceived by the defendant's mark.²²²⁰ In *Ivan Dunsterville (Pty) Ltd v Buster's Electrical (Pty) Ltd and Others*²²²¹ the respondents caused a false entry to be made in a telephone directory. The court was of the opinion that the entry was "likely to cause confusion and [was] calculated to mislead *ordinary users of the telephone who wish to communicate with the electrical business of the applicant.*"²²²² In *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd*²²²³ the court was of the opinion

²²¹⁷ *Juvena Produits De Beaute SA v BLP Import and Export (supra):218E-G; Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* 1980 2 SA 254 W:265D; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):534E; Greenblatt v Hirschson (supra):375H-376A; American Chewing Products Corporation v American Chicle Company (supra):743; American Chicle Co v Gower N.O. and American Chewing Products Corporation* 1947 4 SA 49 SR:57; *Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra):184-185; Glenton & Mitchell v Ceylon Tea Co* 1918 WLD 118:122.

²²¹⁸ Both the court in *Professional Prudent Society of South Africa v P.P.I. Makelaars and Another (supra)* (at 212h-i) and the Supreme Court of Appeal in *PPI Makelaars v Personal Prudent Society of (supra)* (at 450c-d) stated that it is a fiction that professional men will not be misled as easily as ordinary people. Moreover, as the court in *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra)* noted (at 200H), even though the class of purchasers in a given scenario may be described as sophisticated, these purchasers "are [also] subject to human errors of recollection, bad pronunciation, sloppy handwriting, and so forth ... members of the trade are not by their qualifications transformed into people without ordinary human fallibilities. Of course the possibility of error on their part is less than in the case of unqualified people, but to describe such a possibility as virtually non-existent would be quite wrong".

²²¹⁹ See *American Chicle Co v Gower N.O. and American Chewing Products Corporation (supra):55.*

²²²⁰ In *Smithkline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc (supra)* the Supreme Court of Appeal stated (at 909I & 910A-B) that the question of law is whether a "likelihood of consumer deception or confusion" exists. In *F O Stiebel v F Lowenadler* 1904 NLR 187 the court referred (at 190) to "all of those who are likely to be come purchasers of the matches".

²²²¹ 1958 4 SA 198 N.

²²²² 1958 4 SA 198 N:206A-B. Own emphasis. See also 206D: "[T]he entry is calculated to mislead persons seeking to communicate with applicant".

²²²³ *Supra.*

that it would be sufficient if only the salesperson was momentarily confused and/or deceived by the respondent's mark.²²²⁴ Therefore, it can be concluded that the alleged deception or confusion does not necessarily have to relate to the potential customers or purchasers of the parties' performances. It suffices if those interested in the plaintiff's or parties' performances are likely to be misled or confused.

- 5) It is not necessary that the entire public or that most people interested in the product will likely be confused or deceived.²²²⁵ It suffices if a substantial number of persons who buy or will be interested in the relevant goods are likely to be deceived or confused.²²²⁶
- 6) The respective marks should not only be compared side-by-side.²²²⁷ The court must also have regard to the position of a person who might at one time see or hear one of the marks and later, possibly with an imperfect recollection of that mark or with an imperfect perception,²²²⁸ come across the other mark.²²²⁹ Allowance

²²²⁴ 1977 3 SA 144 T:151B-C. See also *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra)* where the court stated (at 166H) that "[t]he deception or confusion, the likelihood of which has to be proved, need not affect both sellers and buyers. It could be such as to affect only sellers or only buyers of the goods".

²²²⁵ *Berman Brothers (Pty) Ltd v Sodastream Ltd and Another* 1986 3 SA 209 A:237D-E.

²²²⁶ *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd and Another (supra)*:860C-D; *Heublin Inc and Another v Golden Fried Chicken (Pty) Ltd (supra)*:916H; *Rovex Ltd and Another v Prima Toys (Pty) Ltd (supra)*:449F-G; *Juvena Produits De Beaute SA v BLP Import and Export (supra)*:217H-218A; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:150H; *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra)*:197F-G; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra)* :533D; *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another* 1973 4 SA 145 W:152G-H & 160H. See further the authority indicated in footnote 2199.

²²²⁷ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra)*:166A-B; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra)*:1266H-127A; *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd (supra)*:67A; *Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another (supra)*:224G; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:153E; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra)*:536A-C; *Aktiebolaget Hjorth & Co v Aktienbolaget Optimus (supra)*:187; *Levy Brothers & Lewis v Goldstein & Goldstein (supra)*:4. See further the authority indicated in footnote 2199.

²²²⁸ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra)*:166A-B; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra)*:1266H-127A; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:153D-E; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra)*:536A-C. See further the authority indicated in footnote 2199. See also Webster and Page 2001:7-8.

must further be made for imperfect pronunciation and speech on the part of the purchaser as well as the shop assistant.²²³⁰ Furthermore, one has to keep in mind those who are not well acquainted with the mark.²²³¹ Therefore, a court should not meticulously compare the relevant marks.²²³²

- 7) The marks must be compared with regard to their general sense (main idea conveyed), sound and appearance.²²³³ A likelihood of confusion or deception in any one of these three aspects suffices.²²³⁴ However, the Supreme Court of Appeal has

²²²⁹ *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra)*:126E-F; *Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another (supra)*:224G-H; *American Chewing Products Corporation v American Chicle Company (supra)*:744. In *American Chicle Co v Gower N.O. and American Chewing Products Corporation (supra)* the plaintiff was the owner of the registered trade mark "Chiclets". The respondent commenced using the mark "Chicks" for direct competing goods. The court stated (at 55) that "a person who had never heard of 'Chicks' but who wanted some 'Chiclets', and had only a vague recollection of the word, might order verbally, either directly or over the telephone, a packet of chewing-gum. On being asked what brand he required, he might reply he was unable to remember the exact name, but it had something to do with chickens or chicks." See also *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra)*:166A-B; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra)*:1266H-127A; *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd (supra)*:67A-B; *Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra)*:166C; *Laboratoire Lachartre S.A. v Armour-Dial Incorporated (supra)*:746G-H; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra)*:536A-C; *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra)*:197H; *Bristol Laboratories Inc v CIBA Ltd (supra)*:872A-B; *Aktiebolaget Hjorth & Co v Aktienbolaget Optimus (supra)*:187. See further LAWSA 2001:vol 29, par 131.

²²³⁰ *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra)*:197H; *S Wainstein & Co (Pty) Ltd v Buffalo Salt Works And Packing Co (supra)*:285G-H; *Bristol Laboratories Inc v CIBA Ltd (supra)*:872A-B.

²²³¹ See *Cavalla Ltd v International Tobacco Co of SA Ltd 1953 1 SA 461 T:467B-D*.

²²³² The court in *Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd (supra)* stated (at 916G) that "[p]rimarily, the comparison is a matter of impression and in particular the first impression created is of prime importance. A meticulous comparison is to be avoided".

²²³³ *The Upjohn Company v Merck and Another (supra)*:227I; *Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd (supra)*:916G; *Juvena Produits De Beaute SA v BLP Import and Export (supra)*:218E-G; *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers (supra)*:265D; *Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another (supra)*:224H; *Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra)*:166G; *Laboratoire Lachartre S.A. v Armour-Dial Incorporated (supra)*:746H; *Greenblatt v Hirschson (supra)*:375A. See further the authority indicated in footnote 2199. See also Webster and Page 2001:7-10. This "main idea" is sometimes referred to as the "general impression". See *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra)*:536G.

²²³⁴ *Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd (supra)*:916G-H; *Juvena Produits De Beaute SA v BLP Import and Export (supra)*:218H-219A; *Hudson & Knight (Pty) Ltd v D H Brothers*

noted that “[w]here the sense of one word mark differs markedly from that of another ... and in particular where the registered trade mark is well known, it seems to me that the scope for deception or confusion is reduced”.²²³⁵

8) One must compare the parties' respective marks as a whole,²²³⁶ even though they contain common elements.²²³⁷ Bearing this in mind, one should also look at the essential or dominant features of the marks in question.²²³⁸ As one court observed: “It is impossible to accept that a man looking at a trade mark would take in every single feature of the trade mark. The question would be, what would he normally retain in his mind after looking at the trade mark? What would be the salient feature of the trade mark which in future would lead him to associate the particular goods with that trade mark?”²²³⁹

9) The marks must be compared as they are seen in actual, ordinary, commercial use

Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another (supra):224H; John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra):151A; Laboratoire Lachartre S.A. v Armour-Dial Incorporated (supra):746H; Bristol Laboratories Inc v CIBA Ltd (supra):871H; Cavalla Ltd v International Tobacco Co of SA Ltd (supra):465G-H; Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra):185. See also Webster and Page 2001:7-4; LAWSA 2001:vol 29, par 132.

²²³⁵ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd (supra):568E-F.*

²²³⁶ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra):166A-B; Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra):126D-127A; Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra):166D-E; John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra):152E; Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):536A-C; Registrar of Trade Marks v American Cigarette Co 1966 2 SA 563 A:575B-C & 476D; Bristol Laboratories Inc v CIBA Ltd (supra):871G-H. See also Webster and Page 2001:7-13.*

²²³⁷ *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra):202G-H.* The court further stated (at 202G-H) that “[i]t would be wrong to dissect the words in question into two parts, for the purposes of the comparison, to discard the first part as being common to the two marks, and to assess the likelihood of confusion or deception by having regard only, or even mainly, to the remaining, uncommon parts.”

²²³⁸ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra):166A-B; Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra):1266H-127A; Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra):166D-E; Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):536A-C.* In *Juvena Produits De Beaute SA v BLP Import and Export (supra)* the court stated (at 219C) that an attempt should be made in such comparisons to identify the dominant feature of the marks being that which is most likely to impress itself upon the mind and to remain in the memory. See also the authority indicated in 2199. See also Webster and Page 2001:7-11; LAWSA 2001:vol 29, par 134 & 219.

²²³⁹ *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd (supra):66F-G.* See also 66H.

on the goods to which they are applied.²²⁴⁰ For this purpose, the court must place itself in the position of an ordinary purchaser.²²⁴¹ Stated differently, one must transport oneself notionally, from the courtroom or the study, to the market place where the marks and/or performances will be encountered²²⁴² and stand in the shoes of those who buy products sold under the competing trade marks.²²⁴³

10)A comparison involves postulating notional fair use of the registered trade mark in relation to any of the goods in respect of which it is registered, and similar notional use of the allegedly infringing mark.²²⁴⁴ Explained differently, one must consider what is likely to happen if each of those trade marks is used in a normal way as a

²²⁴⁰ In *Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra)* the court stated (at 184): "I have to consider these two word marks, not as viewed in black and white on a piece of paper, but as stamped on metal; the way they are stamped, and the colour of the metal." At 185 the court continued to state that one must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks. See also *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra)*:166D-E; *Laboratoire Lachartre S.A. v Armour-Dial Incorporated (supra)*:746C-E. In *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)* the court stated (at 153E): "The hearing of argument on the differences and the quiet study of the two marks in themselves create the danger of looking at the marks differently from the manner in which the average purchaser would look at the marks. The average purchaser would not have the advantage of detailed argument from counsel, nor would he make detailed notes of the trade mark". See also *Juvena Produits De Beaute SA v BLP Import and Export (supra)*:218E-G.

²²⁴¹ *John Waddington Ltd v Arthur E Harris (Pty) Ltd* 1968 3 SA 405 T:414H. In *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra)* the court put it as follows (at 201B): A court is allowed, when determining whether a possibility of confusion and/or deception is likely to occur, to take the realities of a particular scenario into account, based on common human experience. In *Laboratoire Lachartre S.A. v Armour-Dial Incorporated (supra)* the court observed (at 746C-D) that it must be aware not to look at the parties' trade marks with greater care than members of the public would and should consider the similarities and dissimilarities with the same awareness as the latter would in their daily lives.

²²⁴² *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra)*:166D-E; *Rovex Ltd and Another v Prima Toys (Pty) Ltd (supra)*:449G; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:153G-H; *Laboratoire Lachartre S.A. v Armour-Dial Incorporated (supra)*:746C-E. See further the authority indicated in footnote 2199.

²²⁴³ *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:547F-G. See also Webster and Page 2001:7-14; LAWSA 2001:vol 29, par 135.

²²⁴⁴ *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd and Another (supra)*:860B-C; *Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills and Another (supra)*:224F. See also *Bata Ltd v Face Fashions CC and Another (supra)* where the Supreme Court of Appeal noted (at 849I-J) that "in infringement proceedings a Court has regard to the notional use to which the plaintiff may put its mark, that is to 'all possible fair and normal applications of the mark within the ambit of the monopoly created by the terms of the registration' ". See also Webster and Page 2001:7-15.

trade mark for the goods of the respective owners of the marks.²²⁴⁵

11) Extraneous factors cannot be taken into account.²²⁴⁶ Only the registered mark as such and the allegedly offending mark as such are compared.²²⁴⁷ This has been described as the essential comparison.²²⁴⁸ For this reason, the courts have maintained that the following factors are irrelevant to such a comparison and must, therefore, be discarded: a) The get-up of the respective performances,²²⁴⁹ b) the reputation of the respective marks,²²⁵⁰ c) the subjective knowledge or belief of the public,²²⁵¹ d) additional material explaining that no trade connection exists between

²²⁴⁵ *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra):798F-G; Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd (supra):641E-I; Juvena Produits De Beaute SA v BLP Import and Export (supra):218E-G; Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd (supra):916I-917A; Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):535H. See also LAWSA 2001:vol 29, par 217.*

²²⁴⁶ *Metal Box South Africa Ltd v Midpak Blow-Moulders (Pty) Ltd 1988 2 SA 446 T:451J-452B; The Upjohn Company v Merck and Another (supra):227D; Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra):184.*

²²⁴⁷ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd (supra):567E-F; International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra):165H & 170C-D; Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra):126C-D; Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra):166E. See further authority indicated in footnote 2199. See also Webster and Page 2001:12-17; LAWSA 2001:vol 29, par 217.*

²²⁴⁸ *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1) (supra):248D.*

²²⁴⁹ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra):165H; Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra):184.*

²²⁵⁰ *The Upjohn Company v Merck and Another (supra):227D.*

²²⁵¹ In *Metal Box South Africa Ltd v Midpak Blow-Moulders (Pty) Ltd (supra)* the applicant was the owner of the registered trade mark "MB", registered and used for plastic bottles. This mark also appeared on the applicant's containers, for which the mark was not registered. The respondent, a business competitor, acquired possession of some of these containers and placed its own bottles, bearing its trade mark, in these containers and consequently sold its products in these containers. The applicant alleged that the respondent committed trade mark infringement. The respondent contended that a likelihood of confusion or deception could not arise because its customers were aware of the fact that the bottles in these containers were those of the respondent. The court was of the opinion that this fact was an extraneous fact: "[T]he subjective knowledge or belief of the public as to the origin of the goods is irrelevant to the question of whether there has been trade mark infringement. This is unlike the situation in the case of passing off where a representation causing a likelihood of confusion or deception is a necessary element of the wrong. In any event, the fact that the persons who order the bottles from the respondent may know the trade source of the goods does not mean that others handling the containers, such as employees of the respondent's customers, are so aware." (At 451J-452B)

the plaintiff and the defendant,²²⁵² e) the nature of the goods on which the mark appears,²²⁵³ f) the market aimed at by the appellant,²²⁵⁴ g) the volume of the plaintiff's product sales,²²⁵⁵ and h) the similarities in the goods themselves or in the form in which they are presented.²²⁵⁶ As the court in *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd*²²⁵⁷ succinctly put it: "[T]he statutory protection is absolute in the sense that once a mark is shown to offend, the user of it cannot escape by showing that by something outside the actual mark itself he has distinguished his goods from those of the registered proprietor".²²⁵⁸

12) Deception need not last more than one or two seconds.²²⁵⁹ The court in *Cavalla Ltd v International Tobacco Co of SA Ltd*²²⁶⁰ remarked that -

"before the error is corrected by the customer, deception will already have taken place. It is not necessary that there should be prejudice in the sense that a customer should go away with the wrong article and continue to think that he has the article he has asked for. That is not at all necessary. The fact that ultimately the matter is put right is irrelevant to the question as to whether there has been deception or not. The very fact that something has to be put right is proof of the fact that deception has taken place ... if by reason of any one of the three elements mentioned [sight, sound or the idea conveyed by the mark] deception may be caused even if this deception may be put right at a later stage when the customer sees the article ... a reasonable

²²⁵² In *Carling National Breweries Inc and Another v National Brewing Co (Pty) Ltd and Another (supra)* the court stated (at 166E-F): "If the mark used by the respondent is the same as the registered mark or so nearly resembles it as to be likely to deceive or cause confusion, it is irrelevant that in fact the respondents accompany their use of their mark with material which indicates that there is no trade connection between their product and that of the proprietor of the mark. That fact may be very relevant in a claim for 'passing off, but it is irrelevant in a claim for infringement." See further *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra)*:786J-788D-F; *Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd (supra)*:67C-D.

²²⁵³ *Bata Ltd v Face Fashions CC and Another (supra)*:850B.

²²⁵⁴ *Bata Ltd v Face Fashions CC and Another (supra)*:850B.

²²⁵⁵ *Bata Ltd v Face Fashions CC and Another (supra)*:850B.

²²⁵⁶ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd (supra)*:567F-G.

²²⁵⁷ *Supra*.

²²⁵⁸ 1976 1 SA 530 T:535H.

²²⁵⁹ *Cavalla Ltd v International Tobacco Co of SA Ltd (supra)*:469C. In *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)* the court stated (at 151C-D) that "the deception or confusion need only last for a fraction of time and that only one of the two persons involved [the salesman or the customer] need to be deceived or confused." See also *Juvena Produits De Beaute SA v BLP Import and Export (supra)*:219A. See further Webster and Page 2001:7-4.

²²⁶⁰ *Supra*.

possibility of deception in respect of any one of the elements is sufficient even if on reference to one of the other elements that deception would be corrected, because a deception will already by then have taken place whether that deception continues for an indefinite period or not."²²⁶¹

In *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd*²²⁶² the court elaborated on the question of how long confusion should last, by holding that the criterion of a "fraction of time" should not be understood to mean a fraction of a second. According to the court, this meant "nothing more than that, for the purpose of opposing registration (and, presumably, of establishing infringement), proof of the likelihood of initial confusion, even though such is capable of being cleared up, would be sufficient. In a common sense evaluation of the likelihood or otherwise of confusion, the question of momentary confusion would not ordinarily arise."²²⁶³

Therefore it appears that judicial recognition has been given to the concept of initial confusion, entailing that the potential purchaser does not need to be confused or deceived to such an extent that he eventually purchases the product. The law focuses on the deception/confusion aspect.

13) Where the plaintiff's mark is invented or fancy, a likelihood of confusion is greater,²²⁶⁴ than when the mark is merely descriptive.²²⁶⁵ The public is more likely to confuse the plaintiff's mark with a mark of a somewhat similar sound or appearance than when the former's mark is merely descriptive.²²⁶⁶ Stated differently, a lesser amount of similarity may cause confusion.²²⁶⁷ Identical considerations apply to foreign words, such as Latin terms.²²⁶⁸ Therefore, it can be stated that invented and fancy trade marks are afforded greater protection than

²²⁶¹ 1953 1 SA 461 T:468C-469H.

²²⁶² *Supra*.

²²⁶³ 1983 4 SA 163 T:169H-170B.

²²⁶⁴ *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra):152C-D; American Chewing Products Corporation v American Chicle Company (supra):745*. See also Webster and Page 2001:7-14 & 12-18; LAWSA 2001:vol 29, par 135.

²²⁶⁵ *Glenton & Mitchell v Keshavjee & Sons* 1918 TPD 263:266-267.

²²⁶⁶ *Tri-Ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd (supra):468H-469A; Truck and Car Co Ltd v Kar-N-Truk Auctions* 1954 4 SA 552 A:557E-F.

²²⁶⁷ *American Chewing Products Corporation v American Chicle Company (supra):745; American Chicle Co v Gower N.O. and American Chewing Products Corporation (supra):57*.

²²⁶⁸ *Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra):186*.

descriptive trade marks.²²⁶⁹

14) With regard to suffixes and prefixes, the courts maintain that if a word in common use is used as a trade mark, either with a prefix or suffix, then the court will not enjoin a defendant who wishes to use that particular word with another prefix or suffix.²²⁷⁰ Where both the plaintiff's trade mark and defendant's trade mark employ an identical prefix for identical goods, "due weight must be given to the fact that the prefix is descriptive, but the decisive question is whether the respondent is using the prefix in a context which is likely to cause confusion or deception, and for that purpose, the marks must be compared in their entirety".²²⁷¹

15) Due to the fact that services are not offered side by side to enable customers to make instant comparisons, the Supreme Court of Appeal maintains that in the case of service marks the likelihood of confusion may more easily be established than in the case of comparable product marks.²²⁷²

The above-mentioned criteria should, however, be put in perspective. Although the courts, on the one hand, state that the respective marks must be compared as they are (therefore comparing the similarities and the differences of the marks), without reference to (1) extraneous matters such as the material on which they are used as well as (2) additional knowledge consumers possess, the courts have also, on the other hand, noted that the marks must be compared as they are found in the market place by the notional, ordinary, potential purchaser, with reference to the general impressions, sound and appearance of the marks as well as keeping in mind that average customers have imperfect collections.²²⁷³ Therefore, the courts do not follow a strict procedure of comparing the plaintiff's registered trade mark as such with the defendant's mark as such. The courts also take into account the circumstances under which the products are sold, promoted or advertised.

²²⁶⁹ *Cavalla Ltd v International Tobacco Co of SA Ltd (supra):467D-F; Truck and Car Co Ltd v Kar-N-Truk Auctions (supra):557E-F; American Chicle Co v Gower N.O. and American Chewing Products Corporation (supra):57.* In fact, some courts maintained that where the defendant uses the plaintiff's fancy mark or a close imitation of that mark, the only possible inference is that the defendant intended to deceive. See *Truck and Car Co Ltd v Hirschman and Others 1954 2 SA 117 E:120C-121A; Glenton & Mitchell v Keshavjee & Sons (supra):267.*

²²⁷⁰ *Slabbert v Airways Booking Office (Pty) Ltd 1933 WLD 204:210; Aktiebolaget Hjorth & Co v Aktiebolaget Optimus (supra):186.*

²²⁷¹ *Organon Laboratories Ltd v Roche Products (Pty) Ltd (supra):203A.*

²²⁷² *PPI Makelaars v Personal Prudent Society of SA (supra):449e-f.*

²²⁷³ See e.g. *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1) (supra):247B-C.*

A few additional remarks are warranted. It must always be kept in mind that the *onus* is on the plaintiff to prove a likelihood of deception or confusion.²²⁷⁴ Furthermore, section 34(1)(a) does not require the *use* of the disputed trade mark to be confusing or deceptive. The confusion and deception to which reference is made, relates to a mark which "so nearly resembles the registered mark". It is the disputed mark which must be confusingly or deceptively similar to the registered mark.²²⁷⁵

Recently, the Supreme Court of Appeal framed the question of law as follows: "The question then is whether *they are so different* as to obviate the probability of confusion or deception in the mind of a consumer".²²⁷⁶ This criterion has also been expressed as follows: One should postulate a purchaser who asks for the product by name and then receives the defendant's product bearing the alleged confusing name.²²⁷⁷

Finally, it should also be mentioned here that evidence of actual confusion, although not required, carries considerable weight.²²⁷⁸

4.5.2.1.5. Specific application of this section

Next, a few case studies are perused in order to ascertain the scope of section 34(1)(a).

4.5.2.1.5.1. Visual display of a trade mark

In *Esquire Electronics Ltd v Executive Video*²²⁷⁹ the appellant's trade mark "Esquire" was registered for physical goods, such as electronic apparatus and video recording media, including video tapes and video cassettes, which the appellant used to market its video tapes. Whenever one of these videos was inserted into a video machine the

²²⁷⁴ *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd (supra):165G; Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra):126C-D; Rovex Ltd and Another v Prima Toys (Pty) Ltd 1982 2 SA 403 C:404H; Juvena Produits De Beaute SA v BLP Import and Export (supra):217H; Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willottown Oil and Cake Mills and Another (supra):224A-B; Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):533C-D. See further authority indicated in footnote 2199.*

²²⁷⁵ See *Metal Box South Africa Ltd v Midpak Blow-Moulders (Pty) Ltd (supra):451F-G.*

²²⁷⁶ *Smithkline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc (supra):914E. Own emphasis.*

²²⁷⁷ *Levy Brothers & Lewis v Goldstein & Goldstein (supra):4.*

²²⁷⁸ See Webster and Page 2001:7-16.

appellant's trade mark was displayed at the beginning of the cinematograph film. The respondent made unlawful copies of the appellant's video tapes. The result was that when one of these tapes was played by means of a video machine, the appellant's trade mark was displayed at the beginning of the film. The video tapes did not contain the appellant's trade mark on the outside. The appellant alleged that the respondent was guilty of trade mark infringement. The respondent averred that as the trade mark was only registered for video tapes *per se* and not for the display of a series of images on a television screen, it did not infringe the appellant's trade mark.

The Supreme Court of Appeal held that in terms of section 2(2) of the Act, which stipulates that the visual representation of a mark constitutes use of the mark, such envisaged visual representation was present:

"The images derived from a video tape are not 'goods': they are insubstantial, evanescent, transitory. Nor are they 'things' different from the video tape which records them. They are the translation into optical terms of the information recorded in magnetic patterns along the length of that tape, apart from which they have no existence ... The goods in respect of which the trade marks were registered included video tapes. Video tapes may be blank, in which case they are acquired for the purpose of making recordings thereon; or they may have a programme prerecorded thereon, in which case they are acquired for the purpose of playing the programme. But in both cases they are video tapes - objects not intrinsically different. I do not think that the ordinary viewer would consider that the words 'An ESQUIRE presentation', which appear on the screen, applied to the images: he would regard them as referring to the performance recorded on the video tape which is being played. I am accordingly of the opinion that ... it was established that the trade marks were infringed. There was a use of the trade marks in the form of a visual representation on the television screen. It was a use in the course of trade. It was a use in relation to pre-recorded video cassettes. It indicated that the goods had their origin in Esquire Electronics - that the goods were used under the aegis of Esquire Electronics, the proprietor of the mark."²²⁸⁰

The respondent further contended that he did not use the appellant's trade mark: All it did was to copy the content of the appellant's videotapes.²²⁸¹ The court held that this argument was without merit:

²²⁷⁹ 1986 2 SA 576 A.

²²⁸⁰ 1986 2 SA 576 A:589D-I.

²²⁸¹ The respondent stated: "Executive Video did no more than produce the videos and market them. That did not involve a visual representation of the mark of Executive Video or its servants or agents, since it appeared only when the video was played in a VCR by the customer." (At 590B-C)

"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 person has acquired a reputation for his goods ... A delict is committed not only by the actual perpetrator, but by those who instigate or aid or advise its perpetration ... In the present case [respondent] produced the video cassettes and disposed of them, knowing and intending that they would be put to use for the purpose for which they were purchased or hired and that such use would necessarily involve the visual representation of the trade mark. In the circumstances it is idle to contend that [respondent] is innocent of infringement."²²⁸²

It follows that a visual representation of a mark on a television screen and, therefore, also on a computer screen constitutes trade mark infringement in terms of section 34(1)(a), where the mark is used in relation to the performance for which the said mark is registered. Furthermore, when the defendant causes a trade mark to be displayed on a web site, he *uses* an infringement mark.

4.5.2.1.5.2. Comparative advertising

Comparative (brand) advertising is when A uses B's mark in order to compare his performance with B's performance.²²⁸³

4.5.2.1.5.2.1. Applying the provisions of the Act

An example of such comparative advertisement is *Abbott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others*²²⁸⁴ where the applicant was the proprietor of the trade marks "Promalin" and "Abbott", registered and used for agricultural chemicals. The respondent, a business rival, was the proprietor of the trade mark "Perlan", registered and used for competing goods. In a brochure, the respondent compared his products to the applicant's products by using the latter's registered trade marks, e.g. "Perlan compared to Promalin - Fruit Weight. Perlan tended to give larger fruit than Promalin."²²⁸⁵ The applicant contended that the respondent contravened section 34(1)(a). The respondent, on the other hand, contended that it did not use the

²²⁸² 1986 2 SA 576 A:590C-G.

²²⁸³ *Abbott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others* 1999 3 SA 624 C:630H.

²²⁸⁴ 1999 3 SA 624 C.

²²⁸⁵ 1999 3 SA 624 C:628B.

applicant's marks in relation to goods or services for which the said mark was registered.

The court held that the above scenario clearly established unauthorised use of an identical mark in the course of trade.²²⁸⁶ The only question left was whether the said use was in relation to the goods or services in respect of which the trade mark was registered.²²⁸⁷ To this question the court responded positively: "[T]he reference in the brochure to the product to which the mark Promalin is applied is clearly such as to identify the product with the trade mark and consequently the requirement that the use of the trade mark Promalin in relation to goods has been met. The brochure also has a number of references to Abbott and to my mind these references also identify Abbott products with Abbott."²²⁸⁸

Therefore, the result of this judgment is that comparative advertising, employing a third party's registered trade mark, constitutes trade mark infringement in terms of section 34(1)(a).

4.5.2.1.5.2.2. Constitutional questions

The question arises whether the *Abbott* judgment²²⁸⁹ is constitutionally justifiable. As mentioned in chapter three,²²⁹⁰ one of the constitutional rights that all individuals and legal entities enjoy is the right to freedom of expression, as enshrined in section 16 in the *Bill of Rights*.²²⁹¹ Both South African and US courts have maintained that this constitutional right includes the right to commercial speech. It is in this context that the question arises whether the defendant can raise the defence that he used the plaintiff's registered trade mark in the exercise of his constitutional right to commercial speech. It is assumed that by using the plaintiff's trade mark, the defendant does not cause a likelihood of confusion or deception and that he does not use the plaintiff's trade mark to disparage the plaintiff and/or his goods.

²²⁸⁶ 1999 3 SA 624 C:636G.

²²⁸⁷ 1999 3 SA 624 C:636G-H.

²²⁸⁸ 1999 3 SA 624 C:637B-C.

²²⁸⁹ Discussed in the previous paragraph.

²²⁹⁰ See paragraph 5.3.

²²⁹¹ S 16(1) provides that "[e]veryone has the right to freedom of expression, which includes (a) freedom of the press and other media; (b) freedom to receive or impart information or ideas; (c) freedom of artistic creativity; and (d) academic freedom and freedom of scientific research."

It is submitted that where the defendant uses the plaintiff's trade mark for the purpose of comparative advertisement and the above-mentioned two conditions are present, the defendant's comparison is protected by his constitutional right to freedom of expression: The defendant uses the plaintiff's trade mark in order to impart information and to compare his performance with the plaintiff's performance. This submission is supported by Chaskalson *et al* who state that one type of speech which is protected by section 16 is commercial speech, which "relates primarily to commercial advertising of goods and services for profit".²²⁹²

It is submitted that when one balances the plaintiff's and defendant's competing rights under these circumstances, the defendant's right to advertise and to compare his performance *bona fide* with the plaintiff's performance outweighs the plaintiff's right to prohibit third parties from using his mark without his consent, which right he enjoys in terms of the *Trade Marks Act*. The public has a great interest in being in a position to make an informative decision.²²⁹³

Consequently, it is submitted that the *Abbott* judgment constitutes an unjustifiable limitation on the defendant's right to freedom of expression.

4.5.2.2. Contravening section 34(1)(b)

Section 34(1)(b) stipulates that trade mark infringement occurs where [1] a mark, which is identical or similar to the trade mark registered, is [2] used [3] without authorisation [4] in the course of trade [5] in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, [6] that in such use there exists the likelihood of deception or confusion.

As can be observed from this definition, the owner of a registered trade mark can institute trade mark proceedings even if the dispute trade mark is used in a class different from the one in which his trade mark is registered, provided that due to the similarity of the goods or services in the different classes there exists a likelihood of deception or confusion.²²⁹⁴ It can further be gleaned from section 34(1)(b) that the plaintiff must prove six elements before the defendant can be held liable. Elements (2)

²²⁹² Chaskalson *et al* 1999:20-50.

²²⁹³ See e.g. Chaskalson *et al* 1999 where they maintain (at 20-18) that "commercial advertising and fraudulent misrepresentation would both fall within the ambit of [s 16(1)] and the focus of the inquiry would concern limitations of such expressive conduct."

and (4) have already been discussed above,²²⁹⁵ and therefore require no further discussion.

It must further be noted that this section does not require the mark *per se* to cause confusion or deception. The defendant's use of his mark in conjunction with the similar goods or service has to cause the alleged confusion or deception.²²⁹⁶

4.5.2.2.1. Similar mark

The question is: When is a mark "similar" to another mark, as required by section 34(1)(b)? In the context of section 34(1)(c) the Supreme Court of Appeal noted that "similar" means that there must be a marked resemblance.²²⁹⁷ The word "similar" has also been equated with the phrase "so nearly resembling" in section 34(1)(a).²²⁹⁸ It is submitted that the phrase marked resemblance adequately explains the concept of similarity.²²⁹⁹

4.5.2.2.2. In relation to similar goods or services

The word "similar" has not been interpreted in this context. It is, once more, submitted that, for the same reasons as contended for above,²³⁰⁰ this word should refer to goods that have a marked resemblance to the goods in respect of which the trade mark is registered.

Because section 34(1)(b) declares that liability only follows where the defendant employs an identical or similar mark upon or in relation to identical or similar goods as

²²⁹⁴ *Mars Inc v Cadbury (Swaziland) (Pty) Ltd and Another* 2000 4 SA 1010 SCA:1014C-D.

²²⁹⁵ See paragraphs 4.5.2.1.1 and 4.5.2.1.2 of this chapter.

²²⁹⁶ See in this regard the UK case of *Bell Atlantic Corporation and another v Bell Atlantic Communications plc and another* 1998 ChD where the Chancery Division stated, with regard to their corresponding provision, that "[t]he comparison which is to be made is between the use of the Plaintiff's mark in a normal and fair manner in relation to the goods for which it is registered, and the way in which the Defendants have actually used their sign." See par 49 of the judgment. A copy of this judgment can be downloaded from www.bailii.org/ew/cases/EWHC/Patents/1998/273.html.

²²⁹⁷ See paragraph 4.5.2.3.1 of this chapter.

²²⁹⁸ See *Robertsons (Pty) Ltd v Pfizer South Africa (Pty) Ltd* 1967 3 SA 12 T:15A.

²²⁹⁹ See e.g. the definition of the word "similar" in the *Cambridge International Dictionary of English*: "[L]ooking or being almost, but not exactly, the same" as well as the definition of this word in *Webster's Third New International Dictionary*: "1: having characteristics in common: very much alike: comparable ... 2: alike in substance or essentials: corresponding ... one that resembles another".

²³⁰⁰ See the previous paragraph.

the goods for which the plaintiff's mark is registered, the Act, in effect, requires that the parties must be competitors.

The UK case of *Bell Atlantic Corporation and another v Bell Atlantic Communications plc and another* sheds some light on this enquiry.²³⁰¹ The plaintiffs' trade mark was registered for telecommunications, telecommunication apparatus and telecommunication services. The defendants used a confusingly similar mark for their computer equipment. The question arose whether the defendant's goods were similar to the plaintiff's goods, to which the court responded that -

"[t]here is, though, in addition, an area of equipment such as modems, which enables computers to be linked into telephone systems, ie by effecting or facilitating the transmission of data for the purpose of telecommunication of it. I consider that this kind of equipment would, sufficiently plainly, be 'similar' goods to the telecommunications equipment for which the Plaintiffs' mark is registered."²³⁰²

Therefore computer equipment, such as modems, is similar to telecommunication equipment.

4.5.2.2.3. In such use there is a likelihood of confusion or deception

Section 34(1)(b) differs from section 34(1)(a) in that the latter requires the mark to be similar to the registered mark, whereas section 34(1)(b) requires the *use* of a similar mark in respect of similar goods to cause a likelihood of confusion or deception. For this reason, the Supreme Court of Appeal noted that the defendant can raise the defence that the manner in which he uses his mark and the circumstances of his use are such that the use will not be taken as indicating a connection in the course of trade with the plaintiff.²³⁰³ Stated differently, his use of the mark will not cause a likelihood of confusion or deception.

The Supreme Court of Appeal further observed that in considering whether the use of the defendant's mark is likely to deceive or cause confusion, regard must be had to the essential function of a trade mark, namely to indicate the origin of the goods in

²³⁰¹ 1998 ChD. A copy of this judgment can be downloaded from www.bailii.org/ew/cases/EWHC/Patents/1998/273.html.

²³⁰² 1998 ChD:par 52.

²³⁰³ *Tri-Ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd* 1985 1 SA 448 A:473G-I. See also *Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd* 1990 1 SA 722 A:733F-H.

connection with which it is used.²³⁰⁴

4.5.2.3. Contravening section 34(1)(c)

Section 34(1)(c) provides that trade mark infringement occurs where [1] a mark, which is identical or similar to [2] a well-known registered trade mark, is [3] used [4] without authorisation [5] in the course of trade [6] in relation to any goods or services, [7] if such 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 well-known registered trade mark, notwithstanding the absence of confusion or deception.

Therefore, seven requirements must be met before defendant is liable for trade mark infringement.²³⁰⁵ Element (3) has already been discussed earlier in this study,²³⁰⁶ and therefore no further mention is made of this element. With regard to the element of "in the course of trade" it can simply be stated that the defendant is not required to be engaged in the same trade as the plaintiff. Section 34(1)(c) simply requires that the defendant must use the offending mark "in the course of trade in relation to any goods or services". Therefore, the Act only requires that the defendant must be engaged in a trade.

4.5.2.3.1. Similar mark

The Supreme Court of Appeal has noted that the word "similar" means that there must be "a marked resemblance or likeness" between the respective marks, and "marked", in turn, means "easy to recognise".²³⁰⁷ The court also remarked that the word "similar" should not be interpreted so extensively that it creates an unacceptable monopoly that unduly stultifies freedom of trade.²³⁰⁸ Therefore, it is submitted that the defendant's mark must be confusingly similar to the plaintiff's mark.

²³⁰⁴ *Cowbell AG v ICS Holdings Ltd* 2001 3 SA 941 SCA:947J-948A.

²³⁰⁵ Some courts have divided this definition into 5 elements. See e.g. *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:233f-h. Others have divided it into 3 elements. See e.g. *Bata Ltd v Face Fashions CC and Another* 2001 1 SA 844 SCA:851F-H.

²³⁰⁶ See paragraph 4.5.2.1.1 of this chapter.

²³⁰⁷ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 SCA:568I; *Bata Ltd v Face Fashions CC and Another* 2001 1 SA 844 SCA:852D.

²³⁰⁸ See 852B-D where the court stated the word similar "must obviously be construed in the context in which it appears and, in my view, it should not be given too wide or extensive an interpretation. The

4.5.2.3.2. Well-known trade mark

Section 34(1)(c) fails to define the meaning of the term "well-known". The courts, however, have interpreted this phrase to mean that the plaintiff's mark must have a reputation amongst a substantial number of members of the public or persons in the trade in question.²³⁰⁹ The plaintiff is not required to prove that his trade mark is well-known throughout the entire South Africa. Where, for example, the plaintiff's trade mark is registered and used for surfboards, it suffices that the mark is well-known in the coastal areas where surfboards are sold.²³¹⁰ The concept of "reputation" is discussed later on in this study.²³¹¹

4.5.2.3.3. In relation to any goods or services

The section makes it perfectly clear that the nature of the goods or services in relation to which the offending mark is used is immaterial.²³¹² For this reason, this section is particularly useful where the trade mark is used by a third party in connection with his *non-competing products*: It prevents the erosion of the exclusive association between a mark and a particular product.²³¹³ It follows that this section does not require the parties to be competitors.

section, while seeking to preserve the reputation of a registered mark, introduces a new concept into South African law. If the word 'similar' is given too extensive an interpretation the section might have the effect of creating an unacceptable monopoly to the proprietor of a trade mark and thus unduly stultify freedom of trade. I doubt whether the Legislature could have intended such a result. I am inclined to hold, therefore, that the section does not apply if the two marks are similar merely because they contain features of the same kind or because there is a slight resemblance between them."

²³⁰⁹ *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 2 SA 522 T:556C-D. The court further stated (at 556D) that the expression "well-known" in s 35 has the same meaning as the expression "well-known" in s 34(1)(c).

²³¹⁰ *Safari Surf Shop CC v Heavywater & others* 1996 1 ALL SA 316 D:327d-h. At 327f the court said that "[i]f the trade mark is well known in that part of the Republic of South Africa in which the goods in relation to which it is used, are available, then that, in my opinion, is sufficient."

²³¹¹ See paragraph 3.2.3 of chapter five.

²³¹² *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 SCA:568G-H

²³¹³ *Moster & Moster* 1995:444.

4.5.2.3.4. The use of the offending mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the well-known trade mark

The requirement that the use of the offending mark²³¹⁴ must either take unfair advantage of, or be detrimental to, the distinctive character or the reputation of the well-known trade mark, is aimed at preventing dilution or tarnishment of the trade mark's reputation and/or distinctiveness in South Africa.²³¹⁵

Dilution occurs where the distinctiveness of a mark is eroded.²³¹⁶ Tarnishment, on the other hand, occurs where unfavourable associations are created between the plaintiff's well-known registered mark and the defendant's offending mark. Stated differently, tarnishment is an impairment of the well-known mark's capacity to stimulate the desire to buy.²³¹⁷

The phrase "taking unfair advantage of the reputation of a mark" has been interpreted to mean the act of associating the quality of one's performance with that of prestigious competitive products and/or services for the purpose of exploiting the good reputation of a competitor's performance in order to enhance one's promotional efforts.²³¹⁸ The phrase "detrimental to the repute or distinction of the well-known mark" has, on the other hand, been interpreted to mean conduct which impairs the originality and distinctive character of the plaintiff's distinctive mark as well as the advertising effectiveness derived from its uniqueness.²³¹⁹ It, therefore, protects an acquired asset

²³¹⁴ With regard to the phrase of "use of the offending mark", see the discussion in paragraph 4.5.2.2.3 of this chapter.

²³¹⁵ *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 2 SA 522 T:556H; *Bata Ltd v Face Fashions CC and Another* 2001 1 SA 844 SCA:851E. See also Rutherford 2000(a):177-178; Visser 1999(b):92; Van der Merwe & Erasmus 1998:55; Moster & Moster 1995:443.

²³¹⁶ *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:557C-D. See also Webster and Page 2001:6-42 & 12-43. The authors of LAWSA maintain that dilution "in its truest sense occurs where the use of the offending mark relates to the improper use of the advertising image of a trade mark and its misappropriation even though this does not lead to deception or confusion." See LAWSA 2001:vol 29, par 128 & 232.

²³¹⁷ *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:557C-D.

²³¹⁸ *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:556I-J. The authors of LAWSA submit that where the plaintiff proves a likelihood of confusion or deception it follows that the defendant's mark is likely to take unfair advantage of the former's registered trade mark. See LAWSA 2001:vol 29, par 128. See also Webster and Page 2001:6-42.

²³¹⁹ *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:557B.

against impairment.

The risk dilution poses can be explained as follows: Where a trade mark is used in connection with non-competing goods by a third party without the proprietor's authorisation - for instance, A uses the well-known trade mark "Playboy" on his web page to promote his escort agency business - two forms of injury are likely to result from such unauthorised use namely -

- a) it may lead consumers to believe that the trade mark proprietor has some business connection with, or in fact sponsors, the third party's performance. This exposes the trade mark owner to the likelihood that the ill-repute of the third party's performance will be visited upon his performance or business;²³²⁰ and
- b) it can dilute the well-known trade mark's advertising value, which will cause the erosion of the aforementioned trade mark's ability to lure and channel the purchasing public towards the particular performance on which the said mark is used.²³²¹

In conclusion it can be stated that section 34(1)(c) aims to protect the commercial value that attaches to the reputation of a trade mark, rather than its capacity to distinguish the proprietor's performance from third parties' performances.²³²² It can also be mentioned that this section offers similar statutory protection against infringement of well-known trade marks as the common law remedy of passing off.²³²³

4.5.2.3.5. Irrespective of confusion or deception

As can be gleaned from section 34(1)(c) it is immaterial that the offending mark does not confuse or deceive third parties.²³²⁴

4.5.2.3.6. Specific application of this section

Next, two instances where the provisions of section 34(1)(c) have been applied are

²³²⁰ Moster & Moster 1995:443.

²³²¹ Moster & Moster 1995:443.

²³²² *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 SCA:568F-G. Webster and Page correctly indicate that section 34(1)(c) protects the advertising value of a trade mark. See Webster and Page 2001:12-44.

²³²³ See Webster 1997:149. For this reason, section 34(1)(c) is known as the anti-dilution provision. See Silber 2000.

²³²⁴ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 SCA:568G-H.

observed in order to comprehend the scope of this section.

4.5.2.3.6.1. Comparative advertising

The concept of comparative advertising was discussed earlier in this study.²³²⁵

4.5.2.3.6.1.1. Applying the provisions of the Act

In *Saunders Valve Co Ltd v Klep Valves (Pty) Ltd*²³²⁶ the applicant was the owner of the registered trade mark "Saunders", registered and used in connection with valves. The respondent stated in his brochure that his valves were "interchangeable with 'Saunders' diaphragm valve". The applicant contended that the respondent contravened section 44(1)(b) of the 1963 *Trade Marks Act*, which corresponds with the provisions of section 34(1)(c) of the 1993 *Trade Marks Act*. The court held that such use by the respondent of the applicant's trade mark constituted unauthorised use in the course of trade, which was likely to cause prejudice to the applicant by inducing members of the public to purchase valves or components from the respondent and not the applicant.²³²⁷ Stated differently in terms of section 34(1)(c): The respondent's comparison took unfair advantage of the applicant's trade mark reputation and further diluted the trade mark's distinctiveness.

Therefore, it can be stated that when A uses B's well-known trade mark for the purpose of comparative advertisements, he contravenes the provisions of section 34(1)(c).

4.5.2.3.6.1.2. Constitutional questions

Similar questions arise here as in the context of section 34(1)(a),²³²⁸ namely is the defendant's comparative advertisement protected by his constitutional right to freedom of speech. Without reiterating all the considerations discussed in the context of section 34(1)(a), it is submitted that the *Saunders* case can no longer be justified in terms of section 16 of the *Constitution*: (1) Comparative advertising which does not mislead the public, but *bona fide* informs the public of the characteristics of the parties' respective

²³²⁵ See paragraph 4.5.2.1.5.2 of this chapter.

²³²⁶ 1985 1 SA 646 T.

²³²⁷ 1985 1 SA 646 T:651A-E.

²³²⁸ See paragraph 4.5.2.1.5.2.1 of this chapter.

performances, (2) it is in the public interest and (3) is protected by the defendant's right to freedom of commercial speech. For the purpose of exercising this constitutional right, he should be permitted to use the plaintiff's well-known and registered trade mark.

4.5.2.3.6.2. Using a third party's trade mark as one's business name

In *Miele et Cie GmbH & Co v Euro Electrical (Pty) Ltd*²³²⁹ the facts were, extremely simplified, that the appellant was the registered trade mark owner of the word "Miele", registered for and used in connection with electronic appliances. The respondent, a distributor of "Miele" products, put up a prominent neon sign on the front of its store, displaying the word "Miele". The appellant contended that the respondent contravened section 44(1)(b) of the 1963 *Trade Marks Act* in that a likelihood of prejudice existed. It alleged that (i) the use by respondent of its trade mark conveyed to the public that it was part of appellant's business or that it was a local branch or agency of appellant; (ii) that appellant's business reputation and goodwill was, consequently to some extent, in the hands of respondent; and (iii) because the respondent was neither part of the appellant nor constituted a local branch or agent of appellant, the latter was not able to exercise any control over the way respondent ran its business or marketed appellant's goods or maintained or repaired such goods.²³³⁰

The Supreme Court of Appeal agreed with this submission: "It seems to me that there is substance in this contention. It is true that Paletz contends that the services provided by [respondent] to the public are 'far in excess' of those required by [appellant] and for the purposes of this case it must be accepted that, at any rate, the services are not inferior to what is required. But [respondent] is a company and the control of a company may change hands. Its staff, too, may change. Circumstances, such as financial stringency, may cause a fall in standards. Nothing is static in business. In the circumstances [appellant's] lack of ability to control how [respondent] conducts its business under the Miele trade mark is, in my view, a real source of prejudice."²³³¹

Therefore, in the context of section 34(1)(c) it can be stated that when a third party's uses the plaintiff's trade mark as a trading name for his business where he sells the plaintiff's products, the former's use is detrimental to the latter's trade mark reputation

²³²⁹ 1988 2 SA 583 A.

²³³⁰ 1988 2 SA 583 A:601E-G.

²³³¹ 1988 2 SA 583 A:601G-I.

in that the said reputation is in the hands of a third party. Where the plaintiff only seeks an interdict enjoining the third party from using his mark as the latter's business name, the plaintiff is only required to prove a reasonable apprehension of such injury.

4.5.2.4. Fair use provisions

Section 34(2) enumerates the instances of *bona fide* use of a registered trade mark that do not constitute trade mark infringement in terms of sections 34(1)(a), 34(1)(b) and 34(1)(c).²³³²

4.5.2.4.1. Bona fide use of own surname

Section 34(2)(a) provides that a registered trade mark is not infringed by any *bona fide* use by a person of his own name, the name of his place of business, the name of any of his predecessors in business, or the name of any such predecessor's place of business.

The courts have observed that the phrase "bona fide use of own name" means the honest use by the defendant of his own name to distinguish his performance from third parties' performance, without any intention to prey upon the goodwill (i.e. reputation) which has been acquired by another trader.²³³³ Furthermore, one South African court has noted that "own name" generally requires that the defendant has to use his full name.²³³⁴ The courts have also remarked that even though this section allows the defendant to use his own name, he is not allowed to use it in such a manner that it is likely to cause confusion or deception. According to these courts, the defendant (i.e. the third party) has to distinguish his goods from the trade mark proprietor's goods.²³³⁵ Consequently, the defendant is not allowed to use his surname as his trade mark whenever such use would cause confusion or deception.²³³⁶

²³³² *Abbott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others* 1999 3 SA 624 C:630F.

²³³³ *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:674F-G; *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Another; McDonald's Corporation v Dax Prop CC & Another; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Dax Prop CC* 1996 4 ALL SA 1 SCA:26c.

²³³⁴ *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* (*supra*):674D.

²³³⁵ See *J. Goddard & Sons v R.S. Goddard and J. Mentz & Co* 1924 TPD 290:320-323.

²³³⁶ See Webster and Page 2001:12-67 – 12-68.

4.5.2.4.2. Bona fide description of goods

Section 34(2)(b) provides that a registered trade mark is not infringed by the use by any person of any *bona fide* description or indication of the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics²³³⁷ of his goods or services, or the mode or time of production of the goods or the rendering of the services.

The Act, therefore, protects a trader who *bona fide* uses a specific word or words to describe the character or quality of his own performance, where such word or words are registered as a third party's trade mark. Therefore, this section prevents businessmen from being unnecessarily cut off from parts of the English language.²³³⁸

The courts have identified four instances when the use of a word or words, constituting the plaintiff's trade mark, in order to describe the defendant's performance, is not protected by section 34(2)(b):

- (1) When the defendant uses the descriptive word(s) as a trade mark.²³³⁹ The defendant is only allowed to use the word in a non-trade mark sense,²³⁴⁰ which means that he can use the word to *bona fide* describe the character or quality of his performance.²³⁴¹ When the defendant employs the aforementioned descriptive word as his own trade mark the courts are reluctant to see such use as descriptive.²³⁴²
- (2) Where the defendant imitates the representation or depiction of the plaintiff's descriptive trade mark.²³⁴³

²³³⁷ In *Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Co Ltd & Another* 1999 4 SA 1039 T the court maintained that "it is not a characteristic of the respondents' insurance services that they are a subsidiary of Reliance Group Holdings Inc. An entity's association with another entity is not a characteristic of the first entity's services even if it could be said that it is a characteristic of the first entity itself." (At 1049E-F)

²³³⁸ *Standard Bank of South Africa Ltd v United Bank Ltd and Another* 1991 4 SA 780 T:804F-G; *Shalom Investments (Pty) Ltd and Others v Dan River Mills Incorporated* 1971 1 SA 689 A:708C-D; *Fillery's Home Utilities (Pty) Ltd v Easiwork Ltd* 1940 NPD 141:153-154.

²³³⁹ *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra)*:806C.

²³⁴⁰ *Estee Lauder Cosmetics Ltd v Registrar of Trade Marks* 1993 3 SA 43 T:48C.

²³⁴¹ *Judy's Pride Fashions (Pty) Ltd v Registrar of Trade Marks* 1997 2 SA 87 T:97B; *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra)*:805G-H.

²³⁴² *Luster Products Inc v Magic Style Sales CC* 1997 3 SA 13 A:28H.

²³⁴³ *Luster Products Inc v Magic Style Sales CC (supra)*:28I.

- (3) Where the defendant uses the descriptive word(s) in such a manner that he causes confusion.²³⁴⁴
- (4) When the defendant uses the descriptive word(s) for some ulterior objective, such as to take advantage of the reputation attaching to the plaintiff's registered trade mark. In such instances the use is rendered *male fide*.²³⁴⁵

It further appears from case law dealing with the aspect of *bona fide* descriptive use that this section deals only with instances where the plaintiff's trade mark consists of descriptive words.²³⁴⁶ Note should, however, be taken of the UK case of *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburg) Ltd*.²³⁴⁷ The applicant was the owner of the registered trade mark "Wet Wet Wet", the name of the once popular group of musicians, registered for printed matter, books and book covers. The respondent intended to publish the book "A Sweet Little Mystery – Wet Wet Wet – The Inside Story". After finding that the respondent's conduct constituted trade mark infringement, the Court of Session turned to the issue whether the respondent's conduct was protected by section 11(2)(b) of the UK *Trade Marks Act*, the counterpart of the South African section 34(2)(b), which question the court answered in the affirmative:

"I have come to be of the view that the use by the respondent of the registered trade mark 'Wet Wet Wet' properly falls within the terms of section 11(2)(b). What the respondent is doing is using the registered trade mark as an 'indication' concerning the main characteristics of the article on and with which the use is made. The respondent is using the registered trade mark 'Wet Wet Wet' to indicate to anyone who sees the book that it is a book concerning the musical group ... It would be a bizarre result of trade marks legislation, the primary purpose of which is 'to guarantee the trade mark as an indication of origin', if it could be used to prevent publishers from using the protected name in the title of a book about the company or product. If that had been the intention

²³⁴⁴ *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra)*:806A-B.

²³⁴⁵ *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 3 SA 623 A:645F-G.

²³⁴⁶ See *Shalom Investments (Pty) Ltd and Others v Dan River Mills Incorporated (supra)*:644E-F. See also Webster and Page 2001:69-72. The authors of LAWSA note that "[i]t appears that the protection afforded by section 34(2)(b) extends only to the use of words or marks which are in themselves descriptive of kind, quality, quantity, and that the use of a mark which is not per se descriptive of kind, quality or quantity, for example, falls outside the ambit of the section." See LAWSA 2001:vol 29, par 239.

²³⁴⁷ 1996 FSR 205. A copy of this judgment was obtained from Westlaw.

of Parliament I should have expected it to be made plain. It appears to me that section 11(2) was designed to avoid the risk that trade mark law might be used too restrictively, so as to avoid references in books or the media to the entity whose name was registered.”²³⁴⁸

This was approved in a subsequent judgment by the Chancery Division in *British Sugar plc v James Robertson & Sons Ltd.*²³⁴⁹ The Chancery Division further elaborated on this section, holding that it permitted comparative advertisements:

“I see no reason why the provision does not permit a fair comparison between a trade mark owner’s goods and those of the defendant. The comparison would have to be honest, but provided it was and was part of a genuine indication of, for instance, quality or price, I think it would be within the provision. Such honest comparative use might well upset the mark proprietor ... but would in no way affect his mark as an indication of trade origin. Indeed the defendant would be using the proprietor’s mark precisely for its proper purpose, namely to refer to his goods.”

The court further indicated that the provisions of the *Trade Marks Act* were not intended to suppress competition by use of his trade mark in this way. See also *Philips Electronics NV v Remington Consumer Products Ltd*²³⁵⁰ where the Court of Appeal held that this section protected use such as: “This film is suitable for a Kodak camera”²³⁵¹.

4.5.2.4.3. Other fair uses

Only three other fair use defences, established by the Act, are relevant. The Act provides that a registered trade mark is not infringed by -

- the *bona fide* use of the plaintiff’s trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods, including spare

²³⁴⁸ 1996 FSR 205:216.

²³⁴⁹ 1996 RPC 281 ChD. The court noted: “I have no doubt that the learned judge reached the right result. It would be fantastic if the new trade mark legislation had the effect of enabling a quasi censorship of books about people or companies just because those people or companies had registered their names as trade marks for books.” A copy of this judgment can be downloaded from [www.newLawonline.com/cgi-bin/nlo.dll/p.7mxmmDDKo/696021902_j.htm](http://www.newlawonline.com/cgi-bin/nlo.dll/p.7mxmmDDKo/696021902_j.htm).

²³⁵⁰ 1999 RPC 809 CA. A copy of this judgment can be downloaded from www.courtservice.gov.uk/judgmentsfiles/j620/philipselectronics.htm.

²³⁵¹ 1999 RPC 809 CA:par 63.

- parts and accessories, and such services.²³⁵²

No South African court has yet addressed the question of how the phrase “intended purpose” should be applied and interpreted. However, the UK case of *Aktiebolaget Volvo and Another v Heritage (Leicester) Ltd*²³⁵³ is highly instructive in this regard. The plaintiff was the owner of the registered and well-known trade mark “Volvo”. The defendant operated, *inter alia*, a Volvo maintenance and repair service and used the mark “Volvo” as a sign for his business as well as in his letter heads. However, he was not an authorised Volvo dealer. The plaintiff contended that the latter was guilty of trade mark infringement. The defendant, in turn, submitted that his use of the Volvo mark fell within the exemption granted by section 11(2)(c) of the UK *Trade Marks Act*, which closely corresponds to section 34(2)(c), the only difference being that instead of the requirements of “reasonable” and “*bona fide*”, section 11(2)(c) requires that the use must be necessary in accordance with honest practices in industrial or commercial matters.²³⁵⁴ The Chancery Division held that the requirement of “intended purpose” was complied with in that “it is obviously necessary to use the word ‘Volvo’ to indicate the intended purpose of the relevant service offered by the defendant, that is to say, the servicing of Volvo cars.”²³⁵⁵ With regard to the question whether the use was in accordance with honest practices in industrial or commercial matters, the court held that the test to be applied was whether a reasonable person in the trade concerned, knowing all the relevant facts that the defendant knew, would consider it an honest use of the trade mark concerned within the context of commercial activity.²³⁵⁶ Stated differently, section 11(2)(c) -

“do not entitle the proprietor of a trade mark to prohibit a third party from using the mark for the purpose of informing the public that he carries out the repair and maintenance of goods covered by that trade mark and put on the market under that mark by the proprietor or with his consent, or that he has specialised or is a specialist in the sale or the repair and maintenance of such goods ... unless the

²³⁵² S 34(2)(c).

²³⁵³ 2000 FSR 253 ChD.

²³⁵⁴ S 11(a)(c) provides that “[a] registered trade mark is not infringed by the use of the trade mark where it is necessary to indicate the intended purpose of a product or service (in particular, as accessories or spare parts), provided the use is in accordance with honest practices in industrial or commercial matters.”

²³⁵⁵ 2000 FSR 253 ChD:259.

²³⁵⁶ 2000 FSR 253 ChD:259.

mark is used in a way that may create the impression that there is a commercial connection between the other undertaking and the trade mark proprietor, and in particular that the reseller's business is affiliated to the trade mark proprietor's distribution network or that there is a special relationship between the two undertakings.²³⁵⁷

It is submitted that section 34(2)(c) of the South African Trade Marks Act serves the same purpose.²³⁵⁸

- the use of any identical or confusingly or deceptively similar trade mark which is registered.²³⁵⁹ In such instances, the aggrieved party must institute proceedings to expunge the identical, confusing or deceptively similar trade mark.²³⁶⁰
- the use by any other person of a trade mark identical with or nearly resembling it in respect of goods or services in relation to which that person has made *continuous* and *bona fide* use of that trade mark from a date anterior (a) to the use of the first-mentioned trade mark in relation to those goods or services by the proprietor; or (b) to the registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor, whichever is the earlier.²³⁶¹

Therefore the last mentioned exception provides that where A uses his unregistered trade mark and B then registers a similar or identical trade mark to A's trade mark, B cannot prevent A from continuing to employ his trade mark. A, as the senior user, is protected by the Act.

4.5.2.4.4. The effect of the fair use provisions

The effect of the fair use provisions can, therefore, be summarised as follows: When a court finds that one of the provisions of section 34(1) has been contravened, *prima facie* liability is present. If the conduct of the defendant falls within one of the fair uses provided for in section 34(2), the *prima facie* liability is ousted and no liability follows.

²³⁵⁷ 2000 FSR 253 ChD:264.

²³⁵⁸ South African commentators seem to attach a similar interpretation to this subsection. See e.g. Webster and Page 2001:12-74 where they explain this subsection as follows: "According, a phrase such as "XYZ Spare Parts" would not be protected by the section while "Spare parts for XYZ goods" would clearly fall within the provisions of section 34(2)(c)."

²³⁵⁹ S 34(2)(g).

²³⁶⁰ LAWSA 2001:vol 29, par 244.

²³⁶¹ S 36(1).

However, should the defendant's conduct not fall within one of the fair use provisions of section 34(2), the *prima facie* liability is "converted" into "absolute" liability and consequently the defendant is liable for trade mark infringement.

4.5.3. Infringement of foreign well-known trade marks

As mentioned above,²³⁶² the Act distinguishes between registered and unregistered trade marks. This study now turns to the statutory protection granted to well-known foreign trade marks.

4.5.3.1. Section 35 - general

Section 35 of the Act concerns the protection of unregistered²³⁶³ and registered²³⁶⁴ foreign²³⁶⁵ trade marks that are well-known in South Africa. It provides that the proprietor of a trade mark which is entitled to protection under the *Paris Convention*²³⁶⁶ as [1] a well-known trade mark is entitled to restrain the use in South Africa of a [2] trade mark which constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of the well-known trade mark [3] in relation to goods or services

²³⁶² See paragraph 4.5.1 of this chapter.

²³⁶³ Webster and Page 2001:12-56; LAWSA 2001:vol 29, para 213 & 233. Webster and Page 2001 are of the opinion that this section only applies to unregistered, well-known trade marks. See p 12-56.

²³⁶⁴ Maenetje 2000; Van der Merwe & Erasmus 1998:55.

²³⁶⁵ In *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Abother; McDonald's Corporation v Dax Prop CC & Another; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Dax Prop CC* 1996 4 ALL SA 1 A the Supreme Court of Appeal noted (at 11i) that "it would be enough for the plaintiff to prove that the mark is well known as a mark which has its origin in some foreign country". See also 17c where the court stated that "[t]he Legislature intended to extend the protection of a passing-off action to foreign businessmen". See also LAWSA 2001:vol 29, par 234.

²³⁶⁶ Section 35 was promulgated to give legislative force to article 6bis(1) of the *Paris Convention for the Protection of Industrial Property* which provides that "[t]he countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or cancel the registration, and to prohibit the use, of a trade mark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith." A copy of this convention can be downloaded from www.tufts.edu/departments/fletcher/multi/texts/BH004.txt. This protection is extended by article 16(2) of the *Trade-Related Aspects of Intellectual Property Rights* to service marks. A copy of this convention can be downloaded from www.wto.org/english/tratop_e/trips_e/t_agm3_e.htm#1.

which are identical or similar to the goods or services in respect of which the trade mark is well known and [4] where the use is likely to cause deception or confusion.²³⁶⁷

As can be gleaned from the above definition, four requirements must be met before the plaintiff is entitled to institute proceedings against the defendant.²³⁶⁸ The Act states expressly that the plaintiff is not allowed to claim damages from a defendant who contravenes this provision. He is only entitled to an interdict.²³⁶⁹

4.5.3.2. Well-known mark

Section 35 provides that a "well-known mark" refers to a mark which is well-known locally as being the mark of (a) a person who is a national of, or domiciled in, a convention country, or (b) a person who has a real and effective industrial or commercial establishment in a convention country, whether or not such person carries on business, or has any goodwill, in South Africa.²³⁷⁰ It further provides that when a court assesses whether a trade mark is well-known in South Africa, it must give due regard to the knowledge of the trade mark in the relevant sector of the public, including knowledge which has been obtained as a result of the promotion of the trade mark.²³⁷¹ It follows that the proprietor must prove that his trade mark has a reputation in South Africa.²³⁷²

With regard to the question how well such a mark should be known in a particular sector, the Supreme Court of Appeal has noted that a substantial number of members of the public or persons in the trade in question²³⁷³ should be aware of the mark.²³⁷⁴ It

²³⁶⁷ S 35(3).

²³⁶⁸ Webster and Page submit that the provisions of section 35 are only contravened where the offending mark is used in the course of trade. See Webster and Page 2001:12-57. It is submitted that this contention is wrong in that if the aim of the section 35 was to prevent only use of offending marks in the course of trade then the Act would have stated so.

²³⁶⁹ S 35(3).

²³⁷⁰ S 35(1).

²³⁷¹ S 35(1A). Article 16(2) of the TRIPS agreement contains an identical provision.

²³⁷² See LAWSA 2001:vol 29, par 233.

²³⁷³ A scenario can easily present itself where two categories of persons are interested in the performance of the plaintiff, namely potential customers and potential franchisees. See *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Abother*; *McDonald's Corporation v Dax Prop CC & Another*; *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Dax Prop CC* 1996 4 ALL SA 1 A:23g-h.

²³⁷⁴ *McDonald's Corporation v Joburgers Drive-Inn Restaurant (supra)*:16h-l & 23g-h.

went on to state that exactly the same degree of knowledge that is required for a passing-off action is required for section 35 proceedings.²³⁷⁵

For example in the *McDonald's* case²³⁷⁶ the Supreme Court of Appeal held that the US enterprise "McDonald's" was well-known to the South African public, even before it commenced trading in South Africa. The court came to this conclusion on the following basis:

- a) Although no evidence was presented concerning the extent to which the advertising outside South Africa spilled over into this country through printed publications and by means of television, this must have been quite extensive.²³⁷⁷
- b) Many South Africans who travelled abroad were probably aware of the McDonald's trade mark.²³⁷⁸
- c) McDonald's had received some 242 requests from South African businesses to conclude franchising agreements.²³⁷⁹
- d) The conduct of respondents confirmed the reputation attaching to the McDonald's marks: "Intrinsically the word McDonald has no attractive force. It is a fairly common surname. Had it not been for the reputation it has acquired over the years nobody would wish to appropriate it. It is therefore significant that [respondents] have gone to considerable trouble and expense to obtain control over the McDonald's marks ... Quite obviously [respondents] both consider that the McDonald's mark is a valuable asset, worth a great deal of trouble, expense and risk to secure. They have not given any explanation for this attitude. If one assumes that they intend to trade under the name McDonald's or MacDonalds, there is only one possible explanation, namely that in their view the McDonald's marks enjoy a high reputation in this country."²³⁸⁰ Therefore, the lack of probity (zeal) shown by the respondents in appropriating these marks for themselves indicated that the McDonald's mark was valuable.²³⁸¹

²³⁷⁵ *McDonald's Corporation v Joburgers Drive-Inn Restaurant (supra)*:17c-e.

²³⁷⁶ *Supra*.

²³⁷⁷ 1996 4 ALL SA 1 A:19a-b

²³⁷⁸ 1996 4 ALL SA 1 A:19a-b.

²³⁷⁹ 1996 4 ALL SA 1 A:19b-c.

²³⁸⁰ 1996 4 ALL SA 1 A:19c-i.

²³⁸¹ 1996 4 ALL SA 1 A:24e.

4.5.3.3. The test for liability

The question that arises in the context of section 35 is what is the test for infringement? Stated differently: Do courts use the same test they use for possible infringements in terms of sections 34(1)(a)-(c), namely only the two marks as such can be compared, or do they use the test for passing-off namely the two marks together with extraneous factors must be taken into account when ascertaining whether a likelihood of confusion or deception arises?

No reported South African judgment has yet addressed this issue. It is submitted that the test employed for sections 34(1)(a)-(c) applies equally to section 35 infringements in that both section 34(1) and section 35 proceedings are instituted in terms of the Act. Note, however, that because section 35 deals with the *use* of a mark that imitates the well-known trade mark, the enquiry is not solely directed at a comparison of the parties' respective marks. The court must determine whether the defendant *uses* his mark in such manner that it is likely to cause confusion or deception. Consequently, the court must compare the parties' respective marks as such and further determine whether the defendant actually uses his mark in such a manner that he causes confusion, leaving extraneous factors out of consideration. Therefore a similar enquiry as conducted in terms of section 34(1)(b).

4.5.3.4. Exception to liability

Section 36 creates an exception to protection offered by section 35 to well-known foreign trade marks, by stipulating that the proprietor of the well-known trade mark is not allowed to interfere with or restrain the use by any person (hereafter X) of a trade mark which constitutes, or the essential parts of which constitute, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services in respect of which X has made continuous and *bona fide* use of his mark from a date anterior to 31 August 1991 or the date on which the well-known trade mark became entitled in South Africa to protection under the *Paris Convention*, whichever occurred last, or to object to X's trade mark being registered in relation to those goods or services under section 14, which deals with honest concurrent use.²³⁸²

In other words, where X is the senior user of a particular mark in South Africa the

²³⁸² S 36(2).

proprietor of a well-known foreign trade mark cannot institute proceedings against X.

It should be noted here that no fair use defences similar to those provided for in section 34(2) exist for liability in terms of section 35.

4.6. Remedies available where trade mark infringement occurs

The Act provides for the following remedies:

- a) An interdict preventing further infringement.²³⁸³
- b) An order for the removal of the infringing mark from all material, and where the infringing mark is inseparable or incapable of being removed from the material, an order that all such material be delivered up to the proprietor.²³⁸⁴
- c) Damages,²³⁸⁵ which refers to delictual damages.²³⁸⁶ The trade mark proprietor has the option to claim, instead of damages, a reasonable royalty which would have been payable by a licensee for the use of the trade mark concerned.²³⁸⁷

Note, however, that where the applicant institutes proceedings in terms of section 35 he is only entitled to an interdict.²³⁸⁸

4.7. Trade mark offence

The Act fails to provide for criminal sanctions whenever the provisions of sections 34(1) and 35 are contravened. The sole offence established by the Act is that anyone who misrepresents that a trade mark is registered, while the contrary is true or that the trade mark is registered with regard to specific goods, while the contrary is true, is guilty of an offence.²³⁸⁹ The Act further provides that using the sign "®" after a word, is deemed to indicate that the mark is registered.²³⁹⁰

²³⁸³ S 34(3)(a).

²³⁸⁴ S 34(3)(b).

²³⁸⁵ S 34(3)(c).

²³⁸⁶ See LAWSA 2001:vol 29, par 253.

²³⁸⁷ S 34(3)(d).

²³⁸⁸ S 35(3).

²³⁸⁹ S 62(1). Upon conviction the accused is liable to a fine or to imprisonment for a period not exceeding 12 months. See s 62(1).

²³⁹⁰ S 62(2) provides that "[f]or the purposes of this section, the use in the Republic in relation to a trade mark of the word 'registered' or of any abbreviation thereof or of any other word or letter which might

4.8. Applying the South African trade mark law to specific Internet issues

The study now turns to the application of the South African *Trade Marks Act* to Internet scenarios. Before specific Internet scenarios are scrutinised, a few general aspects and questions are first addressed in order to set the basis for further discussion and analysis.

4.8.1. General questions and issues

4.8.1.1. Can a domain name *per se* act as a trade mark?

The question that arises is whether it is possible for a domain name to act as a trade mark, where other trade marks are also displayed on the web site established for the domain name in question.

The Supreme Court of Appeal held in *Luster Products Inc v Magic Style Sales CC*²³⁹¹ that there exists no principle stipulating that the use of one mark on a product excludes the possibility that any other mark thereon can be recognised as a trade mark.²³⁹² Therefore, the mere fact that A uses his own trade mark(s) on his web site, does not preclude the possibility that the domain name can also act as a trade mark.

It is submitted that the principles enunciated by the US courts are sound and in *pari materia* with the South African law. US courts maintain that whenever a web site owner uses his web site, established for the domain name in question, as a source identifier and/or as an advertisement medium, the domain name acts as a trade mark and is consequently recognised as a trade mark. They further maintain that whenever the domain name is solely used as a communication medium, such as to distribute and to receive e-mail messages, the domain name does not act as a trade mark seeing that it neither identifies nor distinguishes the web site owner's performance.²³⁹³

reasonably be construed as referring to registration, including the symbol R, shall be deemed to import a reference to registration in the register".

²³⁹¹ 1997 3 SA 13 A.

²³⁹² 1997 3 SA 13 A:271.

²³⁹³ For example in *Lockheed Martin Corporation v Network Solutions Inc* 985 F.Supp. 949 (C.D. Cal. 1997) the court held that "[d]omain names present a special problem under the Lanham Act because they are used for both a non-trademark technical purpose, to designate a set of computers on the Internet, and for trademark purposes, to identify an Internet user who offers goods or services on the Internet ... When a domain name is used only to indicate an address on the Internet, the domain name

As noted above,²³⁹⁴ a trade mark identifies the proprietor's performance as well as distinguishes it from competing goods. Therefore, when X uses his web site to advertise and/or sell his performance, the web site address ought to be recognised as a trade mark.²³⁹⁵

4.8.1.2. Who is confused or deceived when using the Internet?

Many Internet users do not use the Internet to purchase and/or sell goods or services. Some users, such as researchers, merely see and use the Internet as a free source of information. Therefore, whenever X's web site address is identical or similar to a third party's trade mark name, it does not follow that *potential purchasers* will necessarily be confused or deceived when they reach X's web site. It is more likely, depending upon the circumstances, that curious Internet users, who have no intent to purchase any thing from or by means of the Internet, will be confused or deceived. The question of law therefore is: Does the confusion or deception of ordinary, curious, no-intention-of-buying Internet users suffice for trade mark infringement?

It is submitted that it does. Sections 34(1)(a) and (b) as well as section 35 merely require that the defendant's mark or the use thereof should likely deceive or cause confusion. These provisions do not require that a sale should follow the deception or confusion. With regard to section 34(1)(c), the Act merely requires that the defendant's mark should take unfair advantage of, or be detrimental to, the repute or distinctiveness of the plaintiff's trade mark. Likewise, it does not require that the unfair advantage should lead to a sale. By registering a domain name that is identical or confusingly similar to the plaintiff's trade mark name, the defendant takes unfair advantage of the plaintiff's trade mark reputation in that he diverts Internet users searching for the plaintiff's online present to his web site, thus simultaneously

is not functioning as a trademark ... Like trade names, domain names can function as trademarks, and therefore can be used to infringe trademark rights ... Domain names like trade names, do not act as trademarks when they are used merely to identify a business entity; in order to infringe they must be used to identify the source of goods or services." A copy of this judgment can be downloaded from www.loundy.com/CASES/Lockheed_v_NSI.html.

²³⁹⁴ See paragraphs 4.2 & 4.3 of this chapter.

²³⁹⁵ See the (*First*) *WIPO Internet Domain Name Process* where it is stated (at p 82, par 258) that domain names "are not the same thing as marks and are used for many purposes other than the identification of a producer or seller of goods or services. They are, however, also used as a means of identifying goods and services with the producer or seller of those goods and services."

prejudicing and/or harming the distinctiveness or reputation of the plaintiff's trade mark.

4.8.1.3. Does the uniqueness of the domain name registration process render a domain name identical or similar to a particular trade mark name?

The question needs to be asked what the effect of the uniqueness (i.e. specific requirements) of the domain name registration process is with regard to the comparison between trade mark names and particular domain names? For example, is the domain name `www.microsoft.co.za` (or dot-com) identical or similar to the registered trade mark "Microsoft®"? Likewise, is the domain name `www.spoor&fischer.co.za` (or dot-com) identical or similar to the registered trade mark "Spoor And Fischer®"? Finally, is the domain name `www.victoriassecret.co.za` (or dot-com) identical or similar to the registered trade mark "Victoria's Secret®"?

As mentioned above,²³⁹⁶ the domain name registration process -

- requires all web site addresses to end with a Top Level Domain , such as ".com" or "co.za"; and
- due to technicalities, does not make provision for apostrophes and spaces between words and further does not distinguish between lower and upper case letters. Therefore, the only way to register a domain name incorporating the words "Victoria's Secret" is "victoriassecret".

Keeping the above in mind, it is submitted that any domain name which incorporates a trade mark name plus a TLD is not identical to the trade mark. For example, `www.playboy.co.za` is not identical to the registered trade mark "Playboy®". It is *virtually* identical but not identical. The said domain name is confusingly similar to the trade mark name.

It is submitted that where a domain name uses an ampersand instead of the word "and", the domain name is confusingly similar to the registered trade mark. For example, the domain name `www.spoor&fischer.co.za` is confusingly similar to the trade mark "Spoor and Fischer®". It is submitted that virtually all Internet users will understand the ampersand to mean "and". In similar vein, it is submitted that a domain name that omits spaces between words as well as an apostrophe or apostrophes is confusingly similar to the registered trade mark. For example, the domain name

²³⁹⁶ See paragraph 2.2.3.1 of this chapter.

www.victoriasssecret.co.za is confusingly similar to the registered trade mark "Victoria's Secret®".

4.8.1.4. The meaning of "goods" and "services" and "use in relation to" in an Internet context

The Act fails to define the meaning of the words "goods" and "services" except to provide that services include "the offering for sale or the sale of goods in the retail or wholesale trade".²³⁹⁷

The following question must be addressed: If A uses B's registered trade mark in his (A's) online article, does he use it in relation to any "goods" or "services"? It must be remembered that section 2(3)(a) provides that the use of a mark in relation to goods refers to the use thereof upon, or in physical or other relation to, such goods and that section 2(3)(b) stipulates that the use of a mark in relation to services shall be construed as referring to the use thereof in any relation to the performance of such services. Let's assume that A uses the trade mark name "Playboy", registered for various goods such as magazines, tissues, adult toys, deodorants, etc. A writes about the history of the Playboy magazine. On the basis of section 2(3)(a) it can be submitted that A uses the mark "Playboy" in relation to the goods for which it is registered. The question arises, in this particular context, what the position would be if A wrote about a particular case study that Playboy Enterprises was involved in. Similarly, does the use of the word "Playboy" in this thesis constitute use in relation to the goods for which the mark is registered? It is clear that in both the second hypothetical article as well as in this thesis use is made of a virtually identical mark to the registered trade mark. However, it is submitted that the mark "Playboy" is not used in relation to the goods for which it is registered (or well-known for that fact) in that A employs the mark in question to refer to the entity suing or being sued, and not so much to the magazine for which the trade mark is registered. It is further submitted that A does not use the said mark in relation to any goods or services.

4.8.1.5. Is it of any relevance that a metatag cannot be seen?

The following scenario serves as an apposite introduction to the problem addressed here. X is the proprietor of the trade mark "Playboy", registered and used for

²³⁹⁷ S 2(1).

magazines. Y, a pornography web site operator and a business rival of X, uses the word "Playboy" as metatags for his pornography web site established for whatever domain name. It will be remembered that metatags are not visible when one looks at the web pages. Metatags are codes used by search engines to index web pages.²³⁹⁸ Therefore, whenever Z, an Internet user, searches for information about the Playboy magazine, by employing the word "playboy" as a search term, the search engine displays Y's web site amongst the list of relevant web sites. The question is whether Y's use of the said metatag causes a likelihood of confusion or deception or takes unfair advantage of, or is detrimental to, the repute or distinctiveness of X's trade mark, even though Z does not see the metatag.

It is submitted that the fact that the metatag-mark is invisible is of no relevance to the above enquiries. Sections 34(1)(a), (b) and (c) as well as section 35 merely require than an *identical mark or a confusingly similar mark* be used.

4.8.1.6. Can a registered trade mark become non-distinctive due to the advent of the Internet?

The question that needs to be answered is whether it is legally possible that a registered trade mark, that was distinctive when it was registered, for instance, in 1980, can lose its distinctiveness due to the emergence of technology such as computers and the Internet.

Section 10 provides that "[t]he following marks shall not be registered as trade marks or, if registered, shall ... be liable to be removed from the register: (1) A mark which does not constitute a trade mark". Therefore, whenever a mark no longer qualifies as a trade mark, it can be removed from the register of trade marks. The Supreme Court of Appeal has stated recently that when determining whether a mark should remain on the register on the basis of non-distinction, the question should be answered in light of the scenario that exists when application is made for expungement.²³⁹⁹ The same court also stated that "[i]f one considers that a trade mark performs an adjectival function in relation to goods or services, the fact that another noun for the product is not readily apparent is a fair indication that the term does not perform any function."²⁴⁰⁰

²³⁹⁸ For more information on metatags, see paragraph 2.2.4.1 of this chapter.

²³⁹⁹ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another* 2000 2 SA 771 SCA:777D-I.

²⁴⁰⁰ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another (supra)*:779A-B.

The scenario that readily comes to mind is where A is the proprietor of the trade mark "CD" registered for sound recordings and/or music or where B is the proprietor of the trade mark "Mouse" for computer equipment. It is submitted that both words, due to the emergence of technology since the registration of these mark, no longer distinguish these proprietors' products from third parties' products. Both words are now commonly used for these products.²⁴⁰¹ Therefore both words can be expunged from the register of trade marks.

4.8.1.7. Web sites can be compared to billboards

In *Consolidated Fish Distributors (Pty) Ltd v Smokies Selected Fish Products (Pty) Ltd*²⁴⁰² the facts were that the applicant was the owner of the registered trade mark "Smokiesoek", registered and used for smoked snoek. The respondent subsequently commenced marketing its smoked snoek by means of the mark "Smokies Selected Fish Products (Pty) Ltd – Suppliers of Smoked and Salted Fish". In particular the respondent advertised its mark by means of an advertising board and in a telephone directory. The question of law was whether the word "Smokies" used in connection with the sale of smoked snoek so nearly resembled the applicant's trade mark as to likely cause deception or confusion. The court held that bearing in mind the fact that the applicant's trade mark was an invented word, the respondent's mark, by appearance as well as by similarity of sound, so nearly resembled the applicant's trade mark as to likely cause deception or confusion.²⁴⁰³

With regard to the advertising boards, the court stated: "I am satisfied that the effect created by the use as described of the word 'Smokies' on the aforesaid advertising boards on respondent's factory premises constitutes the use of a trade mark within the meaning assigned to that term by the said section. The effect of the said boards is to indicate a trade connection in relation to the goods offered for sale, namely smoked snoek, and the person authorised to use the registered mark and it further serves to

²⁴⁰¹ In the US the doctrine of "genericide" prevails. According to this doctrine "genericide" "occurs when a formerly protected mark, like 'aspirin', loses its protection status because it has become the common name of the product itself and not a word that identifies and distinguishes a particular product made by a specific producer." See *Horseshoe Bay Report Sales Co v Lake Lyndon B Johnson Improvement Corporation* 2001 Tex. App. LEXIS 5355 (Tex Ct. App. 2001). A copy of this judgment can be downloaded from www.law.com.

²⁴⁰² 1966 3 SA 765 C.

²⁴⁰³ 1966 3 SA 765 C:768D-E.

indicate origin of the said goods in respondent, distinguishing them from the same goods manufactured, produced, selected, dealt with or offered for sale by others."²⁴⁰⁴

It is submitted that a web site can be compared to a billboard: Where a trade mark appears on a web site, the web site owner uses the mark (1) to indicate a trade connection between the trade mark proprietor and the web site or the goods offered by means of the said web site, and (2) further indicates the origin of the said web site or goods offered by means of the web site, thus distinguishing the web site or goods offered by means of the web site from third parties' web sites and/or performances.

4.8.1.8. How should the requirement of "in the course of trade" be interpreted?

As indicated earlier,²⁴⁰⁵ both the Supreme Court of Appeal as well as Webster and Page maintain that the statutory requirement of "in the course of trade" requires, for example in the case of section 34(1)(a), that the defendant must trade in the goods or services for which the plaintiff's goods are registered before the requirement of "in the course of trade" is satisfied.

It is submitted that this interpretation of the requirement of "in the course of trade" can no longer be justified due to the advent of the Internet. The following scenario illustrates why this interpretation is problematic in the Internet context.

X is the proprietor of the registered trade mark "Toyota". Y, a cybersquatter, registers the domain name www.toyota.co.za (or dot-com) and establishes a web site for this domain name where he displays banner advertisements, advertising motor vehicles. It is abundantly clear that Y uses a confusingly similar domain name.²⁴⁰⁶ Furthermore, it is clear that he uses the offending mark in relation to goods for which X's trade mark is registered. The sole remaining question is whether Y uses the said domain name "in the course of trade". According to the Supreme Court of Appeal as well as Webster and Page, this requirement is lacking in that the cybersquatter does not trade in goods for which X's trade mark is registered. Y does not sell motor vehicles.

However, it is clear that such an interpretation of the aforementioned requirement causes injustice. Even though Y does not trade in the goods for which X's trade mark

²⁴⁰⁴ 1966 3 SA 765 C:768E-G.

²⁴⁰⁵ See paragraph 4.5.2.1.2 of this chapter.

²⁴⁰⁶ See paragraph 4.8.1.3 of this chapter.

is registered, it is clear that he (i.e. Y) uses his offending mark (namely the disputed domain name) in the course of *his* trade, which can either be identified as (1) cybersquatting, that is the unlawful registering of a domain name with the intent to sell the said domain name to the lawful trade mark proprietor or to another entity that will be interested in the said domain name, or (2) advertising or Internet services, seeing that he derives an income from the banner advertisements displayed on the said web page.

It is submitted that the Chancery Division's interpretation in *Marks & Spencer and others v One in a Million and others*²⁴⁰⁷ that the requirement of "in the course of trade" should be interpreted as "by way of his business" is correct. If this interpretation is not followed, the aforesaid requirement will pose a stumbling block to South African trade mark proprietors who want to institute trade mark proceedings in terms of the Act against Internet users. For this reason, it is submitted that the requirement of "in the course of trade" should be interpreted as in the course of the defendant's trade. The requirement that the offending mark must be used in relation to goods or services for which the trade mark is registered will adequately protect *bona fide* third parties from statutory liability. Furthermore, the fair use provisions contained in section 34(2) as well as the constitutional right to freedom of expressions provide adequate protection against *prima facie* liability in terms of section 34(1).

4.8.2. Can a domain name be registered as a trade mark?

Next, this study briefly ascertains whether a domain name can be registered as a trade mark.

Essentially, the Act poses the following requirements before a mark can be registered as a trade mark:

- a) The mark must be capable of performing the function of a trade mark, i.e. it must be capable of distinguishing the goods or services of the applicant in respect of which it is proposed to be registered from the goods or services of another person.²⁴⁰⁸ The Act considers (i.e. deems²⁴⁰⁹) a mark to be capable of distinguishing if (1) the

²⁴⁰⁷ See paragraph 4.5.2.1.2 of this chapter.

²⁴⁰⁸ S 9(1). Whenever the mark is inherently deceptive or the use of such mark will likely deceive or cause confusion, such mark is not registrable. See s 10(12) & (13).

²⁴⁰⁹ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another* 1998 1 SA 59 T:69J.

mark is inherently capable of distinguishing or (2) if it is capable of distinguishing by reason of prior use;²⁴¹⁰ and

- b) The proposed trade mark must not contravene section 35;²⁴¹¹ and
- c) The proposed trade mark must not violate the provisions of section 34(1)(a)-(c);²⁴¹² and
- d) The mark must not consist exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin²⁴¹³ or other characteristics of the goods or services, or the mode or time of production of the goods or of rendering of the services;²⁴¹⁴ and
- e) The mark must not as a result of the manner in which it has been used cause deception or confusion;²⁴¹⁵
- f) The applicant must have a *bona fide* claim to proprietorship as well as a *bona fide* intent to use the proposed mark as a trade mark;²⁴¹⁶ and
- g) The mark must not be contrary to law, *contra bonos mores*, or likely to give offence to any class of persons.²⁴¹⁷

It must be kept in mind that the *onus* rests upon the applicant to establish that the proposed trade mark qualifies for registration.²⁴¹⁸ The courts have stated that -

- (1) registration will be refused when any part of the proposed mark contains matter which, when used, will cause confusion or deception;²⁴¹⁹
- (2) the same principles that apply to the question whether the disputed trade mark

²⁴¹⁰ S 9(2). Note that the UK Court of Appeal stated in *1-800 Flowers Inc v Phonenames Ltd* 2001 CA that the applicant can only rely on use of the said domain name when he has actively used the web site established for the aforementioned domain name to promote or advertise his business or performance in the country where he seeks registration. The mere fact that Internet users from that particular country can access the web site established for the said domain name is insufficient. See para 100 & 137. A copy of this judgment can be downloaded from www.bailii.org/ew/cases/EWCA/Civ/2001/721.html.

²⁴¹¹ S 10(6).

²⁴¹² S 10(14) & s 10(17).

²⁴¹³ In *Legg v Finlay* 1901 SC 107 the court held (at 111) that the word "Irish" referred to geographical origin and could therefore not be registered on its own.

²⁴¹⁴ S 10(2)(b).

²⁴¹⁵ S 10(13).

²⁴¹⁶ S 10(3) & (4).

²⁴¹⁷ S 10(12).

²⁴¹⁸ *The Upjohn Company v Merck and Another* 1987 3 SA 221 T:224C; *Bristol Laboratories Inc v CIBA Ltd* 1960 1 SA 864 A:869E; *J.W. Jagger & Co Ltd v Furnishers Cape (Pty) Ltd* 1948 3 SA 603 T:607.

²⁴¹⁹ *Kentucky Tobacco Corporation (Pty) Ltd v Registrar of Trade Marks* 1984 2 SA 335 T:342G.

infringes upon the registered trade mark, apply to the question whether the proposed mark can be registered, which is alleged to infringe upon an existing registered trade mark;²⁴²⁰

(3) when the Registrar ascertains whether the proposed mark is capable of distinguishing, he should only have regard to the South African market.²⁴²¹

The last mentioned principle is well illustrated by the case of *Victoria's Secret Inc v Edgars Stores Ltd*²⁴²² where both appellant and respondent applied to the Registrar of Trade Marks to be the registered proprietor of the trade mark "Victoria's Secret". The respondent was, however, the first party to apply to the Registrar. By then the mark "Victoria's Secret" was already a house-hold name in the US. The Registrar, after hearing both parties, registered the respondent as the proprietor of this mark. The appellant appealed against this decision.

The Supreme Court of Appeal stated that, due to the fact that a trade mark is a purely territorial concept, the fact that a trade mark is registered and has been used, even extensively used, by one person in a foreign country does not *per se* constitute a bar to its adoption and registration by some else in South Africa. In the case of a foreign trade mark, there is no legal bar to its adoption in South Africa unless it is "attended by something more."²⁴²³ The court pointed out that the concept of "attended by something more" referred to "any factors that may have vitiated or tainted his right or title to the proprietorship thereof. Those factors would comprehend dishonesty, breach of confidence, sharp practice, or the like".²⁴²⁴ It further transpires from the judgment that another factor which would prevent a South African company from registering a foreign trade mark is the fact that the foreign company's products, bearing the mark in question, have been sold in South Africa by third parties.²⁴²⁵ Stated differently, where the foreign trader has a common law trade mark in South Africa.

The court continued to state that in determining which competing party should prevail, the guiding principle was encapsulated in the maxim *qui prior est tempore potior est*

²⁴²⁰ *Smithkline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc* 1995 2 SA 903 A:910F-G.

²⁴²¹ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another (supra):71G-H.*

²⁴²² 1994 3 SA 739 A.

²⁴²³ 1994 3 SA 739 A:745H-746G.

²⁴²⁴ 1994 3 SA 739 A:745H-747I.

²⁴²⁵ 1994 3 SA 739 A:747A-G.

jure.²⁴²⁶ In the present instance, the court was of the opinion that because the 1) appellant had not traded in South Africa, and 2) that respondent had made preparations to use the said mark, the Registrar was correct in registering the trade mark in the name of the respondent.²⁴²⁷

The appellant also contended that registration of the mark in the name of the respondent would cause confusion or deception.²⁴²⁸ The court held that such registration could only cause a likelihood of confusion or deception if the appellant's mark had a reputation in South Africa.²⁴²⁹ Because the appellant could not prove that its business and/or trade mark was known to South Africans, no such likelihood of confusion or deception could arise.²⁴³⁰

Therefore, to answer the posed question, the following can be stated:

- Domain names such as www.soap.com, www.biscuits.com and www.imarketing.com cannot be registered as trade or service marks in that they exclusively indicate the performance offered at these addresses.²⁴³¹ Likewise, domain names such as www.johannesburg.co.za and www.southafrica.com cannot be registered as trade marks in that they exclusively designate the origin of the performance.²⁴³² Furthermore, such geographical terms cannot distinguish the goods and services to which they relate from someone else's goods or services.

²⁴²⁶ 1994 3 SA 739 A:752.

²⁴²⁷ 1994 3 SA 739 A:753B-C.

²⁴²⁸ See 1994 3 SA 739 A:754I.

²⁴²⁹ 1994 3 SA 739 A:754J-755A.

²⁴³⁰ See also *P Lorillard Co v Rembrandt Tobacco Co (Overseas) Ltd* 1967 4 SA 353 T where the court stated (at 356G-H) that "[i]n the present state of the law a trade mark is a purely territorial concept and there is, generally speaking, nothing to prevent a person from asserting a proprietary right in a trade mark in relation to which no one else has in the same territory asserted a similar right." This was approved by the Supreme Court of Appeal in *Victoria's Secret Inc v Edgars Stores Ltd (supra)* at 746F-G.

²⁴³¹ Therefore they contravene s 10(2)(b). For example in *Courtenay Communications Corp v Hall et al* 2001 WL 669258 (S.D.N.Y. 2001) the US court held that the phrase "iMarketing News" was generic and consequently did not constitute a protectable common law trade mark: "The Court finds that 'iMarketing' is a generic term ... The term 'iMarketing' refers to marketing on the internet, and by adding 'News,' plaintiff describe the class of periodicals within the internet marketing industry; it would be hard to think of a name for a publication regarding internet marketing that more accurately described its contents than the name of the industry, 'iMarketing' plus the word 'News.'" A copy of this judgment was obtained from Westlaw.

²⁴³² Therefore contravening s 10(2)(b).

Therefore, the South African government cannot complain about the fact that a foreign entity owns the domain name www.southafrica.com.²⁴³³

- Domain names such as www.business.com and www.buy.com cannot be registered because they fail to distinguish their performances;²⁴³⁴

²⁴³³ A US company, Virtual Countries Inc, registered the domain name www.southafrica.com in 1995 and has been using it since 1996 for commercial purposes. This company is further the holder of 25 other countries' specific ".com" domain names such as www.switzerland.com and www.germany.com. See Bodasing 2001(b):32; De Wet 2000; www.virtualcountries.com/news/press19.htm. For the sake of interest, Korea had to purchase the domain name www.korea.com for \$5 million in 2000 from another entity. See Bodasing 2001(b):33; www.virtualcountries.com/news/press19.htm.

²⁴³⁴ In *R v Buy.com Inc* 2002 ETMR 51 (Fourth Board of Appeal 2001) the applicant sought to register the mark "Buy.com", corresponding with its domain name www.buy.com, as its European trade mark for certain services. The applicant contended that its mark was distinctive because (1) it was not a commonly used word in any European country – the combination of the words "BUY" and "COM" resulted in the creation of a new word; (2) it had been using its mark for three to four years as its domain name; (3) its estimated turnover for the year 2000 was approximately \$800 million, and (4) its web site, established for the above domain name, received approximately 10 million "hits" per month. The court held that the applicant's mark was devoid of any distinctive character and consequently the mark, as a whole, lacked the required capacity to distinguish its performance from third parties' performances. (At 544). The court specifically remarked that "applications for registration of marks consisting of domain names are subject to the same requirements as all other applications for Community trade mark registration taking into account that to be a domain name does not mean to be a trade mark since not all domain names are capable of performing the function of a trade mark ... In the present case the domain name is the simple juxtaposition of the common and descriptive words BUY as the second-level domain and COM as the TLD separated by a dot ... '.COM' is the generic TLD assigned to commercial users. In a domain name the distinctive part may only be the second-level domain, since the TLD is generic. That is why they are called Generic TLDs and will be perceived by the average internet user as part of an internet address without trade mark significance. In this case BUY, the second-level domain of the mark at issue, is descriptive because ... *The New Oxford Dictionary of English* records BUY as meaning obtain in exchange for payment and the appellant itself concedes that it is descriptive, so that it cannot add any trade mark significance to the mark. It may be concluded ... that the mark as a whole 'consists of the expression BUY.COM, the whole being devoid of distinctive character for all services as it is descriptive of e.g. services relating to selling via the internet'. It should be noted that there are certain descriptors that are so broad that they are able to describe all kinds of goods and services, such as 'BUY.COM' since all the goods and services which are in trade, including of course all the services listed in the application at hand, may be bought via the internet ... Such words belong to the public domain and form part of the store of words available to all web-retailers to compel potential customers directly to buy via the internet ... There is nothing unusual, original or fanciful in the simple act of placing together these common words, which are so ordinarily and frequently encountered in the e-commerce world, that the public would perceive the sign precisely as such, a simple juxtaposition of common words with no trade mark significance. The use of a dot separating both words is not a distinguishing characteristic ... since it is always used in the typical structure of a domain name to separate the second-level domain from the TLD. The mere fact of using a juxtaposition of descriptive or generic words as a domain name or a company name does not render it distinctive nor does it result in the creation of a new word ...

- Any other domain name can be registered as a trade mark whenever -
 - (1) it is not confusingly similar to an already registered South African trade mark – for example the domain name *www.microsoft.co.za* is confusingly similar to Microsoft's registered trade mark "Microsoft"; and
 - (2) a similar mark is not already used in South Africa. Stated differently, a third party does not own a similar common law trade mark in South Africa;²⁴³⁵ and
 - (3) the applicant has a *bona fide* intention to use the domain name for distinguishing his performance. Stated differently, he does not engage in the trafficking of trade marks, which has been defined as "the registration of bogus trade marks which are never intended to be used *bona fide* but which are intended to be used by the persons who register them to oppress and as a weapon to obtain money from subsequent persons who may want to use trade marks *bona fide* but which are precluded from doing so because bogus trade marks had been registered in respect of the same classes."²⁴³⁶ A domain name registered by a cybersquatter would therefore constitute *male fide* registration.²⁴³⁷
 - (4) The domain name must be able to serve as a trade mark²⁴³⁸ and must be used as a trade mark.²⁴³⁹ Stated differently, the domain name must be able to

since each of the words maintains its own separate meaning and spelling ... Consequently, the public, particularly the purchaser and user of goods and services in the field of e-commerce, could not perceive the sign as a badge of origin." (At 544-547). The court also maintained that the mark was merely descriptive and that the applicant failed to prove the required secondary meaning. (At 544).

²⁴³⁵ Section 10(12) provides that where the use of the proposed trade mark would likely cause confusion or deception, such mark cannot be registered as a trade mark. This section has been interpreted to mean that where A has distributed and sold his products in South African, in substantial quantities, for a number of years bearing his unregistered mark and these products have become known in South Africa by such mark, and B then subsequently registers this identical or confusingly similar mark for his similar goods, such registration is likely to cause confusion or deception. See *Broadway Pen Corporation and Another v Wechsler & Co (Pty) Ltd and Others* 1963 4 SA 434 T:447D-H. Therefore A's mark must have acquired such a reputation amongst a substantial number of persons that use of the defendant's mark is likely deceive or cause confusion. See *Oils International (Pty) Ltd v WM Penn Oils Ltd* 1965 3 SA 64 T:67F-68B; *WM Penn Oils Ltd v Oils International (Pty) Ltd* 1966 1 SA 311 A:317C-E.

²⁴³⁶ *Ex Parte Ziman and Others* 1970 1 SA 164 T:174E-F.

²⁴³⁷ In *South African Football Association v Sandton Woodrush (Pty) Ltd and Another* 2002 2 SA 236 T the court stated (at 241F-H) that *male fide* registration of trade marks includes "marks registered without any intention to use them as trade marks but for the purpose of precluding others from using such marks as trade marks."

²⁴³⁸ Van der Merwe & Erasmus 1998:54.

distinguish the services or goods of one business from the goods and services offered by another business.²⁴⁴⁰ For example, the domain name www.yahoo.com complies with this criterion.²⁴⁴¹ Even an alphanumeric domain address such as 146.689.678.432 can serve as a trade mark.²⁴⁴²

However, one vexing question remains. Assuming, for example, that Victoria's Secret lingerie has not been sold in South African stores, can X register the domain name www.victoriasscret.co.za as his trade mark, where the company responsible for producing Victoria's Secret lingerie has already registered the domain name www.victoriasscret.com in the US and further employs the web site established for this domain name to successfully market and sell its apparel throughout the world?

The solution to this question is not immediately apparent. It is submitted that the following steps will direct a court to a correct answer:

- If it can be proved that X had no *bona fide* intention to use the domain name as a trade mark, but merely engaged in cybersquatting activities, the registration is invalid.²⁴⁴³
- The Supreme Court of Appeal mandates the Registrar to look only at the South African market when ascertaining whether the proposed trade mark will be able to distinguish. Therefore, the mere fact that the marks "Victoria's Secret" and

²⁴³⁹ See in this regard the discussion in paragraph 4.8.1.1 of this chapter. In *R v Buy.com Inc (supra)* the court remarked (at 548) that "The use of the mark at issue as the domain name of the appellant's website is not used as a trade mark, as the appellant and the declarant assert, since a domain name operating as such is not a trade mark because their respective functions are different. The appellant's domain name is a mark identifying the appellant's site on the internet, that is, its internet address, which the internet user can have access by either typing or double-clicking on the domain name. Therefore, the mere use of the subject mark as the appellant's domain name is not use of the mark as a trade mark identifying and distinguishing the appellant's retailing services in general and even less than the specific services claimed since these latter are not shown to be provided under any trade mark by the appellant's business at all."

²⁴⁴⁰ Kubiszyn 2001; Van der Merwe & Erasmus 1998:54.

²⁴⁴¹ As Van der Merwe & Erasmus 1998 put it at 54: The domain name www.yahoo.com is registrable as a trade mark in that "it serves a trade mark function, it is distinctive and should be registrable as a trade mark for, *inter alia*, telecommunication services."

²⁴⁴² Silber maintains that "[i]n South Africa, the fact that a domain name is an alphanumeric address, does not mean that it cannot be treated as a 'mark' as defined in the Trade Marks Act, given that it serves some of the same purposes as a trade mark and there is no bar to registering domain names as trade marks, provided they fulfill the remaining criteria for registration." See Silber 2000.

²⁴⁴³ S 10(4).

"www.victoriassecret.com" are registered and/or well-known in the US is of no relevance.

- The company responsible for manufacturing Victoria's Secret lingerie is not required to have a physical presence in South Africa. Nor does the law require its products to have been physically sold in South Africa.
- Therefore, the only question remaining is whether the marks "Victoria's Secret" and "www.victoriassecret.com" enjoy a reputation in South Africa. Stated differently, is a substantial number of South Africans or potential South African franchisees familiar with these marks? This is purely a question of fact. If the answer to this question is in the affirmative the court will hold that the proposed mark (www.victoriassecret.co.za) is likely to take unfair advantage of the Victoria's Secret mark. Evidence that a substantial number of South Africans have purchased lingerie by means of the web site established for the domain name www.victoriassecret.com will have probative value.

4.8.3. Hyperlinking and deep-linking

The question of law is: When X wants to link to Microsoft's home page or to a particular web page within Microsoft's web site, is X allowed to use either (a) Microsoft's registered trade mark as such or (b) Microsoft's trade mark name, in his hyperlink or deep-link?²⁴⁴⁴ Therefore, the question is whether (a) and (b) will constitute trade mark infringement? Let's assume that (1) the mark "Microsoft" is registered for computer software, computer games, Internet services (which include web sites) and devices such as joysticks, and (2) that X does not have Microsoft's consent to use its registered trade mark on his web site.

Where X uses the registered trade mark of Microsoft as his hyperlink or deep-link, he uses an identical mark without authorisation. The only question is whether he uses this mark in the course of trade. It is submitted that where X operates a "commercial web site", he uses the offending mark in the course of trade. A "commercial web site" includes a web site which he uses to promote, sell or advertise his performance as well as a web site on which he sells advertisement spaces to third parties. It is also submitted that the requirement of "in relation to the goods for which the trade mark is registered" is present in that the hyperlink or deep-link transports the Internet user to

²⁴⁴⁴ The terms "hyperlink" and "deep-link" were explained respectively in paragraphs 3.2.10.1 & 3.2.11.1 of chapter three.

the web site of Microsoft, where the latter's products and services can be found. Therefore, according to section 34(1)(a), X commits trade mark infringement.

It is submitted that X is not guilty of infringing section 34(1)(c). Although he uses an identical mark in the course of trade, without authorisation, in relation to the goods and/or services for which the trade mark is registered, X does not take advantage of, nor does he prejudice, the reputation or distinctiveness of the "Microsoft" trade mark. He merely uses the mark to refer Internet users to Microsoft's web site.

Neither is section 35 contravened in that one of the requirements of this section is that the use of the defendant's identical or similar mark must cause a likelihood of confusion or deception. X, by using the "Microsoft" trade mark as his hyperlink, does not cause any likelihood of confusion or deception in that it does not indicate any connection between X and Microsoft, nor would it confuse Internet users as to the origin of this mark: It clearly refers to Microsoft.

Similar questions arise where X uses the "Microsoft" trade mark name (e.g. MICROSOFT) as his hyperlink or deep-link. X clearly uses a similar mark to Microsoft's registered trade mark. The only question remaining is whether X is using a mark so nearly resembling the "Microsoft" trade mark that it is likely to cause confusion or deception as to the origin of the performance and/or the connection between the parties' respective performances. Bearing in mind that only the two marks as such must be compared and that one must transport oneself to the market place, in this instance X's web site, it is submitted that no such likelihood of confusion will arise. The average Internet user seeing this hyperlink or deep-link-mark will understand that the mark (hyperlink) transports him to the trade mark proprietor's (Microsoft's) web site.

Therefore, X is only guilty of contravening section 34(1)(a) when he uses a third party's registered trade mark for his hyperlink or deep-link. The question arises whether his constitutional right to freedom of expression protects his use of the third party's registered trade mark.²⁴⁴⁵ As indicated above, US courts divide all uses of a third party's trade mark into two groups namely either (1) using the trade mark for the purpose of source identification or (2) using it as part of a communicative message. Where the trade mark is used solely for the purpose of identifying the source of the

²⁴⁴⁵ Section 16 of the *Constitution* provides that "[e]veryone has the right to freedom of expression, which includes (a) freedom of the press and other media; (b) freedom to receive or impart information or ideas; (c) freedom of artistic creativity; and (d) academic freedom and freedom of scientific research."

performance, trade mark law prevails over the constitutional right to freedom of speech. However, when a trade mark is used as part of a communicative message, such as criticism, parody and comparison, constitutional law prevails over trade mark law and consequently the defendant is permitted to use the plaintiff's trade mark.²⁴⁴⁶

With regard to the South African position, it is submitted that the X uses the said trade mark as part of his expression, namely his web site. Consequently, his usage of the said trade mark falls within the parameters of the protection offered by section 16 and therefore *prima facie* infringement of his constitutional right is present. However, all human rights enshrined in the *Bill of Rights*²⁴⁴⁷ are subject to the section 36, the limitation clause, which provides that all human rights can be limited so far as such limitation is reasonable and justifiable in an open and democratic society, taking all relevant factors into account, especially (a) the nature of the right; (b) the importance of the purpose of the limitation; (c) the nature and extent of the limitation; (d) the relation between the limitation and its purpose; and (e) less restrictive means to achieve the purpose.

It is submitted that when someone uses a hyperlink or a deep-link on his web page, he uses this hyperlink to indicate the source of a performance and not as part of a communicative message. Accordingly, it is submitted that the limitation imposed by the *Trade Marks Act* is justified in terms of section 36 of the Constitution.²⁴⁴⁸

4.8.4. Using a third party's trade mark on a web page

4.8.4.1. Distributors, sellers and service providers employing third parties' trade marks on their web sites

The question that arises is: When A, either a distributor, a seller or a service provider

²⁴⁴⁶ See paragraph 2.1.7.2 of chapter 3.

²⁴⁴⁷ Chapter 2 of the *Constitution*.

²⁴⁴⁸ Some US commentators are also of the opinion that use of a third party's registered or common law trade mark as one's hyperlink or deep-link should not be protected and should constitute trade mark infringement. See Grossman & Rigamonti 1998. Rockower remarks on the scenario where A uses B's trade mark logo as a hyperlink on his web pages: "[A] uses [B's] trademarked image beyond what is essentially necessary to refer to [B], and might not be a fair use of the mark." See Rockower 1998. These commentators are further of the opinion that text-only links should be permitted. As Luria notes: "Text-only links can be defended as a fair use - nothing more than an indication of how to find more information about the linked site and its owner at its own home page." See Luria 1997.

such as a mechanic, wants to refer to B's performance (either a product or a service), in the sense that he wants to indicate that he sells or distributes B's products or that he services and repairs B's motor vehicles, is he allowed to either (1) cut and paste B's registered trade mark, e.g. "Volvo", onto his web pages or (2) to type the name of B's trade mark?²⁴⁴⁹ Stated differently, are such uses of B's trade mark protected as fair use? It is assumed that A does not have B's consent to use the trade mark.

It is clear from the above that when A uses B's registered trade mark on his web pages, he (1) uses an identical mark to B's registered trade mark, (2) without authorisation, (3) in the course of trade – A established the web site to promote his business – and (4) in relation to the goods or services for which B's trade mark is registered, seeing that he uses the mark to refer to B's performance. Therefore, according to section 34(1)(a), *prima facie* liability is present. The only question remaining is whether a fair use defence saves A from potential liability. Section 34(2)(c) provides that a registered trade mark is not infringed by "the *bona fide* use of the trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods, including spare parts and accessories, and such services". It is submitted that this section authorizes A to use B's trade mark logo in that he uses this logo to indicate the goods he sells or the goods repairs. Note, however, that A is not allowed to use the mark in such a manner that it will lead Internet users to assume that A is part of B's network of authorised sellers and/or distributors, where A is not part of such a network. A disclaimer on A's web site would prevent this type of consumer confusion. Accordingly, A is not guilty of trade mark infringement. It is further submitted that this fair use defence applies equally to proceedings instituted in terms of section 34(1)(c), namely where B's trade mark is well-known in South Africa.

It is submitted, for the sake of interest, that section 34(2)(b),²⁴⁵⁰ which concerns the use of a third party's trade mark for descriptive purposes, does not authorise A to use B's trade mark logo, in that the Supreme Court of Appeal held that the defendant is not permitted to reproduce or imitate the plaintiff's registered trade mark.²⁴⁵¹ Accordingly it is submitted that A's use of B's registered trade mark is not protected by section 34(2)(b).

²⁴⁴⁹ See for instance www.digitalplanet.co.za.

²⁴⁵⁰ This section was discussed in paragraphs 4.5.2.4.2 of this chapter.

²⁴⁵¹ See paragraph 4.5.2.4.2 of this chapter.

Where A uses a text-only version of B's trade mark name, the only relevant question is whether A uses a mark so nearly resembling B's registered trade mark that he is likely to cause confusion or deception as to the origin of his performance and/or as to the connection between the his performance and B's trade mark. Taking only the two marks into account, whilst standing in the shoes of the notional customer in the market place and further taking the realities into consideration,²⁴⁵² it is submitted that A uses a confusingly similar trade mark. Stated differently, he uses a mark that so nearly resembles B's registered trade mark that he is likely to cause confusion. Therefore *prima facie* liability in terms of section 34(1)(a) is present. It is, however, submitted that A is not liable in that section 34(2)(b) shields him from liability. It is submitted that in the postulated scenario A uses the text-only trade mark to indicate (i.e. to describe) the kind of service he renders namely he sells, distributes or repairs B's performance. He consequently uses the trade mark name to indicate B's performance. The *Wet Wet Wet* case²⁴⁵³ is authority for this submission. It is further submitted that A's conduct is protected by section 34(2)(c) in that he uses the said trade mark name to reasonably indicate the intended purpose of his performance, namely the sale of B's performance or the repair thereof. Note, once more, that A is not allowed to use the said trade mark name in such a manner that Internet users will think or assume that A is part of B's network of authorised dealers or repairmen when A is not part of such a network.

4.8.4.2. Competitors and comparative advertising

As submitted above,²⁴⁵⁴ comparative advertising is protected by the *Constitution* as commercial speech, as long as no confusion arises and as far as it is reasonable. Therefore, a competitor is allowed to compare his performance with his business rival's and further to use the latter's registered or common law trade mark in order to clearly identify the producer or manufacturer of the product that he is comparing to his own product.

²⁴⁵² See paragraph 4.5.2.1.4 of this chapter.

²⁴⁵³ See *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburg) Ltd* discussed in paragraph 4.5.2.4.2 of this chapter.

²⁴⁵⁴ See paragraphs 4.5.2.1.5.2.2 & 4.5.2.3.6.1.2 of this chapter.

4.8.4.3. As background (“wallpaper”)

4.8.4.3.1. Commercial use

The question that arises is whether X is allowed to use the registered or common law trade mark of Y as electronic wallpaper for his web page(s). Wallpaper appears as the background of a computer screen display. This type of scenario arises, for example, where X is a seller of Toyota motor vehicle parts. When an Internet user arrives at the home page of X's web site, the Toyota logo is depicted as background. The question is whether X is guilty of trade mark infringement? It is assumed that X does not have the necessary authorisation.

It is submitted that this question must be answered in the affirmative: X uses an identical mark to B's registered trade mark, by displaying B's trade mark as background wallpaper for his own web site, which use is in the course of trade in that he depicts the logo on his business web site where he sells the Toyota parts or where he provides contact information. Such use is further in relation to the goods for which it is registered, namely he uses the Toyota trade mark in relation to Toyota spare parts. Therefore, X violates section 34(1)(a) and *prima facie* liability is present.

The next question is whether a fair use defence saves X's from statutory liability. It is submitted that section 34(2)(b), which concerns descriptive usage, does not save X in that he uses Y's registered trade mark logo, which use the Supreme Court of Appeal maintained is not protected by this particular section.²⁴⁵⁵ It is further submitted that section 34(2)(c) does not save X's use of Y's trade mark logo. This section proscribes that a registered is not infringed by “the *bona fide* use of the trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods, including spare parts and accessories, and such services”.²⁴⁵⁶ It is submitted that it is not reasonable for X to use Y's trade mark as background wallpaper: X can simply use Y's trade mark as a normal trade mark on his web page, which the law permits.²⁴⁵⁷

The question arises whether such use is protected by X's constitutional right to freedom of expression, as guaranteed by section 16 of the *Constitution*, which includes

²⁴⁵⁵ See paragraph 4.5.2.4.2 of this chapter.

²⁴⁵⁶ Own underlining.

²⁴⁵⁷ See paragraph 4.8.4.1 of this chapter.

the right to commercial speech. It is clear that X uses the trade mark as part of his web site, and therefore he uses it as part of his commercial expression. Consequently, section 34(1)(a) *prima facie* limits X's right to freedom of expression. Next, it has to be determined whether such limitation can be justified in terms of section 36 of the *Constitution* as reasonable and just. If the South African courts follow the US trend,²⁴⁵⁸ namely that one must determine whether the defendant uses the plaintiff's trade mark solely for source identification purposes or whether he uses the mark as part of his communicative message, it is submitted that X uses the Toyota trade mark as a source identifier in that he uses it to identify the parts he is selling or offering by means of his web site. He does not use it as part of a communicative message such as parody, criticism and comparison. Therefore the limitation imposed by the *Trade Marks Act* is constitutional. One should not confuse the facts of this hypothetical instance with the facts of *Playboy Enterprises Inc v Welles*,²⁴⁵⁹ where the court permitted the respondent to use the appellant's trade mark as wallpaper for her web site. There the question of law was whether such use fell within the parameters of the US fair use provision and not whether her conduct was protected by her constitutional right to freedom of speech.

Where X sells genuine Toyota products, it cannot be said that he takes unfair advantage of, or acts to the detriment of, the Toyota trade mark reputation or distinctiveness, and therefore he does not contravene section 34(1)(c). However, where X sells counterfeit spare parts, he contravenes this section in that his use of an identical mark for counterfeit products is likely to prejudice the Toyota trade mark reputation.

4.8.4.3.2. Personal use

A classic example of a scenario where a computer user employs a particular registered trade mark as wallpaper for his computer is where Z, a Ferrari patron, obtains a copy of the registered Ferrari trade mark and now displays a life-like depiction of the Ferrari mark as electronic wallpaper on his computer. The question is whether Z is liable for trade mark infringement?

The answer is straightforward. A neither uses the mark in the course of trade nor does

²⁴⁵⁸ See paragraph 2.1.7.2 of this chapter.

²⁴⁵⁹ Discussed in paragraph 2.2.1.1.2 of this chapter.

he use the mark in relation to goods for which the trade mark is registered. For the purpose of section 34(1)(c) it can be added that he neither dilutes nor tarnishes the distinctiveness of the Ferrari trade mark. For the purpose of section 35, it can be said that no likelihood of confusion or deception arises.

4.8.4.4. As a folder or index name

Next it must be ascertained whether the following conduct constitutes trade mark infringement: X is the copyright holder of either artistic works, computer games or sound recordings such as MP3 files. He is also the owner of a registered trade mark for the above. Y operates a web site onto which third parties copy various copyright protected material, such as MP3 files, computer games and artistic works. Y's home page contains an index. One of the hyperlinks, which forms part of the index, consists of X's trade mark. When a subscriber or visitor to this web site clicks on this link, he is transported to another web page where pirated copies, of the works for which Y's trade mark is registered, can be downloaded.

4.8.4.4.1.1. Liability of the creator of the folder name

The question that must be answered here is whether the individual who created the above mentioned hyperlink, either the web site operator or the subscriber or visitor who uploaded the infringing work, is guilty of trade mark infringement.

It is fairly clear that the creator of this link used an identical mark to the registered trade mark. It is also obvious that he uses this mark in relation to the goods for which Y's mark is registered, namely the artistic works or the computer games. The only question remaining is whether he uses the mark in the course of trade for the purpose of section 34(1). The answer to this question depends on who created the link:

- A) If the web site operator created this link, it can be argued that he uses the mark in the course of trade in that he derives an income from the subscription fees and/or from selling advertisement spaces on his web pages.
- B) If the subscriber or Internet user created this link, he did not create the link in the course of trade.

Where the web site operator created the link, consisting of the third party's trade mark, he is liable for trade mark infringement on the basis of section 34(1)(a) in that all the requirements are present. The same applies whether the former uses a text only

version of the third party's trade mark: The mark he uses so nearly resembles the third party's trade mark that it is likely to cause confusion or deception, in the sense that Internet users will think that the third party sponsors, endorses or authorises the web site operator to display these messages or that the third party is the source of these images. In truth, the web site operator uses the third party's trade mark to refer to unauthorised (i.e. illegal) copies.²⁴⁶⁰

The web site operator is also liable in terms of section 34(1)(c) in that he uses an identical mark (or in the instance where he uses a text only version of the trade mark, a similar mark) in the course of trade, in relation to Y's goods, which use is detrimental to the reputation of the well-known trade mark in that the offending mark directs subscribers or Internet users to infringing material. Such use dilutes the value and distinctiveness of the third party's well-known trade mark. Furthermore, it is submitted that the web site operator takes unfair advantage of Y's trade mark reputation in that he uses this mark to advance his web site where unauthorised copies of Y's copyright protected works are displayed.

As mentioned, the subscriber or Internet user (hereafter "Z") does not use the offending mark in the course of trade. However, the question arises whether Z contravenes section 35 where Y's foreign trade mark is well-known in South Africa. It is clear that Z uses an identical mark to (or in the case of a text only version, an imitation of) Y's well-known mark in relation to goods for which the mark is well-known, either the artistic works, computer games or MP3 files. The only question remaining is whether such use is likely to cause confusion or deception.

Let's assume that X, the web site owner, operates a pornography web site. The home page lists the following *terms* in scroll: "Playboy", "Hustler", "Loslyf", "Others". When one clicks on one of these terms, for example "Playboy", one is taken to a web page where numerous Playboy images are displayed. It is submitted that such a link creates a likelihood of confusion and/or deception in that -

- other Internet users may labour under the impression that Playboy Enterprises authorised X to display and/or sell its photos on his web site; and
- Internet users may assume that a connection exists between X and Playboy.

Therefore Z contravenes the provisions of section 35.

²⁴⁶⁰ See paragraph 2.2.1.2.1 of this chapter, especially *Playboy v Frena* & *Playboy v Maphia*.

4.8.4.4.1.2. Secondary liability of web site operators

The question of law that must be addressed here is: Where the subscriber or Internet user creates the hyperlink consisting of Y's trade mark or trade mark name, is the web site operator (hereafter "X"), responsible for maintaining the web site in question, liable for trade mark infringement? As mentioned above,²⁴⁶¹ the subscriber or Internet user is not liable for trade mark infringement where Y's foreign trade mark is not well-known in South Africa. The question, therefore, arises whether X uses the offending mark where he did not create the link. It is submitted that the answer depends on X's conduct after the offending link was created. Where, for example, he directs the attention of visitors and/or subscribers to the link, he in effect uses the offending mark to promote his web site and/or subscription service. In this instance he is guilty of trade mark infringement in that he "uses" the offending mark (the hyperlink-mark) in the course of trade, without authorisation, in relation to goods for which Y's trade mark is registered.²⁴⁶²

The question must also be addressed whether X is contributorily liable for the subscriber's or Internet user's trade mark infringement, where the latter commits trade mark infringement in terms of section 35? It can be argued that X makes it easier for the subscriber or Internet user to infringe Y's trade mark rights and consequently aids the latter. Whether X aids the latter intentionally is a question of fact. One will have to determine e.g. whether X was informed by the copyright holder that his web site was being used by third parties to infringe the latter's copyright. Intent can also be inferred from X's conduct e.g. where he directs the attention of Internet users or subscribers to the link, containing the infringing mark. However, it was contended in the previous chapter that negligence suffices for contributory liability.²⁴⁶³

4.8.4.5. For auction purposes

The question that must be addressed next is whether X, who sells e.g. Microsoft products by means of an auction web site and uses the Microsoft registered trade mark next to his product, is guilty of trade mark infringement.

It is clear from the above that X uses an identical mark to the registered trade mark in relation to goods for which the mark is registered. It is further clear that X uses the

²⁴⁶¹ See the previous paragraph.

²⁴⁶² See paragraph 4.8.4.4.1.1 of this chapter.

²⁴⁶³ See paragraph 5.5.3.11.1 of this chapter.

mark in the course of trade, namely he attempts to sell the Microsoft product by using the Microsoft mark. Therefore, it is submitted that X is *prima facie* liable in terms of section 34(1)(a). It is further submitted that X does not contravene section 34(1)(c) in that his use of the mark in relation to genuine products does not cause detriment to the reputation of Microsoft's trade mark and furthermore X does not take *unfair* advantage of the Microsoft trade mark. That he takes advantage of the trade mark cannot be disputed, but such conduct cannot be labelled as unfair.

It must therefore be ascertained whether X's use of Microsoft's trade mark is protected by a statutory fair use defence. It is submitted that section 34(2)(b), which deals with descriptive fair use, does not protect X from trade mark liability in that even though it can be argued that he uses the Microsoft trade mark to indicate either the quality and/or the characteristics of his goods, the Supreme Court of Appeal has stated that the third party is not permitted to reproduce or imitate the registered trade mark.²⁴⁶⁴ This is exactly what X does. Furthermore, section 34(2)(c) is not applicable in that X does not use the Microsoft trade mark to indicate the "intended purpose" of his goods.

The question arises whether X's conduct is protected by his constitutional right to freedom of expression, especially his right to commercial speech, as guaranteed by section 16 of the *Constitution*. It is submitted that if South African courts follow the US trend, local courts will probably hold that X uses the said trade mark for source identification purposes and not as part of a communicative message such as parody and criticism. Therefore, X's conduct is not protected by the above-mentioned constitutional right. Consequently, X is guilty of trade mark infringement.

It can, however, be mentioned here that should X use a text-only version of Microsoft's trade mark, he is not guilty of trade mark infringement. Firstly, it can be argued, taking only the Microsoft registered trade mark and X's text-only version of the latter's mark into consideration, that X's text-mark, namely "Microsoft", would not confuse any reasonable Internet user into thinking that a connection exists between X and Microsoft. The Internet user would understand this text-mark to indicate that X sells a Microsoft product and nothing more. Even if this contention is wrong, X's text-only version of the Microsoft trade mark is protected by section 34(2)(b) in that he uses the mark to indicate the quality and/or characteristics of his goods, namely that it is a Microsoft product. Seeing that he does not use the registered trade mark logo, the

²⁴⁶⁴ See paragraph 4.5.2.4.2 of this chapter.

above-mentioned Supreme Court of Appeal judgment does not apply.

4.8.5. Criticism

4.8.5.1. Domain name consisting of plaintiff's trade mark name and a suffix or prefix

Next, the question must be answered whether A's registration of a domain name, consisting of Microsoft's trade mark name and the suffix "sucks", constitutes trade mark infringement. A subsequently uses this domain name to criticise Microsoft. An example is www.microsoftsucks.com or www.microsoft-sucks.co.za. Similar questions arise as to whether one is allowed to register the domain name www.boycott-microsoft.co.za. A therefore adds either a prefix or a suffix to indicate that his web site criticises Microsoft and/or Microsoft's performance.

It is self-evident that A does not use an identical mark (www.microsoftsucks.com) to Microsoft's registered and/or common law trade mark ("Microsoft®"). Therefore, the first question that arises is whether A uses a similar mark or a mark so nearly resembling the Microsoft trade mark that he is likely to cause confusion or deception as to the origin of the performance and/or a connection between him and Microsoft. It is submitted that any reasonable Internet user will understand the domain name www.microsoftsucks.com to indicate that the web site established for this domain name criticises Microsoft and/or its products and is, therefore, in no way connected with Microsoft's business. Therefore no likelihood of confusion or deception arises.²⁴⁶⁵ This corresponds with US law.²⁴⁶⁶

Furthermore, liability does not arise in terms of section 34(1) because A does not use the mark in the course of trade. Even assuming that A's use of the disputed domain name is in the course of trade and that A uses a similar mark to Microsoft's trade mark, it is submitted that A does not incur liability in terms of section 34(1)(c). Even though it can be argued that A's domain name, in conjunction with the web site established for that particular domain name, is to the detriment of the Microsoft's trade mark reputation, A's domain name is part of his communicative message, namely to criticise Microsoft, and therefore his conduct is protected by his constitutional right to freedom of expression, as protected by section 16 of the *Constitution*.

²⁴⁶⁵ For this reason it is submitted that the *UDRP* panels are wrong when they state that a "sucks.com" domain name is confusingly similar to the registered trade mark. See paragraph 3.2.5.2 of this chapter.

²⁴⁶⁶ See paragraph 2.2.3.6.1.2.4 of this chapter.

4.8.5.2. Domain name consisting solely of plaintiff's trade mark name

Next, it must be ascertained whether the registration and use of a domain name, consisting solely of a third party's trade mark name, for the purpose of criticism, constitutes trade mark infringement. An example is where A registers the domain name www.microsoft.co.za or www.microsoft.org and uses the web site established for this domain name to criticise Microsoft.

Normally, the answer to liability in terms of section 34(1) is straightforward: A does not use the disputed domain name in the course of trade. However, the answer to potential liability in terms of section 35 is more complex. In this instance A's domain name constitutes an imitation of Microsoft's well-known trade mark, which domain name *per se* is likely to cause confusion or deception among Internet users as to the origin of the web site and/or possible connection between the domain name and Microsoft. The sole question is whether A uses his domain name (the imitating mark) in relation to goods or services for which the Microsoft trade mark is well-known. Where A uses the domain name to criticise Microsoft's products, this requirement is met and A violates section 35. Where A uses the domain name to criticise Bill Gates or Microsoft's general business practices, this requirement is not met.

The sole remaining issue, with regard to the scenario where A uses the said domain name to criticise Microsoft's products, is whether A's domain name is protected by his constitutional right to freedom of expression, as guaranteed by section 16 of the *Constitution*. That A uses the domain name in order to criticise the said products and therefore to exercise his right to freedom of speech cannot be denied. Therefore the only question is whether section 35 of the *Trade Marks Act* imposes a limitation upon A's constitutional right that can be justified in terms of section 36 of the *Constitution*. Consequently, the parties' respective rights and/or interests must be balanced. On the one hand, A uses the domain name as part of his criticism of Microsoft products. On the other hand, where A registers a domain name with a Top Level Domain such as dot-com or dot-co.za he prevents Internet users from reaching Microsoft's online presence by using the most obvious corresponding domain name. Furthermore, a domain name consisting solely of a third party's trade mark name (in this instance the trade mark "Microsoft") and a Top Level Domain, be it dot-com, dot-org, etc, causes confusion, as explained above. It is submitted that the latter two considerations outweigh the first consideration. A can still exercise his constitutional right by registering a domain name such as www.microsoftsucks.co.za. For this reason, it is

submitted that A's conduct is not protected by his constitutional right to freedom of expression.

The question whether one is permitted to use a third party's trade mark name as a metatag for one's web site, where the third party and/or his performance is criticised, is discussed later on in this study.²⁴⁶⁷

4.8.5.3. Domain name that consists of a competitor's trade mark name

What is the position if A, a business competitor, uses the domain name *www.microsoftsucks.com* (or something similar) to criticise Microsoft's business or its products? Is A guilty of trade mark infringement? A further question is: What is the position if A does not use the said domain name to criticise Microsoft, but to sell and/or advertise his own products? These questions are addressed in turn.

As submitted above,²⁴⁶⁸ the domain name *www.microsoftsucks.com* does not resemble the Microsoft trade mark so nearly that it is likely to cause confusion or deception as to the origin of the performance or as to a connection between A's domain name and Microsoft. Likewise, it is not so similar to the Microsoft trade mark that the use thereof is likely to cause confusion or deception. Internet users will understand the domain name to signify that it is used to express criticism against Microsoft and/or its products. Therefore no liability arises in terms of sections 34(1)(a) and (b).

Likewise, in the context of section 34(1)(c) it can be argued that the said domain name is not similar to the Microsoft trade mark in that no marked resemblance exists between "Microsoft®" and *www.microsoftsucks.com*.²⁴⁶⁹ Furthermore, where A, the business competitor, uses the web site established for this domain name solely to criticise Microsoft, he does not use the domain name (the alleged infringing mark) in the course of trade. Therefore no liability in terms of section 34(1)(c) arises.

In the context of section 35 it cannot be argued that A uses an imitation of the

²⁴⁶⁷ See paragraph 4.8.8.3 of this chapter.

²⁴⁶⁸ See paragraph 4.8.5.1 of this chapter.

²⁴⁶⁹ For example, the Supreme Court of Appeal maintained in *Bata Ltd v Face Fashions CC and Another* 2001 1 SA 844 SCA that no marked resemblance existed between the mark "Power" and the mark "Powerhouse". This case is discussed in paragraph 4.8.7 of this chapter.

Microsoft's trade mark that will likely cause confusion or deception.

The final question that arises is: Where the competitor uses the said domain name to sell competing products, does he commit trade mark infringement? It is submitted that no liability arises in terms of section 34(1)(a) in that A does not use a mark that so *nearly resembles* the registered Microsoft trade mark that a likelihood of confusion or deception is present. Similar considerations apply to sections 34(1)(b) and 34(1)(c). It is also submitted that A does not contravene section 35 in that his domain name (i.e. www.microsoftsucks.com) does not constitute a reproduction, imitation or translation of the well-known, foreign trade mark.

4.8.5.4. Using a third party's trade mark on one's web page

The question arises whether the following conduct constitutes trade mark infringement: A establishes a web site where he adds, on the web page itself, the word "sucks" to the registered Microsoft's trade mark, followed either by negative comments or by hyperlinks to other web sites where negative comments are voiced against Microsoft. Therefore, the web page reads: "Microsoft sucks".²⁴⁷⁰ The domain name is of no relevance here.

The first question is whether the phrase "Microsoft sucks" constitutes a mark. It is submitted that this question must be answered in the positive in that it is a combination of words, and thus constitutes a mark.²⁴⁷¹

It is further submitted that the answer to the posed question is identical to the answer given in paragraph 4.8.5.1, namely (1) that A does not use the mark in the course of trade, and (2) that no likelihood of confusion or deception arises. Therefore no liability in terms of sections 34(1) and 35 arises.

4.8.6. Registering a domain name which is identical or similar to the plaintiff's trade mark name

Under this heading various scenarios are discussed where X registers a domain name which is identical or similar to Y's trade mark. The question in each instance is whether

²⁴⁷⁰ For instance at www.aetherlumina.com/networksolutionssucks.html the heading is: "The Network Solutions Sucks Page".

²⁴⁷¹ See the definition of a "mark" in paragraph 4.2 of this chapter.

X is guilty of trade mark infringement.

4.8.6.1. Entrepreneurs with similar registered trade marks want the same domain name

What is the legal position if two entrepreneurs or businesses, either located in different areas in South Africa or engaged in different trades in South Africa, seek to use the same domain name? For instance, both United Air Lines (UAL) and United Technologies Corporation (UTC) might seek to register the domain name www.united.co.za. How does trade mark law interact with the domain name registration system?

Let's assume that two registered trade marks are involved namely "United Air Lines" and "United Technologies Corporation" and that the domain name www.united.co.za is awarded to UAL because it applied first for this domain name. It is submitted that UTC will not be in a position to complain about UAL's domain name in that UTC can claim no monopoly on the word "united".

Next it must be ascertained what the position is when two entrepreneurs X and Y have similar registered trade marks, namely "The Tie Shop" and "Fred's Tie Shop", and conduct business in different areas of South Africa, e.g. the one in Johannesburg and the other one in Cape Town, and the one (Y) obtains a domain name consisting of his trade mark name, namely www.tieshop.co.za. X thereafter complains that the domain name in question causes initial confusion amongst Internet users looking for his web site and consequently maintains that this particular domain name diverts custom from his web site established for the domain name www.thetieshop.co.za. The question is whether Y is guilty of trade mark infringement.

Firstly, one should keep in mind that only the two marks, namely www.tieshop.com and "The Tie Shop", can be compared for trade mark infringement proceedings. The domain name registration process states, as mentioned above,²⁴⁷² that the one who first launches an application for a particular domain name, will succeed in obtaining that domain name. It is obvious that Y is entitled to the domain name www.fredstieshop.co.za (or dot-com) in that it merely incorporates his trade mark name. It is submitted that a court will refrain from transferring the domain name www.tieshop.co.za to X for the following reasons:

²⁴⁷² See paragraph 2.2.3.3 of this chapter.

- A) X is not allowed to have any monopoly in the word or words "Tie shop" or "tieshop";
- B) X has no greater rights than that which Y enjoys in the words "Tie Shop": They are common words to both their trade marks; and
- C) The disputed domain name describes Y's performance.

Therefore, it can be concluded that where two entities have registered trade marks which contain the same word or words, anyone of these entities has equal rights to a domain name consisting of this word or these words plus a Top Level Domain. Should anyone of them register such a domain name the other entity cannot institute proceedings against the former for trade mark infringement.

4.8.6.2. Where only one entrepreneur has a registered trade mark

First a straightforward scenario is discussed. X is the proprietor of the trade mark "The Tie Shop", registered and used for ties. Y then registers a domain name www.thetieshop.co.za which he uses to sell ties in South Africa. On this web page the word "THE TIE SHOP" is pertinently displayed. Y has no registered trade mark. The question is whether Y is guilty of trade mark infringement.

The answer to this question is straightforward: With regard to the mark displayed on the web pages, Y uses, without authorisation, an identical mark to X's registered trade mark in the course of trade, in regard to identical goods for which X's mark is registered. Therefore he contravenes section 34(1)(a). With regard to the domain name in question, Y uses, in the course of trade and without authorisation, a mark so nearly resembling the registered trade mark that a likelihood of confusion or deception is inevitable. Therefore Y contravenes section 34(1)(a). Furthermore, assuming that X's trade mark is well-known in South Africa, Y uses a similar mark to X's registered trade mark in the course of trade, and the mark Y uses on his web site and well as for his domain name is likely to take unfair advantage of X's trade mark reputation.

Next, a more difficult scenario is addressed. X is the proprietor of the trade mark "The Tie Shop", registered and used for ties. Y then registers the domain name www.tieshop.co.za which he uses to sell ties in South Africa. On this web page the word "TIE SHOP" is pertinently displayed. Y has no registered trade mark. The question is whether Y is guilty of trade mark infringement.

At first blush, the answer appears to be that Y uses a similar mark to X's trade mark in

that his domain name copies the essential part of X's trade mark namely "Tie Shop". However, after reconsideration it clearly transpires that this cannot be the answer. X should not be in a position to claim any monopoly on the word "Tie Shop". X's mark is probably registered subject to the disclaimer that he has no monopoly in the words "Tie" and "Shop" and consequently Y's domain name does not infringe X's trade mark.

It can therefore be concluded that where A is the proprietor of a specific registered trade mark and B registers this trade mark name as his domain name he commits trade mark infringement in terms of section 34(1)(a) or section 34(1)(b) where he uses the web site, established for this particular domain name, for identical goods or for similar goods, as the goods for which A's trade mark is registered. Should he use the web site for any other commercial purpose, he commits trade mark infringement in terms of section 34(1)(c) in that he dilutes the distinctiveness of B's trade mark and further takes unfair advantage of A's trade mark reputation. However this section requires that A's trade mark must be well-known in South Africa.

Furthermore, where A is the proprietor of a registered trade mark and B registers a domain name that incorporates *a part of* A's trade mark name, the following has to be ascertained in order to determine whether B is guilty of trade mark infringement in terms of section 34(1).²⁴⁷³

- (1) Does the part of A's trade mark, which B registered as his domain name, constitute a generic word or words? If this is the case, A cannot institute proceedings for trade mark infringement in that he cannot claim a monopoly on these words.
- (2) If not, the question is whether B's domain name incorporates a descriptive term. If so, the question is whether this descriptive term has acquired a secondary meaning in the market place.
- (3) If not, the question is whether B's domain name is confusingly similar to A's trade mark name. If so, it must next be ascertained whether B uses the disputed domain name in the course of trade and further whether he uses the domain name in relation to the goods for which B's trade mark is registered or in relation to similar goods as those goods for which B's trade mark is registered.
- (4) It must further be ascertained whether A's trade mark is well-known in South Africa. If so, one must determine whether B's domain name is similar to A's trade

²⁴⁷³ It is assumed that B does not own a registered or common law trade mark.

mark name and whether such domain name is likely to take unfair advantage of, or be detrimental to, A's trade mark reputation or distinctiveness.

- (5) Where B's domain name violates either section 34(1)(a), (b) or (c), B's domain name may, under given circumstances, be saved by section 34(2)(b), which deals with the defence of descriptive fair use. Whether this section protects B from liability will depend on whether the court is of the opinion that B uses his domain name as a trade mark or simply as a means to describe his performance. In the case where B uses his domain name as a trade mark, the court will most probably not sanction his domain name.²⁴⁷⁴

Finally, it should be noted that where the defendant has been making concurrent use of his unregistered trade mark, as part of his domain name, the plaintiff is not entitled to relief. Direct authority for this is the UK case of *Prince Plc v Prince Sports Group Inc.*²⁴⁷⁵ The plaintiff provided computer services in the UK under the mark "Prince" and subsequently registered the domain name *www.prince.com* which it employed for e-commerce purposes. The defendant was the owner of the UK registered trade mark "Prince", registered and used for sports equipment and sports shoes. The parties made concurrent use of their respective "Prince" trade marks. When the defendant threatened to institute proceedings against the plaintiff, the latter sought a declaratory order that the defendant's threat constituted an unjustifiable threat, meaning that the threat lacked merit. The court agreed with the plaintiff's submission.²⁴⁷⁶

4.8.6.3. Cybersquatters registering trade mark names as domain names

Next, this study addresses the instance where X registers a domain name (e.g. *www.spoorandfischer.co.za*) which incorporates Z's trade mark name (e.g. "Spoor and Fischer"). The evidence establishes that X, with regard to this particular domain name, engaged in cybersquatting. The question is whether X is guilty of trade mark infringement. A few scenarios are discussed to fully comprehend the legal position.

4.8.6.3.1. No web site created for domain name

Let's assume that X, in the above postulated scenario, merely registered the said

²⁴⁷⁴ See paragraph 4.5.2.4.2 of this chapter.

²⁴⁷⁵ 1998 FSR 21. A copy of this judgment was obtained from Westlaw.

²⁴⁷⁶ 1998 FSR 21:36.

domain name and created no web site for it.

Cybersquatting can be compared to the South African concept of trafficking in trade marks, as defined above.²⁴⁷⁷ It is clear from the above scenario that X merely registered the said domain name to prevent Z from reflecting its business online by using its trade mark name. X could have registered this domain name for one of two reasons: (1) X is Z's business rival and attempts to prevent third parties from finding Z by means of the latter's trade mark name; or (2) X registered the domain name in the hope of compelling Z to pay "ransom" money to obtain this domain address. Both scenarios are discussed simultaneously.

It is clear that X's mark, namely his domain name, is similar to (i.e. nearly resembles) Z's registered trade mark. The first question is whether X uses the mark. It will be remembered that US courts argue as follows: A domain name owner uses the disputed domain name when he prevents Internet users from reaching the plaintiff's web site, by means of the most logic, corresponding domain name, namely www.trademark.com, as well as when he commercially harms the plaintiff by means of his domain name, in the sense that he intercepts Internet users searching for the plaintiff's web site.²⁴⁷⁸ It is submitted that in the above postulated scenario, X uses the mark (i.e. his domain name) in that he prevents Internet users from reaching Z's most logic, corresponding web site. Furthermore, seeing that X is a cybersquatter, he uses the said domain name to "compel" Z to pay "ransom" money in order to obtain the said domain name.

The next question, for the purpose of sections 34(1)(a) and (b), is whether X uses the mark, namely the domain name, in relation to identical or similar goods or services as those for which the mark is registered. Seeing that no web site has been established, it is submitted that X does not use the mark in relation to any goods or services. Therefore, no liability arises in terms of sections 34(1)(a) and (b). The conclusion that X does not use the mark in relation to any goods or services is also fatal for any possible liability in terms of sections 34(1)(c) and 35. Note, further, that the requirement of "in the course of trade", posed by section 34(1), may also cause difficulties. Although it can be said that X's trade is "cybersquatting", namely registering domain names that incorporate third parties' trade mark names with the intent to sell those names to the latter at a profit, and that X "uses" the said mark (i.e. the domain name) in the course of his trade, the Supreme Court of Appeal has noted that "in the

²⁴⁷⁷ See paragraph 4.8.2 of this chapter.

course of trade" refers to trade in the goods or services for which the trade mark is registered.²⁴⁷⁹ Clearly, X is not trading in these goods or services.

Therefore, it can be stated that whenever a cybersquatter registers a domain name, incorporating a third party's trade mark name, but establishes no web site for his domain name, he does not violate any provision of the *Trade Mark Act*.

4.8.6.3.2. Web site contains only hyperlinks and banners

The scenario that must next be addressed is: X's web site, established for the domain name www.spoorandfischer.co.za, only contains hyperlinks and banner-advertisements. Is X guilty of trade mark infringement?

Keeping the submissions made in paragraph 4.8.6.3.1 in mind, it is submitted that X uses a similar mark to (i.e. a mark so nearly resembling) Y's registered trade mark, without authorisation. The first question that arises when determining whether X is liable in terms of sections 34(1)(a) and (b) is whether X uses the mark in relation to identical or similar goods as those goods for which Z's trade mark is registered. Here a distinction must be made between the instance where Z's mark is registered for physical goods and/or services, on the one hand, and the instance where Z's mark is also registered for Internet (i.e. telecommunication) services and/or advertising.²⁴⁸⁰ Where Z's mark is only registered for physical goods, X does not use the said domain name for identical or similar goods or services where the banner advertisement or hyperlink does not relate to these goods or services. However, where Z's mark is registered for Internet services and/or advertising, X uses the domain name for identical or similar goods: The banners and hyperlinks constitute telecommunication services as well as advertising.

Therefore where Z has an Internet and/or advertising service mark, the next question is whether a likelihood of confusion or deception arises. It is quite obvious that the domain name www.spoorandfischer.com is so similar to Z's trade mark that a likelihood of confusion is inevitable. The only remaining question therefore is whether X uses the domain name in the course of trade. The US courts, as indicated above,²⁴⁸¹

²⁴⁷⁸ See e.g. paragraph 2.3.1 of this chapter.

²⁴⁷⁹ See paragraph 4.5.2.1.2 of this chapter.

²⁴⁸⁰ "Advertising" constitutes part of class 35.

²⁴⁸¹ See paragraph 2.3.1 of this chapter.

have an interesting approach to this question. They contend that where someone engages in cybersquatting, his trade is to traffic in domain names. Stated differently, to profit from registering the domain name. It is submitted that the South African courts should follow a similar approach. Therefore, where Z is the proprietor of an Internet and/or advertising service mark, X is guilty of trade mark infringement in terms of either section 34(1)(a) or (b).

Likewise, liability will only follow in terms of section 35 where Z's trade mark is well-known for Internet and/or advertising services in South Africa and/or where the hyperlink or banner advertisement refers to physical goods or services for which Z's trade mark is well-known. Where this is the case, X uses an imitating mark in relation to goods or services for which Z's trade mark is well-known and such use is likely to cause confusion.

Liability in terms of section 34(1)(c) is easier founded, where Z's mark is well-known: X uses a similar mark in the course of trade, without Z's authorisation. The section requires that X must use the mark in relation to any services or goods, which X does: He uses it for advertisements and Internet services. The last requirement is also met namely that X takes unfair advantage of the reputation of Z's trade mark in that he uses a similar mark, namely the disputed domain name, to divert Internet users to his web site. This is also detrimental to the distinctiveness of Z's trade mark in that Internet users cannot use Z's trade mark name to locate his goods or services. Authority for this submission is the UK case of *British Telecommunications plc and another v One In A Million Ltd and others*.²⁴⁸² The respondents were the owners of various registered and well-known trade marks, including "Marks & Spencer". The appellants, cybersquatters, registered various domain names incorporating the respondents' trade mark names, such as www.marksandspencer.com. The respondents did not establish web sites for these domain names. The respondents contended that the appellants were guilty of contravening section 10(1)(3) of the UK *Trade Marks Act*,²⁴⁸³ which corresponds with section 34(1)(c) of the South African *Trade Marks Act*. The Court of

²⁴⁸² 1998 4 ALL ER 476 CA. A copy of this judgment can be downloaded from www.lawcampus.butterworths.com/student/Lev3/weblinked_books/lloyd/dataitem.asp?ID=12522&tid=7.

²⁴⁸³ Act 26/1994. It provides that a "person infringes a registered trade mark if he uses in the course of trade a sign which (a) is identical with or similar to the trade mark, and (b) is used in relation to goods or services which are not similar to those for which the trade mark is registered, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark."

Appeal held that the respondents' conduct threatened to violate this section:

"The appellants seek to sell the domain names which are confusingly similar to registered trade marks. The domain names indicate origin. That is the purpose for which they were registered. Further they will be used in relation to the services provided by the registrant who trades in domain names. [The appellants] also submitted that it had not been established that the contemplated use would take unfair advantage of, or was detrimental to the distinctive character or reputation of the [appellants'] trade marks. He is wrong. The domain names were registered to take advantage of the distinctive character and reputation of the marks. That is unfair and detrimental."²⁴⁸⁴

The court *a quo*'s judgment is more instructive in resolving the question whether such conduct constitutes trade mark infringement.²⁴⁸⁵ The Chancery Division resolved this question as follows:

- (1) The domain name www.marksandspencer.com was similar to the trade mark "Marks & Spencer".
- (2) The defendants' use of the said domain name was to the detriment of the plaintiffs' trade mark repute "if only by damaging the [plaintiffs'] exclusivity".
- (3) The defendants' use of the domain name was in the course of trade: "The use of a trade mark in the course of the business of a professional dealer for the purpose of making domain names more valuable and extracting money from the trade mark owner is a use in the course of trade".

The court *a quo* also held, *obiter*, that the defendants' domain names caused a likelihood of confusion: "The test in this context depends not on the way the sign has been used but on whether a comparison between the sign and the trademark shows an inherent propensity to confuse. There can, as it seems to me, be no doubt that this is the effect of the use by some one else of the domain name *marksandspencer*."

4.8.6.3.3. Web site contains no *bona fide* information

Next, the scenario must be addressed where X registered the domain name www.spoorandfischer.co.za and established no *bona fide* web site for this domain name. For example, the web site contains only a few words about Z. It is not a fan web

²⁴⁸⁴ 499b-c.

²⁴⁸⁵ *Marks and Spencer plc and others v One in a million and others* 1998 FSR 265 ChD. A copy of this judgment can be downloaded from www.io.io/news281197.html.

site.

With regard to liability in terms of section 34(1)(a) and (b), it is submitted that X uses a similar mark, in the course of trade, without authorisation. Once more, the problem arises whether X uses the mark for identical or similar goods or services as those for which the trade mark are registered. The submissions made in paragraph 4.8.6.3.2 apply *mutatis mutandis* to this scenario. Only when Z has a service mark for Internet services, will X be using his mark for identical or similar services, namely displaying information on the Internet. Where Z has such a service trade mark, the question of a likelihood of confusion or deception is straightforward. See the submissions made in the previous paragraph. See also the previous paragraph with regard to the question whether X uses the said domain name in the course of trade.

With regard to liability in terms of section 34(1)(c), only two requirements have to be addressed namely (1) the mark must be used in relation to any goods or services and (2) X's mark must take unfair advantage of, or be detrimental to, the reputation or distinctiveness of Z's trade mark. With regard to (1), it can be argued that X uses his mark (i.e. the domain name) for Internet services: He displays information by means of his web site. With regard to (2), it is submitted that X's mark is detrimental to Z's trade mark in that Internet users searching for products or services relating to Z's trade mark cannot find it by using Z's trade mark name.

4.8.6.4. Typosquatters registering confusingly similar domain names

Next, the scenario must be addressed where a typosquatter registers a confusingly similar domain name to Z's trade mark name. An example is where Z is the proprietor of the registered trade mark "Spoor and Fischer" and X registers the domain name www.spoorandfischer.co.za or www.spgrandfischer.com. The question is whether X is guilty of trade mark infringement. This question will have to be answered with reference to the facts of each scenario. For a detailed discussion of the relevant legal considerations, see the remarks made in paragraphs 4.8.6.3.1, 4.8.6.3.2 and 4.8.6.3.3. Only certain requirements for trade mark infringement are addressed here.

With regard to liability in terms of section 34(1)(a) and (b), the question is whether X uses his similar mark in relation to identical or similar goods or services as those goods and/or services for which Z's trade mark is registered. Where X maintains no

web site for his confusingly similar domain name,²⁴⁸⁶ it is submitted that X does not use a mark for any goods or services. Therefore liability does not arise. Where X does maintain a web site for this domain name, and such web site only contains hyperlinks and banners or a few words on Z's business or products, the question in each instance is whether Z has a trade mark for advertisements and/or Internet services and/or whether the banners and hyperlinks refer to goods or services for which Z's trade mark is registered or which are similar to these goods or services. If not, X does not use his mark for identical or similar goods or services.

With regard to liability in terms of section 34(1)(c), the question is whether X uses his confusingly similar mark in relation to any performance. Again it is submitted that where X does not maintain any web site for this domain name, he does not use the mark for any goods or services. It is similar to registering a trade mark and thereafter not using the trade mark. Where X does, however, create a web site for his domain name and such web site contains any kind of information or where it contains only banners and hyperlinks, X uses the mark for Internet services. In this scenario, X's similar mark takes unfair advantage of Z's trade mark reputation in that he diverts unsuspecting Internet users, searching for Z's online presence, to his own web site, when these users make a typing mistake by misspelling Z's trade mark name.

²⁴⁸⁶ *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* 1980 2 SA 254 W is authority for the submission that the domain names www.sporandfischer.co.za and www.spoorandfiscer.com are confusingly similar to the registered trade mark "Spoor and Fischer". In the *Roamer* case the applicants were the proprietors of the well-known trade mark "Roamer", registered for and applied to watches. The respondents commenced selling watches with the marks "Roma" and "Roamex". The applicants alleged that the respondents were guilty of trade mark infringement. The court held (at 265H-266A) that "the virtual identicalness in pronunciation of the words 'Roamer' and 'Roma', and the similarity of sound and appearance of the words 'Roamer' and 'Roamex' are such as to meet the requirement of likelihood of deception or confusion". See also *Robertsons (Pty) Ltd v Pfizer South Africa (Pty) Ltd* 1967 3 SA 12 T where the applicant was the owner of the registered trade mark "Dyroach" for insecticide. The respondent subsequently commenced using the mark "Pyroach" for insecticide. The applicant alleged that the respondent was guilty of trade mark infringement. The court was of the opinion that the respondent was guilty of trade mark infringement in that a likelihood of confusion existed: "Dyroach has an ideological content in that it implies death to roaches. That idea is not so clearly implied by Pyroach, but the similarity in spelling and sound is so close that the ideological difference is overwhelmed. When both substances are advertised as deadly to cockroaches I regard it as quite inevitable that the buying public will be confused." (At 15A)

4.8.6.5. Competitors registering identical or confusingly similar domain names

Next, the scenario will be addressed where X, a business rival of Z, registers an identical or similar domain name to Z's trade mark. Z is the proprietor of the trade mark "Spoor and Fischer", registered and used for legal advice. X registers either the domain name www.spoorandfischer.co.za, www.sporandfiscer.co.za or www.fischerspoor.co.za. The question is whether X commits trade mark infringement. A detailed exposition of the relevant legal principles has been set out above.²⁴⁸⁷

The only new scenario that merits consideration here is where X uses his mark (the domain name) to advertise, sell or promote his competing products. In this instance X uses his similar mark,²⁴⁸⁸ without authorisation, in the course of trade for identical (or at least similar) services or goods, which will cause a likelihood of confusion or deception: If one compares these domain names to Z's trade mark name, it is clear that X's marks so nearly resemble, or are so similar to, Z's trade mark that a likelihood of confusion as to the origin of the performance and/or connection between X and Z will arise. Therefore, Z violates the provisions of either section 34(1)(a) or (b).

It can further be argued, where Z's trade mark is well-known in South Africa, that X is taking unfair advantage of the reputation of Z's mark in that he uses this mark to divert Internet users to his web site. He is also acting to the detriment of the distinctiveness of Z's trade mark in that Internet users cannot find what they are looking for by means

²⁴⁸⁷ See paragraphs 4.8.6.3.1, 4.8.6.3.2 & 4.8.6.3.3 of this chapter.

²⁴⁸⁸ *Glenton & Mitchell v Keshavjee & Sons* 1918 TPD 263 is authority for the submission that www.fischerspoor.co.za is (confusingly) similar to the registered trade mark "Spoor and Fischer". In the *Glenton* case the applicant was the owner of the trade mark "Joko", registered and used for selling tea. The respondents, business rivals, subsequently used the mark "Kojo" to sell its tea. The question arose whether the respondent was guilty of trade mark infringement. The court answered this question as follows: "When I ask myself why it was that the person who made up 'Kojo' tea adopted the word 'Kojo,' it seems to me I can come to no other conclusion that he adopted the name because the word 'Joko' was already in the market. Of all the letters and words in the English or any other language available why the respondents should choose a word composed of those four letters with only the two consonants transposed it is difficult to say, unless it is that they wanted to appropriate to themselves the trade which had already accumulated around the tea business carried on under the name of 'Joko.' I cannot conceive any other reason ... I think it is calculated to deceive ... there are only four letters in the word, and the respondents use a name which merely transposes the order of the letters leaving the sound very much the same. For these reasons I think the respondents' packets are calculated to deceive." (At 266-267)

of Z's trade mark name. With regard to the misspelled domain names, see the submissions made in paragraph 4.8.6.4 of this chapter.

Note should be taken of the case *Safari Surf Shop CC v Heavywater & Others*.²⁴⁸⁹ The applicant was the proprietor of a trade mark consisting of the word "Spider", registered and used for surfboards. The respondent used a depiction of a spider on its competing surfboards. The applicant contended that the respondent infringed section 34(1)(a). The court held that there was no logical reason why the use of a device could not constitute an infringement of a trade mark consisting of a word.²⁴⁹⁰ The court continued to state that the respondent's device, namely the picture, so nearly resembled the applicant's trade mark that it was likely to deceive or cause confusion.²⁴⁹¹

Keeping this judgment in mind, it is submitted that where X is the proprietor of a trade mark consisting of a depiction of a spider, registered and used for surfboards, and Y, a business competitor, registers the domain name www.spidersurfboards.co.za which he uses to sell competing goods or where he advertises his competing goods, he uses a mark, namely the domain name, which so nearly resembles X's trade mark that it is likely to cause confusion or deception.²⁴⁹² Furthermore, such use is in the course of trade in respect of identical goods as the goods for which X's trade mark is registered.

4.8.6.6. Fan web sites

One scenario that still has to be dealt with under the heading of registering identical or confusingly similar domain names is the instance where a patron of a particular business or product registers a domain name consisting of the business' or product's trade mark name. He then establishes a web site for this domain name where he praises the products and/or business.

Although not quite relevant this enquiry, the following scenario sufficiently illustrates the dilemma: "FIFA" is the registered trade mark of the *Federation Internationale De*

²⁴⁸⁹ 1996 1 ALL SA 316 D.

²⁴⁹⁰ 1996 1 ALL SA 316 D:325i.

²⁴⁹¹ 1996 1 ALL SA 316 D:326f. At 326f-g the court stated: "[I]n comparing the respondent's mark with the applicant's mark, in order to decide whether the average type of customer wishing to purchase a surfboard would probably be confused or deceived, the marks must be compared 'with reference to the sense, sound and appearance of the marks'. The respondents' device of a spider, whether alone or within an oval shape, conveys in sense (or meaning), sound and appearance nothing but a spider."

Football (hereafter referred to as "FIFA CORP"), which is the organisation responsible for organising soccer world cup tournaments. The question is: Is X, an extreme soccer fan, guilty of trade mark infringement if he registers the domain name *www.fifa.co.za*? X uses the web site established for this particular domain name to disseminate information concerning world cup soccer. It is a dedicated, *bona fide* soccer fan club web site.

It should be clear from the above that X does not contravene either section 34(1)(a), (b) or (c) in that he does not use his mark (i.e. his domain name incorporating the registered trade mark's name) in the course of trade. It is simply a fan web site – X's hobby. A problem arises when X includes advertisement banners on his *bona fide* dedicated fan web site. Third parties, therefore, pay X for every Internet user that clicks on one of their banners posted on his web site. Hence, X derives an income from this web site. The question is whether this fact influences the previous submission concerning the element of "in the course of trade". It is clear that X does not sell goods by means of this web site. However, he does sell a particular service, namely he sells advertisement spaces on his web pages. Even though this is a *bona fide* fan web site, his trade is to sell advertisement spaces and he uses his particular domain name to advance his sales. Therefore, it is submitted that where X allows third parties to post their advertisement banners on his web site, *from which he derives an income*, he uses the mark (i.e. the domain name) in the course of trade.

In that instance, it is clear that X uses the mark in relation to goods and/or services for which the trade mark is registered, namely the sport soccer which constitutes entertainment.²⁴⁹³ It is also submitted that a likelihood of confusion arises in that Internet users will be confused about the connection between this mark (the domain name) and FIFA CORP or they will be confused as to the origin of this domain name (i.e. the offending mark). It should be kept in mind that even if X states prominently on his web pages that he is in no way connected with FIFA CORP, this is an irrelevant fact for trade mark infringement proceedings.²⁴⁹⁴ His domain name therefore causes initial confusion.²⁴⁹⁵ Therefore, where X sells advertisement spaces on the web site, established for the domain name in question, he contravenes section 34(1)(a) or (b).

²⁴⁹² See also *United Tobacco Companies Ltd v Standard Tobacco Manufacturing Co* 1912 NLR 660:665.

²⁴⁹³ See class 41 which includes "entertainment, sporting and cultural activities".

²⁴⁹⁴ See paragraph 4.5.2.1.4 of this chapter.

²⁴⁹⁵ See paragraph 4.5.2.1.4 of this chapter.

It is further submitted that where X sells advertisement spaces on his web pages, he contravenes section 34(1)(c) in that he takes unfair advantage of the reputation of the FIFA trade mark to draw Internet users to his web site, from which he derives an income. As submitted above, he uses the web site established for the disputed domain name for Internet services.

However, section 35 plays an important role here in that it does not require that an identical or similar mark has to be used in the course of trade. It merely states that the trade mark proprietor of a well-known trade mark can prevent a third party from using a mark which is identical or similar to his mark, in relation to identical or similar goods and/or services for which his foreign trade mark is well-known, where such use is likely to cause confusion or deception. All the requirements are present in this scenario, even where X does not sell advertisement space on his web pages: X -

- uses, by incorporating the trade mark name in his domain name,
- a confusingly similar mark, namely his domain name,
- to a well-known foreign trade mark (the FIFA trade mark),
- in relation to the performance for which the trade mark is well-known (namely soccer which constitutes entertainment),
- and the use of the offending mark is likely to cause confusion or deception: The average Internet user will think that X's mark (www.fifa.co.za) is in some way linked to FIFA CORP's well-known trade mark (FIFA).

4.8.7. Registering a trade mark name plus a prefix or suffix as a domain name

The effect of registering a domain name, consisting of a third party's trade mark name plus a suffix or a prefix, must also be ascertained.

In *Bata Ltd v Face Fashions CC and Another*²⁴⁹⁶ the appellant was the proprietor of the trade mark "Power", registered and used for clothing and shoes. The respondent sold shirts bearing the name "Powerhouse". The appellant contended that the respondent contravened section 34(1)(a). In particular, the appellant alleged that the common element in both marks, the word "Power", was likely to cause confusion. The Supreme Court of Appeal posed the problem as follows: "What has to be considered, therefore, is whether the notional customer of average intelligence, viewing the marks as a whole

²⁴⁹⁶ 2001 1 SA 844 SCA.

or looking at the dominant features of each mark, is likely to be confused or deceived into believing that clothing bearing the words 'Power House' have a connection in the course of trade with the 'Power' trade mark."²⁴⁹⁷

The court answered this question by stating that "the common element of the appellant's and the first respondent's marks is of minor significance when the marks are looked at as a whole. It is not possible to ignore the word 'House' in the first respondent's mark. I have considerable difficulty in imagining that the notional purchaser of the first respondent's clothing would focus attention only on the word 'Power'. The word 'House' is as significant as the word 'Power' and the two words used together sufficiently distinguish the first respondent's clothing from that of the appellant ... The result is the same whether the two marks are viewed side by side or in the marketplace where clothing is sold. The overall impression which is created is that the marks do not resemble each other closely and the average customer would not be confused or deceived into believing that clothing bearing the 'Power House' mark is clothing made or sold by the appellant. Accordingly it has not been established that the marks resemble each other so closely that deception or confusion is likely to arise. The appellant's contentions based on s 34(1)(a) must therefore fail."²⁴⁹⁸

The court further stated that the law did not allow the appellant to have a monopoly to use the word "Power" on clothing.²⁴⁹⁹ Finally, the court noted that the respondent's trade mark "Powerhouse" was not similar to the appellant's trade mark "Power",²⁵⁰⁰ and therefore no liability arose in terms of section 34(1)(b) and (c).

It can, therefore, be stated that it is always a question of fact whether the prefix or suffix in B's domain name adequately distinguishes his domain name from A's trade mark name.²⁵⁰¹ Where the parties' trade marks have the same dominant root, confusion is more likely to occur.²⁵⁰²

²⁴⁹⁷ 2001 1 SA 844 SCA:850I-J.

²⁴⁹⁸ 2001 1 SA 844 SCA:851A-D.

²⁴⁹⁹ 2001 1 SA 844 SCA:850H.

²⁵⁰⁰ The court held that "[t]he first respondent's mark might possibly be regarded as having a slight or superficial resemblance to those of the appellant but the likeness between the two is not sufficiently close or marked to enable this Court to hold that they are similar for the purposes of s 34(1)(c)." (At 852D-E)

²⁵⁰¹ This corresponds with US law. See paragraphs 2.2.3.6.1.2.1, 2.2.3.6.1.2.2, 2.2.3.6.1.2.3 & 2.2.3.6.1.3 of this chapter.

²⁵⁰² In *Juvena Produits De Beaute SA v BLP Import and Export* 1980 3 SA 210 T the applicant was the owner of the well-known trade marks "Juvena", "Juvenia" and "Juvenance", registered for toiletries. The

4.8.8. Using a third party's trade mark as a metatag

Under this heading various scenarios are scrutinised in order to determine whether X is guilty of trade mark infringement where he employs Y's trade mark name as a metatag for his web pages. The general purpose and functioning of metatags have been discussed earlier,²⁵⁰³ and are therefore not repeated.

4.8.8.1. Distributors, sellers and service providers using third parties' trade mark names as metatags

The scenario that is now addressed is where B, a computer store owner, sells

respondent, a business competitor, commenced using the word "Rejuven" also for toiletries. The applicant contended that the respondent was guilty of trade mark infringement. The court approached the problem as follows: "[T]he dominant feature of the [applicant's trade marks] is the root 'Juven' ... The word 'Rejuven' has, to my mind, the very same dominant root. The prefix 'Re' to respondent's name does nothing to remove this dominating root. Visually, the resemblance is a striking one. Place them side by side and you are immediately struck by the letters 'Juven', common to both. As regards the sound, this would largely be a matter of individual preference ... I am in agreement with counsel's submission that this prefix, as the suffix '-a-' in 'Juvena' are by comparison with the 'Juven' insignificant and, correspondingly, plays an insignificant part in the word-building of the respective words ... Furthermore, the prefix 'Re', if it bears any meaning, merely signifies 'again' and, if anything, emphasizes the root word 'Juven' ... there is in my view a clear probability of confusion between the marks 'Juvena' and 'Rejuven' ... The addition of the suffix in the one case, and the prefix in the other, does not in any way lessen the similarity and eliminate confusion between the marks. There is no substantial difference either in appearance or sound in these words, looked at side by side. Postulating the person with an imperfect recollection of the words, the likelihood of confusion becomes more marked. Add to this the series of registered marks owned by applicant, most of which consist of variations of suffixes attached to the same root, and the likelihood of confusion becomes even greater." (At 219E-220F). See also *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 3 SA 623 A where the appellant was the owner of the registered trade mark "Micatex", registered and used for paints. The respondent subsequently commenced using the mark "Micacote" for its paint. It was common cause that both parties' paints contained a substance known as "mica". The appellant contended that the respondent was guilty of trade mark infringement. The Supreme Court of Appeal reasoned that the word "mica" was the dominant part of the two marks and that the parties' suffixes did not leave the same impression as the former word. Consequent, the court said, "a potential customer, with no specialized knowledge in this field and an imperfect recollection of appellant's trade mark, would tend to recall it as 'Mica-something' or 'a word starting with mica'. At any rate, in my view, a substantial number of such customers would probably have this type of recollection ... At the very least, I consider that the resemblance between the marks is sufficient to cause a substantial number of such customers to be confused as to whether or not there was a material connection between respondent's goods, bearing the mark Mikacote, and the proprietor of the Micatex mark." (At 642H-643E)

²⁵⁰³ See paragraph 2.2.4.1 of this chapter.

Microsoft's products and in particular "MS Windows". Microsoft is the proprietor of the trade mark "MS Windows", registered and used for computer software. B uses the phrase "MS Windows" as a metatag for his business' web site. Therefore whenever an Internet user searches, by means of a search engine, for information about Windows, B's web site is included in the list of web sites the search engine produces. The question is whether B is guilty of trade mark infringement. The question whether the fact that the metatag cannot be perceived by the naked eye is relevant to any possible liability was discussed earlier.²⁵⁰⁴

With regard to liability in terms of section 34(1)(c), the following can be stated, provided that Microsoft's trade mark is well-known in South Africa:

- B uses a confusingly similar mark to Microsoft's registered trade mark, by using the trade mark name as a metatag for his business' web site,
- in the course of trade in that he uses the trade mark name for his commercial web site where he either promotes and/or sells the MS Windows product.
- B does not have Microsoft's consent to use the trade mark name in question.
- B uses the trade mark name in relation to goods, namely the MS Windows product, and
- B takes *advantage* of the reputation of the Microsoft trade mark. He uses the Microsoft trade mark name to draw Internet users to his web site. The question arises whether B takes *unfair* advantage of the said trade mark's reputation. It is submitted that this answer must be answered in the negative in that Microsoft suffers no prejudice: B uses the trade mark name to promote and sell genuine Microsoft products. Furthermore, B's use of the Microsoft trade mark name is not to the detriment of the said trade mark's reputation or distinctiveness in that B uses the trade mark name to refer Internet users to a web page that sells genuine Microsoft products.

Therefore it is submitted that no liability arises in terms of section 34(1)(c).

However, the question arises whether B is guilty of trade mark infringement in terms of section 34(1)(a). The first four considerations enumerated above also apply to this enquiry. Consequently, B is *prima facie* liable for trade mark infringement. It is, however, submitted that section 34(2)(b) protects B from liability in that he uses the Microsoft trade mark name to *bona fide* indicate the kind, quality and characteristics of

²⁵⁰⁴ See paragraph 4.8.1.5 of this chapter.

his product, namely that it is a Microsoft Windows product. Using the Microsoft trade mark is the only way that B can inform the public that he sells Microsoft products or a specific Microsoft product. Furthermore, he does not imitate the registered trade mark's logo.

The question also arises whether B contravenes section 35, seeing that the Microsoft trade mark is well-known in South Africa. It is clear from the above that B reproduces the said trade mark and uses it in relation to identical goods for which the Microsoft trade mark is well-known. The only question is whether B *uses* the Microsoft-metatag, the alleged offending mark, in such a manner that he is likely to cause confusion or deception.²⁵⁰⁵ In order to answer this question, the following considerations must be taken into account:

- (1) If only the two marks, namely the "MS Windows" trade mark and the metatag mark, are compared, a likelihood of confusion arises.
- (2) However, it is submitted that B does not *use* the mark in such a manner that he will cause confusion or deception. He only uses the mark in such a manner that when an Internet user searches the Internet, by means of a search engine, for information on the product MS Windows, his web site is displayed amongst the other web sites relevant to this enquiry. Seeing that he sells genuine MS Windows products by means of his web site, he does not cause confusion or deception.

4.8.8.2. Online publishers using third parties' trade mark names as metatags

Does trade mark law allow third parties, other than distributors and resellers,²⁵⁰⁶ to make *bona fide* use of a third party's trade mark name as a metatag? An example is where X writes an article on Playboy magazine. The only way that Internet users can find X's article is for X to use the Playboy trade mark name as a metatag for his web site.

It is submitted that A uses a confusingly similar mark in relation to goods for which the registered mark is registered, without the proprietor's authorisation. It is further clear that where X does not write articles for a living, no liability in terms of sections 34(1)(a), (b) and (c) arises in that A does not use the alleged offending mark in the course of trade. However, where an online newspaper publisher uses the Playboy mark as a

²⁵⁰⁵ See paragraph 4.5.3.3 of this chapter.

²⁵⁰⁶ See the discussion in the previous paragraph.

metatag for one of its articles, it uses the mark in its course of trade, namely selling information online. If that is the case, X contravenes section 34(1)(a) or (b). The effect of section 34(2)(b) is discussed below.

Furthermore, where X uses the metatag as an online news publisher, the question arises, for the purpose of section 34(1)(c), whether X is taking *unfair* advantage of the reputation of the Playboy trade mark. It is submitted that X does take advantage of the above reputation in that he uses the Playboy trade mark name to draw Internet users to his article dealing with the Playboy magazine. However, this cannot be labelled as "unfair". It is submitted that it is fair that X uses this mark as a metatag in order to allow him to inform third parties of his article on the Internet. The second question in this context is whether X uses his confusingly similar mark in such a way that he prejudices the reputation or distinctiveness of the Playboy trade mark. It is submitted that X does not prejudice the distinctiveness of the Playboy trade mark in that he uses the mark, as a metatag, to refer Internet users to his article dealing with the Playboy magazine. Likewise, it is contended that X does not prejudice the reputation of the Playboy trade mark in that he does not use the mark to identify his inferior goods. He is merely writing about the Playboy magazine. The fact that X's article might voice negative comments about the Playboy magazine does not affect the answer. Therefore, it is contended that X does not contravene the provisions of section 34(1)(c).

With regard to possible liability in terms of section 35, the question is whether X *uses* the mark in such a way that he is likely to cause confusion or deception. In this instance, X *uses* the Playboy mark in such a manner that when Internet users search either for information on Playboy Magazine or for Playboy images, X's web site address is listed as a relevant web site. The question arises whether such use causes confusion or deception. It is submitted that X's web site, for which he uses the said metatag, is relevant in that it contains information on Playboy Magazine. Therefore no confusion or deception arises and consequently X does not contravene section 35.

To return to the liability in terms of section 34(1)(a), the question arises whether X's use, as an online publisher, of a confusingly similar mark falls within one of the fair use provisions. The only relevant provision is section 34(2)(b) which provides for "the use by any person of any *bona fide* description or indication of the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of his goods or services, or the mode or time of production of the goods or the rendering of the services". That X *bona fide* uses the Playboy mark as a metatag is beyond

question. The only problematic aspect is whether X indicates, by means of the metatag mark, the characteristics of his *goods or services*. Firstly, it can be stated that a news article does not constitute "goods". However, it is submitted that such article constitutes part of X's online service namely to provide information. It can further be argued that it is a characteristic of X's article that it deals with Playboy magazines. It would therefore appear that X is not liable for trade mark infringement. The *Wet Wet Wet* judgment, discussed earlier,²⁵⁰⁷ supports this submission. Even if this argument is incorrect, X's use of the trade mark name as a metatag is protected by his constitutional right to freedom of expression in that he uses the metatag mark as part of his communicative message, namely news reporting.²⁵⁰⁸

4.8.8.3. Web site operators and the right to criticise others

The question must be addressed whether a web site operator (hereafter referred to as "A") is allowed to use another's trade mark name (e.g. "Microsoft") as a metatag for his web site where he voices criticism against the other.

For the purpose of determining liability in terms of section 34(1)(a) it can be stated that A uses a confusingly similar mark without the trade mark proprietor's authorisation. Where A criticises Microsoft products, he uses the offending mark in relation to goods for which the third party's mark is registered. However it is clear that A does not use the mark in the course of trade. Therefore, no liability in terms of section 34(1)(a) arises. Seeing that A does not use the "offending" mark in the course of trade, no liability arises in terms of section 34(1)(c).

For the purpose of determining liability in terms of section 35, it can be stated that A uses a mark that reproduces the third party's well-known foreign mark. It can further be argued that where A criticises the third party's products, he uses the offending mark in relation to goods for which the third party's trade mark is well-known. The final question is whether A uses his offending mark in such a way that it is likely to cause confusion or deception. It is submitted that this question must be answered in the negative: A uses his metatag-mark in such a manner that when Internet users search for information on Microsoft or Microsoft products, his web site address is displayed amongst the list of relevant web sites. Seeing that A's web site contains information on

²⁵⁰⁷ See *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburg) Ltd* discussed in paragraph 4.5.2.4.2 of this chapter.

²⁵⁰⁸ See paragraphs 2.1.7.2, 4.5.2.1.5.2.2 and 4.5.2.3.6.1.2 of this chapter.

a particular Microsoft product, although in the form of negative comments, no confusion or deception arises.

Even if this contention is wrong, A's conduct is protected by his constitutional right to freedom of expression in that he uses the metatag as part of his communicative message, namely to criticise Microsoft and/or its products.²⁵⁰⁹

4.8.8.4. Using a third party's trade mark name to describe oneself

The question arises whether the Act allows one to use a third party's trade mark name as a metatag for one's web site in order to describe oneself. One immediately thinks of *Playboy Enterprises v Welles*,²⁵¹⁰ where the respondent was a former Playboy "Playmate of the Year". She established her own web site where she sold pornographic images of herself. She used the appellant's "Playboy" and "Playmate of the Year" trade marks as metatags for her web site. The appellant alleged that she committed trade mark infringement and dilution. The court was of the opinion that she was permitted by the US fair use provision to use these marks in that they described her performance.

It is submitted that, in a South African context, Welles would have contravened section 34(1)(a) in that she used confusingly similar marks (the "Playboy" and "Playmate of the Year" marks), without authorisation, in the course of trade: She used the web site for commercial purposes. Furthermore, she used the offending mark for selling competing pornographic photos. Therefore, *prima facie* liability is present.

Furthermore, Welles would also have contravened section 34(1)(c) in that she used, without authorisation and in the course of trade, similar marks, in relation to her pornographic images, in such a way that she took advantage of Playboy's trade marks to promote her web site, without paying any royalties. However, it is difficult to say whether a court would find that she took *unfair* advantage of the Playboy trade mark seeing that she was a former Playboy Playmate of the Year. However, as explained below, such liability is neutralised by section 34(2)(b) as well as by the constitutional right to freedom of expression.

It is submitted that the *prima facie* liability in terms of sections 34(1)(a) and (c) would

²⁵⁰⁹ See paragraphs 2.1.7.2, 4.5.2.1.5.2.2 and 4.5.2.3.6.1.2 of this chapter.

²⁵¹⁰ See paragraph 2.2.4.2.1 of this chapter.

be ousted by the fair use provision contained in section 34(2)(b) in that Welles *bona fide* used the Playboy trade marks to identify the characteristics of her online services, namely the nude photographs, by informing the Internet community that she was a former Playboy Playmate of the Year.

With regard to section 35, it can be stated that Welles' metatag-marks reproduced the well-known Playboy trade marks and that she used them in relation to goods for which these marks are well-known, namely pornographic photos. The only question, therefore, is whether she *used* them in such a manner that she was likely to cause confusion or deception. It is uncertain whether a court would answer this question in the affirmative. One possible argument is that when an Internet user uses the term "Playboy" or the phrase "Playboy of the Year" as a search term, he expects to find Playboy dedicated web sites, referring to web sites that sell Playboy photos or that discuss the entity Playboy Enterprises or the magazine Playboy. Whether he expects to find a web site such as Welles' web site, is difficult to say.²⁵¹¹

However, it submitted that that Welles' constitutional right to freedom of expression protects her use of the Playboy trade marks. As indicated above,²⁵¹² one has to determine whether Welles uses these marks as source identifiers or whether she uses them as part of her communicative message. It is submitted that Welles does not use the Playboy marks to indicate the source of her photographic images, but instead uses them to describe herself and her performance and therefore as part of the message she conveys namely that she is a former Playmate of the Year. Therefore, it is submitted that X cannot be held liable in terms of section 35.

4.8.8.5. Cybersquatters using third parties' trade mark names as metatags

The question that must be answered next is whether cybersquatters who use trade mark names as metatags for their own web sites are guilty of trade mark infringement. For example, X, a cybersquatter, registers the domain name www.microsoft.co.za. He also uses the words "Microsoft" and "Microsoft South Africa" as metatags for the web site that he established for this particular domain name. The aforementioned web site contains hyperlinks and advertisement-banners.

²⁵¹¹ The fact that Welles' web site would dispel any initial confusion caused by the use of the said metatags is irrelevant in that such fact constitutes an extraneous factor which is irrelevant to the trade mark infringement enquiry. See paragraph 4.5.2.1.4 of this chapter.

²⁵¹² See paragraph 2.1.7.2 of this chapter.

It is submitted that X uses, without authorisation, a confusingly similar metatag-mark for his web pages. Unless the Microsoft mark is also registered for Internet services and/or advertising, X does not use the offending marks in relation to goods or services for which Microsoft's mark is registered. Therefore no liability exists in terms of section 34(1)(a).

With regard to possible liability in terms of section 34(1)(c), it is submitted that X uses similar marks, without Microsoft's authorisation, in the course of trade in that his trade is to sell the domain name, to which the metatag draws Internet users, either to Microsoft or to someone else interested in this domain name. Seeing that X established a web site containing hyperlinks and banners, he uses these marks for Internet services. It can further be argued that he uses these trade mark names to gain an unfair advantage in that he uses these marks to draw Internet users to his web site. Therefore, X contravenes section 34(1)(c).

With regard to possible liability in terms of section 35, it can be argued that X's marks imitate Microsoft's trade marks. The first question that arises is whether the Microsoft trade mark is well-known for Internet services such as web sites. This is a question of fact. Assuming that this is the case, the second question is whether X uses his metatag marks in such a way that he is likely to cause confusion or deception as to source or connection between his performance and Microsoft. It is submitted that this question must be answered in the positive: X uses his metatag marks in such a way that when Internet users search, by means of a search engine, for information on Microsoft products, X's web site address is displayed as a relevant hit. Seeing that X's web site does not contain any *bona fide* information on Microsoft and/or Microsoft products, he causes confusion and/or deception.

4.8.8.6. Competitors using third parties' trade mark names as metatags

The question of who constitute "competitors" for the purpose of the Internet is discussed elsewhere in this study.²⁵¹³ The question that must be addressed here is: When X uses one or more of Y's registered trade mark names as metatags for his competing web site, is he guilty of trade mark infringement? X and Y are business competitors. Two scenarios must be addressed, namely (1) where X merely includes

²⁵¹³ See paragraph 3.4.1.1 of chapter 5.

these metatags to divert Internet users to his web site; and (2) where X uses these metatags for a web page where he compares his performance with Y's performance.

With regard to scenario (1), it is submitted that X is guilty of trade mark infringement in terms of sections 34(1)(a) or (b): He uses a confusingly similar mark, by employing Y's trade mark name as a metatag for his own web site, without authorisation in the course of trade, in that he uses the metatag mark for his business' web site which he uses for commercial purposes, and he further uses the mark in relation to identical or similar goods or services as the goods or services for which Y's trade mark is registered. Furthermore, X contravenes section 34(1)(c) in that he uses a confusingly similar mark, without authorisation, in the course of trade in relation to the goods or services that he sells or advertises by means of his web site and he takes unfair advantage of Y's trade mark reputation in that he lures Internet users to his web site by using Y's trade mark name. In addition, he dilutes the distinctiveness of Y's trade mark in that he uses this trade mark to divert Y's potential Internet consumers to his competing web site. It can further be contended that X contravenes section 35 in that he uses an imitation of Y's well-known trade mark in relation to goods or services for which Y's trade mark is well-known, seeing that X and Y are competitors, and furthermore causes confusion or deception by using Y's trade mark name as his metatag in that Internet users searching, by means of a search engine, for information on Y's products will see X's web site address in the relevant hit list, thinking that his web site contains information on Y's product.

With regard to scenario (2), the following facts must be added: X uses the following phrase as his metatags: "Compare Playboy to Hustler". It is of no relevance whether X is the trade mark proprietor of "Playboy" or "Hustler" or whether Y is the proprietor of "Hustler" or "Playboy". Both are registered, well-known trade marks.

According to the Act, X does not contravene section 34(1) or section 35 in that he does not use an identical mark or a mark that is similar to Y's trade mark. It is submitted that the mark "Compare Playboy to Hustler" is not similar to the registered trade mark "Playboy®". Furthermore, X's constitutional right to freedom of expression, in particular his constitutional right to freedom of commercial speech, as enshrined in section 16 of the *Constitution*, protects his use of the metatag-mark in that he uses the metatag-mark as part of his communicative message namely to *bona fide* compare his

performance with Y's performance.²⁵¹⁴

4.8.9. Using a third party's trade mark name in one's e-mail address

The question arises whether the defendant is guilty of trade mark infringement where he uses an e-mail address incorporating a third party's trade mark name. An example is where X is the proprietor of the trade mark "Playboy" and B uses the e-mail address "playboy@southafricangirls.co.za". B uses the web site, established for the domain name www.SouthAfricanGirls.co.za, to sell pornographic images. B states, on his web site, that all enquiries must be addressed to the aforementioned e-mail address.

With regard to section 34(1)(a) it is submitted that B uses his mark in the course of trade, without X's authorisation. The first question is whether B uses a mark so nearly resembling X's trade mark that a likelihood of confusion or deception arises. US courts maintain that a likelihood of consumer confusion as to the origin and/or sponsorship of B's performance is present in such circumstances.²⁵¹⁵ It is submitted that when the average Internet user sees this e-mail address he will think that B is in some way affiliated with, or associated with, or sponsored by, B. This, of course, meets the requirement of a likelihood of confusion and/or deception. It is also submitted that B uses this mark in relation to services identical to those for which X's trade mark is registered, namely entertainment.

It is further submitted that B contravenes section 34(1)(c) in that he uses a similar mark, which has a marked resemblance to X's trade mark name, in the course of trade without the trade mark proprietor's authorisation. Furthermore, it is submitted, B takes unfair advantage of X's trade mark reputation by associating his performance with X's performance. Furthermore, B dilutes X's trade mark reputation and where his performance is, for example, of inferior quality, B also tarnishes X's trade mark reputation.

It is further submitted that B contravenes section 35 in that he uses a similar mark in relation to the services for which X's foreign trade mark is well-known and such use is likely to cause confusion and/or deception, as explained above.

²⁵¹⁴ See further paragraph 2.1.7.2 of this chapter.

²⁵¹⁵ See paragraph 2.2.2 of this chapter.

4.8.10. Forging one's e-mail address

The effect of forging (spoofing) one's e-mail address must also be ascertained.²⁵¹⁶ A typical example of spoofing is where Z sends spam e-mail to thousands or millions of Internet users, altering his own e-mail address to appear as if the e-mail message was sent from a well-known (Internet) entity. For example, Z forges his own e-mail address to appear as "management@microsoft.co.za". By means of these messages Z promotes his pornography web site established for a different domain name. Y is the proprietor of the registered trade mark "Microsoft", registered for computer software and hardware devices such as joysticks. The question is whether Z is guilty of trade mark infringement.

In these circumstances, Z does not contravene sections 34(1)(a) or (b) in that he does not use his mark (the forged e-mail message address) in relation to goods or services which are identical or similar to the goods and services for which Y's trade mark is registered. Where Y's trade mark is registered for Internet services, it could be argued that Z uses a mark ("management@microsoft.co.za") so nearly resembling Y's mark ("Microsoft") that confusion or deception is likely to arise. It is submitted that when the average Internet user sees Z's e-mail address he is likely to think that the e-mail comes from Y.

With regard to section 34(1)(c) it can be argued that Z uses a similar mark, as explained above, in the course of trade without Y's authorisation. It can further be argued that Z takes unfair advantage of Y's trade mark reputation in that he draws Internet users' attention to his messages by using a third party's well-known trade mark. Furthermore Z will in most instances tarnish Y's trade mark reputation where he uses the latter's trade mark for his spam e-mail messages in that most Internet users despise spam e-mail messages.²⁵¹⁷

It is also submitted that Z contravenes section 35, assuming that Y's trade mark constitutes a "foreign" trade mark and that Y's trade mark is well-known for entertainment services, in that he uses a similar mark in relation to services for which Y's trade mark is well-known, and such use is likely to cause confusion or deception, as explained above.

²⁵¹⁶ Spoofing was discussed in paragraph 2.2.2 of this chapter.

²⁵¹⁷ See paragraph 2.2.2 of this chapter.

4.8.11. Keyword banner advertisements

4.8.11.1. Using a third party's trade mark name for keyword banner advertisements

Where A uses B's trade mark name for the purpose of a keyword banner advertisement, is A guilty of trade mark infringement? Two scenarios come to mind:

- a) Where A pays the entity responsible for the particular search engine (e.g. Google²⁵¹⁸) to display his banner, which includes his trade mark, when an Internet user employs another business' (B's) trade mark name as a search term. For example, when an Internet user uses "nike" as a search term, a "Reebok" advertisement is displayed.
- b) Where A pays the entity responsible for the particular search engine (e.g. Google) to display his banner, which does not include his business' name or trade mark name, when an Internet user employs another business' (B's) trade mark name as a search term. For instance, when an Internet user employs "nike" as a search term, a banner is displayed, stating: "For the cheapest running shoes, click here!" When the user clicks on this banner, he is transported to Reebok's web site.

Both scenarios are dealt with together. The problematic issue is whether A *uses a mark*. As noted above, the banner displayed on the search engine's search result list does not include either an identical or a confusingly similar mark to B's trade mark. All that A did was to use B's trade mark name as a keyword, which the search engine uses. It is submitted that this scenario can be compared to the instance where X uses Y's trade mark name as a metatag for his own web site. By using B's trade mark name as a keyword, which the search engine uses to display his banner whenever an Internet user employs B's trade mark name as a search term, A uses a confusingly similar mark, namely the keyword consisting of B's trade mark name.

It is further clear that A uses the similar mark without B's authorisation. It can further be argued that A uses the offending mark in the course of trade in that he uses this mark in an attempt to boost Internet visitors to his commercial web site. Furthermore, seeing that A and B are business rivals, A uses the mark in relation to identical or similar goods as those goods for which B's mark is registered. Therefore, A contravenes either section 34(1)(a) or section 34(1)(b). It further clear that he also contravenes

²⁵¹⁸ www.google.com.

section 34(1)(c) in that he takes unfair advantage of the reputation of B's trade mark: He uses B's trade mark name as a keyword so that third parties (Internet users) can find his competing business. Stated differently, in both instances a potential shopper who originally looked either for information on Nike shoes or who looked for an Internet business selling Nike shoes, was drawn away from Nike's web site or a South African affiliate's web site and ended up browsing the web site of its competitor Reebok.²⁵¹⁹

The next question is whether A infringes section 35. It is submitted that A uses a confusingly similar mark, without the necessary authorization, in relation to goods for which B's foreign trade mark is well-known in South Africa, namely shoes. The only question is whether he uses the mark in such a manner that he is likely to cause confusion or deception. As noted above,²⁵²⁰ one cannot simply compare A's trade mark and B's keyword-mark. The question is whether B uses his mark in such a manner that a likelihood of confusion or deception will arise. It is submitted that no such likelihood of confusion or deception arises in that the result of A's use of B's trade mark name, as a keyword, is that a banner advertisement is displayed, which advert does not cause confusion or deception. Consequently, it is submitted that A does not contravene section 35.

It is submitted that no statutory fair use defence saves A from liability in terms of section 34(1). The sole remaining question is whether A's constitutional right to freedom of expression, which includes the right to freedom of commercial speech, justifies A's use of B's trade mark name. It can firstly be stated that A uses B's trade mark name as part of his commercial speech in that he uses the latter's mark to draw Internet users to his commercial web site. Therefore, the real question is whether sections 34(1) and 35 impose limitations upon A's constitutional right, as entrenched in section 16 of the *Constitution*, that can be justified in terms of section 36 of the *Constitution*. It is submitted that the *Trade Marks Act* imposes justifiable limitations in that it is not necessary for A to use B's trade mark name as a keyword for his banner advertisement. A can simply use the term "shoes" as a keyword. Should A wish to draw Internet users to his web site where he compares his shoes with B's Nike shoes, it is submitted that he is permitted to use the phrase "compare Reebok with Nike", or *vice versa*, so that when an Internet user uses the phrase "compare Reebok with Nike", or *vice versa*, as a search query, his advert banner will be displayed. Such

²⁵¹⁹ See Polak *et al* 2000.

²⁵²⁰ See paragraph 4.5.3.3 of this chapter.

phrase is protected by A's constitutional right to freedom of expression in that he uses the trade mark name as part of his communicative message, namely comparison of his performance with B's performance.²⁵²¹

4.8.11.2. Is the search engine operator liable for trade mark infringement?

The final question that has to be addressed in connection with keyword banner advertisements is whether the search engine operator (hereafter referred to as "Z") is liable for trade mark infringements committed by the web site operators who instructed his search engine to use third parties' trade mark names as keywords for their advertisement banners.

It is submitted that no liability in terms of sections 34(1)(a), (b) or (c) or section 35 arises in that Z does not use the offending marks. He simply provides the means, namely the facilities, for making it easier for Internet users to find web sites they are looking for and simultaneously making it easier for web site owners to ensure that their web sites are found. The said web site owners use these marks, not the search engine operator. Contributory liability also does not arise in this context in that the search engine operator does not aid, abet or instigate the infringements of relevant trade marks

The case of *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another*²⁵²² is of some assistance. The applicant was the owner of various registered trade marks, used and registered for pharmaceutical drugs. The respondent marketed a computer system which allowed the user (namely a pharmacist) to key in the name of one of the applicant's trade mark names and the computer would subsequently display the applicant's products as well as alternative equivalent products. The applicant contended that the respondent was guilty of trade mark infringement "in that its conduct constituted unauthorised use in the course of trade of the applicant's trade marks otherwise than as trade marks and in that such use was likely to cause injury or prejudice to the applicant."²⁵²³ The applicant

²⁵²¹ See paragraph 4.8.8.6 of this chapter.

²⁵²² 1992 2 SA 213 W.

²⁵²³ 1992 2 SA 213 W:218C. The applicant instituted trade mark proceedings in terms of s 44(1)(b) of the 1963 *Trade Marks Act* which stipulated that "the rights acquired by registration of a trade mark shall be infringed by ... unauthorised use in the course of trade, otherwise than as a trade mark, of a mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in

specifically contended that its trade marks were being used for the purpose of diverting sales away from it.²⁵²⁴

The court responded by stating that the "respondent does not trade in the goods for which the applicant's trade marks are registered and cannot be said to be preying upon or taking advantage of the reputation and goodwill of the plaintiff in order to sell its product. To interpret 'use in the course of trade' so as to include the inclusion of the applicant's trade marks in the data files of the SuperScripts system would be to extend the scope of infringement of a trade mark far beyond the object of" section 44(1)(b) of the 1963 *Trade Marks Act*.²⁵²⁵

The court continued to state that an "interpretation of s 44(1)(b) so as to render unlawful the supplying to a pharmacist, in a readily accessible form, of information regarding medicine which he should have in order to practice his profession and which he can obtain by reference to other sources, by a person who does not trade in medicine and whose intention is to enable a retail pharmacist who has the use of a computer and the SuperScripts system to dispense a prescription quickly, safely, accurately and cost effectively, could never have been contemplated by the Legislature."²⁵²⁶ Consequently, the court held that the respondent was not guilty of trade mark infringement.²⁵²⁷

Similar considerations apply to the above postulated scenario: For the purpose of section 34(1)(a), it can be stated that Z is only providing a reference system and further that he does not trade in the goods or services for which the plaintiff's trade mark is registered. However, this consideration does not apply to enquiries in terms of section 34(1)(c) in that this section only requires that the defendant must use the offending mark in the course of trade, which can be a trade in any goods or services. It can further be added that holding the search engine operator liable would be tantamount to holding the publisher of a newspaper liable for third party infringing advertisements in his newspaper.

connection with goods or services for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark".

²⁵²⁴ *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:553F.

²⁵²⁵ 1992 2 SA 213 W:220B-C.

²⁵²⁶ 1992 2 SA 213 W:220D-E.

²⁵²⁷ 1992 2 SA 213 W:221A-B.

4.8.12. Specific issues pertaining to trade marks consisting of surnames

Next, specific questions relating to registered trade marks consisting of surnames are discussed.

4.8.12.1. Registering and using a domain name which incorporates the plaintiff's registered surname-trade mark

Under certain circumstances, an entrepreneur is allowed to register his surname as a trade mark.²⁵²⁸ For the purpose of this discussion it is presumed that the registered trade mark, consisting of the plaintiff's surname, is valid. The following question must be answered: Say, for instance, that the plaintiff ("Y") is the owner of the registered trade mark "Ford", registered for motor vehicles and spare parts. The defendant, a Mr X Ford, is a panel beater in Bloemfontein conducting business under the name of "Ford's Panel Beaters". He subsequently registers the domain name www.ford.co.za and uses the web site established for this domain name to promote his panel beating business. Is X is guilty of trade mark infringement?

It is clear that no liability arises in terms of section 34(1)(a) in that X does not use his mark (the said domain name) for identical goods and services to those goods and services for which the plaintiff's trade mark is registered.

With regard to section 34(1)(b), it is submitted that X uses a similar mark to the registered trade mark by incorporating the word "Ford" into his web site address. Furthermore, X uses this offending mark in the course of his trade in that he uses the mark (the domain name) for his business. However, it is submitted that X does not use his mark (the domain name) in relation to similar goods or services as those goods and services for which the plaintiff's trade mark is registered. It is submitted that panel beating services are not similar to the sale of motor vehicles and spare parts.

The question remains whether X contravenes section 34(1)(c). It is firstly clear that he uses a confusingly similar mark in the course of trade, without the necessary authorisation. Furthermore, X uses his trade mark to the detriment of Y's trade mark distinctiveness in that when Internet users attempt to find Y's online presence by using

²⁵²⁸ The courts maintain that where a person has used his surname to such an extent that it has acquired a reputation (i.e. a secondary meaning) and consequently became distinctive of that particular

its trade mark name as a domain name they end up at X's web site. Consequently, these Internet users may fail to continue their search due to anger, frustration or the belief that Y does not have an online presence. It is uncertain whether X takes unfair advantage of Y's trade mark reputation seeing that they are not competitors: X will not benefit from diverting Internet users, searching for information or prices with regard to Ford motor vehicles, to his own web site, where he advertises his panel beating service.

Section 34(2)(a), however, provides that the *bona fide* use by a person of his own name is protected as fair use. Therefore, the question is whether this fair use provision neutralises X's *prima facie* liability. It is submitted that X's conduct, namely registering the said domain name, is not protected as fair use for three reasons.

Firstly, the courts maintain that even though this section allows the defendant to use his own name, he must not use it in such a manner that it will likely cause confusion or deception. The defendant shoulders the obligation to distinguish his goods from the registered proprietor's goods.²⁵²⁹ The case of *Goddard & Sons v R.S. Goddard and J. Mentz & Co*²⁵³⁰ illustrates this. The plaintiff sold plate powder for many years under the mark "Goddard's non-mercurial Plate Powder", which products had become well-known as "Goddard's Plate Powder". The defendant, a Mrs Goddard, many years later commenced selling her plate powder under the mark of "R.S. Goddard's Double Triangle Plate Powder". Many retailers of plate powder were deceived by the defendant's product into thinking that they received the plaintiff's products, when they ordered "Goddard's Plate Powder". The plaintiff instituted action for passing-off as well as trade mark infringement. The court stated that the evidence overwhelmingly indicated that the way in which the defendant described her powder was calculated to deceive and mislead the public.²⁵³¹ The court further stated that it could not deprive her of the right to use her name, but that the mark was calculated to mislead both the public as well as traders.²⁵³² The court was further of the opinion that the defendant did not use her own name *bona fide* in that, according to the court, she must have realised that by adding the word "Goddard's" on her goods she was likely to gain some of the

person's performance, such surname can be registered as a trade mark. See *Ex parte Clark & Company Ltd* 1946 TPD 467:471; *Ex parte Martell* 1920 TPD 53:66.

²⁵²⁹ See *J. Goddard & Sons v R.S. Goddard and J. Mentz & Co* 1924 TPD 290:320-323.

²⁵³⁰ *Supra*.

²⁵³¹ 1924 TPD 290:320.

²⁵³² 1924 TPD 290:321.

custom which otherwise would have gone to the plaintiff.²⁵³³ The court, therefore, held that the defendant was not barred from using her own name, but that it was incumbent upon her to distinguish her goods from the plaintiff's so as to avoid a likelihood of confusion. The court concluded that defendant's conduct constituted both trade mark infringement as well as passing-off.²⁵³⁴

It is abundantly clear that X does not distinguish his goods by means of the offending mark (the domain name). The said domain name is likely to cause confusion amongst a substantial number of Internet users.

Secondly, whether X, in the postulated scenario, makes fair use of his own name, depends on how South African courts will interpret the phrase "own name". The court in *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC*²⁵³⁵ held that that "own name" generally requires that the defendant must use his full name.²⁵³⁶ UK courts follow a similar interpretation.²⁵³⁷ On the basis of this authority it is clear that X does not use his full name and therefore does not qualify for protection envisaged by section 34(2)(a).

Thirdly, if the plaintiff can prove that the defendant chose the mark *www.ford.co.za* to take advantage of the reputation adhering to the Ford mark, X does not use his mark *bona fide*.²⁵³⁸ It is submitted that it will be difficult for X to establish why he did not choose the domain name *www.fordspanelbeaters.co.za* (or dot-com). There is no reason why he should use only the first part of his business' name for his web site address, seeing that it does not distinguish his business from third parties' businesses.

It is further submitted that the plaintiff cannot institute proceedings in terms of section 35 in that although X uses an imitation of the well-known Ford mark, X does not use his "offending" mark (the domain name) in relation to "goods or services which are identical or similar to the goods or services in respect of which the trade mark is well known". Was this not the case, the plaintiff could interdict X from using the offending

²⁵³³ 1924 TPD 290:322.

²⁵³⁴ 1924 TPD 290:322-323.

²⁵³⁵ 1998 3 SA 656 C.

²⁵³⁶ 1998 3 SA 656 C:674D.

²⁵³⁷ See Webster and Page 2001:12-68.

²⁵³⁸ See *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* (*supra*):674F-G.

domain name.

The final question then is: Which domain name does the law allow X to register for his business? As the *Goddard* court correctly observed, no court can prohibit or restrain X from using his surname as a mark (or a domain name), provided that he uses his surname in such a way that it does not cause a likelihood of confusion or deception. As noted above,²⁵³⁹ South African courts have recognised the doctrine of initial confusion which entails confusion for a short period of time, even if such confusion is eventually dispelled. Obviously, X's domain name causes such initial confusion. Seeing that both South African and UK courts require the defendant to use his full name as his mark, it appears that X is only allowed to registered e.g. the domain name www.michaelford.com (or dot-co.za), where his full name is Michael Ford. Of course, X is also allowed to registered the domain name www.fordspanelbeaters.co.za (dot-com) in that (1) this constitutes his business' or trade marks' full name and (2) such domain name will not cause initial confusion.

Therefore, it can be concluded that where someone uses his surname as his domain name, and such surname is already registered as a third party's trade mark, the former will not be guilty of trade mark infringement where -

- (1) he does not use the said domain name in the course of trade. This prevents liability in terms of sections 34(1)(a), (b) and (c);
- (2) should he use the domain name in the course of trade, he does not use the said domain name in relation to identical goods or services or in relation to similar goods or services as the goods or services for which the third party's trade mark is registered;
- (3) should he use the domain name in the course of trade, he does not use the said domain name in such a way that he takes unfair advantage of, or acts to the detriment of, the third party's well-known trade mark reputation or distinctiveness;
- (4) he does not use the said domain name in such a manner that he causes a likelihood of confusion with the third party's well-known, foreign trade mark.

Should he use his domain name in the course of trade and/or in relation to the goods or services for which the third party's trade mark is registered or well-known, he will only avoid liability where he adds an adequate suffix and/or prefix to his surname, which phrase then forms his domain name.

²⁵³⁹ See paragraph 4.5.2.1.4 of this chapter.

4.8.12.2. Fan web sites and trade marks consisting of surnames

Next it has to be determined whether the registration of a domain name, consisting of a third party's surname, in order to create a fan club web site constitutes trade mark infringement. Let's assume that X registers the domain name www.laurikarauch.com (or dot-co.za). He then establishes a *bona fide* web site for this domain name, dedicated to the South African female singer Laurika Rauch. Let's further assume that Mrs Rauch has a registered trade mark for her surname and that she enjoys common law trade mark rights in her name "Laurika Rauch". The question is whether X is guilty of trade mark infringement.

With regard to possible liability in terms sections 34(1)(a), (b) and (c) it can be stated that X does not use his mark (the domain name) in the course of trade and therefore no liability arises. Furthermore, section 35 is of no relevance in that the plaintiff does not own a foreign, well-known trade mark.

Where X e.g. registers the domain name www.brucewillis.com, which he uses for his fan web site, dedicated to the US actor Bruce Willis, the question arises whether all the elements of section 35 are present. It is clear that X uses a mark (the disputed domain name) that imitates or reproduces either the plaintiff's registered or common law, foreign trade mark. However, the difficult question is whether X uses his mark in relation to services for which the plaintiff's trade mark is well-known, namely entertainment. All X does is to provide information on the plaintiff and possibly to display a few photographs depicting the plaintiff. Therefore X uses his domain name for Internet services. It is submitted that the difference between entertainment and Internet services prohibits a finding that X uses the mark for services or goods for which the plaintiff's trade mark is well-known.

4.8.12.3. Registering *male fide* the dominant part of a trade mark name as a domain name

The scenario that is addressed here is where Y is a well-known Gauteng law firm and owns the registered and common law service mark "Hofmeyr, Herbstein & Gihwala". Y is also generally known as "Hofmeyr". X, a cybersquatter, registers the domain name www.hofmeyr.co.za (or dot-com). He then establishes a web site for this particular domain name containing advertisement banners and hyperlinks. The question is whether X is guilty of trade mark infringement.

Seeing that law firms' trade marks will normally not be registered for Internet services and advertisements, liability in terms of sections 34(1)(a) and (b) as well as section 35 will not arise in that X uses his domain name for different services than those for which Y's trade mark is registered and/or well-known.

With regard to section 34(1)(c), assuming that Y's trade mark is well-known, the question is whether X uses a similar mark. It is submitted that the word "Hofmeyr" is the dominant part in the trade mark "Hofmeyr, Herbstein & Gihwala". This is accentuated by the fact that the firm is generally known as "Hofmeyr". Therefore, X uses a similar mark. It can further be argued that he uses the offending mark (www.hofmeyr.co.za) in the course of trade, namely cybersquatting. It is finally submitted that X, by means of his mark takes unfair advantage of Y's trade mark reputation in that he lures unsuspecting Internet users to his web site. Furthermore, he tarnishes Y's trade mark reputation in that Internet users who search for Y's online presence and subsequently finds X's web site, may consequently fail to continue to search for Y's web site, due to anger, frustration or the belief that Y does not have an online presence. Therefore, X contravenes section 34(1)(c).

4.8.12.4. Using a third party's trade mark name as a metatag

The question that must be answered is whether someone is allowed to use his surname as a metatag for his own web site where such surname is also the registered trade mark of a third party. An example of such a scenario is where X conducts a panel beating business as "Ford's Panel Beaters". He operates his business' web site at either www.ford.co.za or www.fordspanelbeaters.co.za. He uses the word "Ford" as a metatag for his web site. Ford Motor Company has a valid trade mark for the word "Ford" in South Africa for motor vehicles and spare parts. The question is whether X is guilty of trade mark infringement as a result of the metatag he uses for his web site.

With regard to sections 34(1)(a) and (b), it is submitted that X's service, namely panel beating, differs completely from the goods in respect of which Y's trade mark is registered. Therefore X does not contravene these sections.

With regard to section 34(1)(c) it is submitted that X, by inserting the metatag "Ford" into the source code of his web site, uses a confusingly similar mark in the course of trade without the necessary authorisation. The only question is whether X is likely to take unfair advantage of, or to prejudice, Y's trade mark reputation by *using* the "Ford"

metatag. The result of X's use of his metatag is that when Internet users search for information on Y or on Ford products by means of the search query "Ford", X's web site address is displayed in the hit list produced by the search engine. It is submitted that the only reason why X uses the word "Ford" as a metatag for his web site is that he endeavours to take an unfair advantage of Y's trade mark reputation.²⁵⁴⁰ Consequently, such an intention constitutes evidence that X is likely to take advantage of Y's trade mark reputation. Therefore X contravenes section 34(1)(c). It should be noted that the only consideration contrary to this submission is that X and Y are not competitors and consequently their customer basis differs completely.

Liability does not arise in terms of section 35 in that X does not use his mark in relation to goods or services for which Y's trade mark is well-known.

Therefore, the following principles can be enumerated when determining whether someone is permitted to use his surname as a metatag for his web site, where such surname constitutes a third party's registered trade mark:

- (1) It must first be determined whether the defendant uses his web site in the course of trade. If not, no liability arises in terms of section 34(1)(a), (b) or (c).
- (2) Should the defendant use his metatag-mark in the course of trade, it must be ascertained whether he uses his mark in relation to identical or similar goods or services as those goods or services for which the plaintiff's trade mark is registered. If so, *prima facie* liability in terms of section 34(1)(a) or (b) arises.
- (3) Furthermore, should the defendant use his metatag-mark in the course of trade, it must be ascertained whether he uses his mark in such a manner that he is likely to cause prejudice to, or take unfair advantage of, the plaintiff's trade mark reputation or distinctiveness. If so, *prima facie* liability in terms of section 34(1)(c) arises.
- (4) Should *prima facie* liability be established either in terms of section 34(1)(a), (b) or (c), it should next be determined whether section 34(2)(a) shields the defendant from liability. In particular, it must be determined whether the defendant uses his surname *bona fide* as his metatag, in such a way that he does not cause confusion or deception. Furthermore, South African courts appear to require that the defendant must use his full names if he wants to qualify for protection in terms of this section.
- (5) Where the plaintiff is the owner of a foreign, well-known, registered and/or common

²⁵⁴⁰ Of course, should X's business simply be known as "Ford", no such intention is present.

law trade mark, it must be determined whether the defendant uses his metatag-mark in such a manner that he is likely to cause a likelihood of confusion or deception. In particular the South African doctrine of initial confusion should be kept in mind.

4.8.13. Possible court orders

The question arises whether a court has the power to order a cybersquatter to transfer the disputed domain names to the plaintiff. A similar question arose in the UK case of *Marks & Spencer plc and others v One in a Million and others*²⁵⁴¹ where the Chancery Division held that -

“an order [directing the defendants to take steps to have the disputed names assigned to the plaintiffs] goes rather further than the negative form of injunctions normally appropriate *quia timet*. But it seems to me to be the most completely effective remedy, and one which does no injustice to the Defendants, for these names are of no value to them otherwise than as a means of threatening unlawful acts. It is the equivalent, in this rather arcane context, of the delivery up of infringing goods.”

See also the UK cases of *Britannia Building Society v Prangle & others*²⁵⁴² and *Dixons Group plc and Another v Triton Tek Ltd*²⁵⁴³ where the Chancery Division ordered that the contested domain name should be transferred immediately by the defendant to the applicant.

It is submitted that a South African court is empowered to make the same order as the UK courts were willing to make, seeing that the South African *Trade Marks Act* also empowers a court to grant an interdict as well as an order for the delivery up of the infringing goods, under given circumstances.²⁵⁴⁴

4.9. Conclusions

The interaction between the *Trade Marks Act*, the *Constitution* and the Internet can be summarised as follows:

²⁵⁴¹ 1998 FSR 265 ChD.

²⁵⁴² ChD 2000. A copy of this judgment can be downloaded from [www.newLawonline.com/cgi-bin/nlo.dll/p.7mxmmDDKo/600094601_j.htm](http://www.newlawonline.com/cgi-bin/nlo.dll/p.7mxmmDDKo/600094601_j.htm).

²⁵⁴³ 1997 ChD. A copy of this judgment was obtained from LEXIS.

²⁵⁴⁴ See paragraph 4.6 of this chapter.

- 1) The defendant's mark can either be his domain name, a mark used on his web pages, a word or words used as metatags, or an e-mail address.
- 2) When the defendant uses a mark on his business' web site or on a web site where he sells advertisement spaces or which he uses for some other commercial purpose, he uses his mark in the course of trade.
- 3) Although sections 34(1)(a),(b) and (c) do not allow competitors to use the trade marks of business competitors for the purpose of comparative advertisement, such use is protected by the defendants' constitutional right to freedom of expression which includes the right to *bona fide* compare their products with third parties' products, provided that no confusion arises. In these instances, the defendants use the plaintiffs' trade marks as part of their communicative messages.
- 4) One is allowed to make personal use of a third party's registered trade mark in that the offending mark is not used in the course of trade.
- 5) Cybersquatters who register domain names consisting of third parties' registered trade mark names contravene section 34(1)(c) where they establish web sites for their infringing domain names. Where a cybersquatter does not create a web site for his infringing domain name, he does not use his mark (i.e. his domain name) in respect of any goods or services and therefore does not contravene sections 34(1)(a), (b) and (c) as well as section 35.
- 6) Where a cybersquatter uses a metatag consisting of a third party's trade mark name for his own web site, he contravenes section 34(1)(c). Normally, the cybersquatter will neither infringe sections 34(1)(a) and (b) nor section 35 in that the said web site is normally used for different goods or services as those services and/or goods for which the plaintiff's trade mark is registered and/or well-known.
- 7) In the case of cybersquatting, the element of "in the course of trade" is present in that the cybersquatter uses the said domain name or metatag in an attempt to sell his domain name or to derive a profit from the web site established for his domain name.
- 8) Where A registers a domain name consisting of a third party's registered trade mark, for which he establishes a fan club web site, he does not violate sections 34(1)(a), (b) or (c), seeing that he does not use the disputed domain name in the course of trade. However, A contravenes section 35. It is submitted that this domain name is protected by A's constitutional right to freedom of expression in that he uses the said domain name mark as part of his communicative message.
- 9) Where the defendant pays a search engine operator to use a third party's

registered trade mark name as a keyword for his banner advertisement, he contravenes sections 34(1)(a), (b) and/or (c). However, he does not contravene section 35.

- 10) Where the plaintiff owns a registered trade mark consisting of a particular surname, the defendant may only use his own surname, which is identical or similar to the plaintiff's registered trade mark, as his domain name or as a metatag for his web site provided that (a) he uses his full name as his mark; (b) his domain name or metatag does not cause a likelihood of confusion or deception, which will be prevented where he adds a sufficient suffix and/or prefix to his surname which then constitutes his domain name; and (c) his domain name or metatag does not take unfair advantage of, or prejudice, the registered trade mark's reputation. Liability in terms of sections 34(1)(a), (b) and (c) will not arise where the defendant does not use his domain name or his web site, for which he uses the said metatag, in the course of trade.
- 11) When A uses B's registered trade mark name in his e-mail address, he violates section 34(1)(c). Where A's web site sells or promotes identical or similar goods and/or services as those goods and/or services for which B's trade mark is well-known and/or registered, A infringes sections 34(1)(a) or (b) and/or section 35.
- 12) Where A forges the address of his e-mail message to appear as if it originates from another source, he is guilty of trade mark infringement in that he contravenes section 34(1)(c). Where the third party's trade mark is registered for an identical or similar service, A also contravenes section 34(1)(a) or (b). Where the third party is the owner of a foreign, well-known trade mark, A also contravenes section 35.
- 13) Where A registers a domain name consisting of B's registered trade mark name and a suffix or a prefix, the question whether A's domain name is confusingly similar to B's trade mark name depends on whether the suffix or prefix distinguishes the said domain name from B's trade mark name. This is always a question of fact.

Further interaction between the *Trade Marks Act* and the Internet can be summarised as follows:

- (1) The law does not require that purchasers or potential purchasers should be confused or deceived by the defendant's mark. It is sufficient if third parties such as Internet surfers are confused or deceived or likely to be confused or deceived by the defendant's mark. Furthermore, South African courts recognise the concept

of initial (interest) confusion.

- (2) The following aspects of the defendant's domain name-mark do not sufficiently distinguish it from the plaintiff's registered trade mark: (1) The Top Level Domain suffix; (2) The omission of apostrophes and spaces between words; and (3) The fact that domain names only use lower case letters.
- (3) The fact that a metatag cannot be seen by the naked eye is of no relevance to the comparison between the defendant's metatag-mark and the plaintiff's registered trade mark.
- (4) When one ascertains whether a likelihood of confusion or deception exists, one postulates neither the very careful nor the very careless Internet surfer, but the average Internet surfer, who has a general idea in his mind's eye of what he is looking for but not an exact and accurate representation of it.

It should be kept in mind that the doctrine of acquiescence, discussed in chapter three,²⁵⁴⁵ also applies to trade mark infringement proceedings.²⁵⁴⁶ It follows that it is imperative that a trade mark proprietor should react as soon as possible when he discovers that third parties are using his registered trade mark or a confusingly similar mark on the Internet.

One final remark is warranted here. Many US courts have stated that when a defendant's domain name incorporates the plaintiff's trade mark name plus the Top Level Domain dot-com, he uses his domain name in connection with the plaintiff's goods or services in that he prevents Internet users from locating the plaintiff's online presence by using the most obvious domain name, namely the plaintiff's trade mark name plus dot-com.²⁵⁴⁷ It is uncertain whether South African courts will interpret the phrase "in relation to goods or services in respect of which the trade mark is registered", in section 34(1)(a), as generously. Similar considerations apply to the requirement in section 35 that the defendant must use his offending mark "in relation to goods or services which are identical or similar to the goods or services in respect of which the trade mark is well known" as well as to the requirement in section 34(1)(c)

²⁵⁴⁵ See paragraph 5.1 of this chapter.

²⁵⁴⁶ The court in *Policansky Bros v Hermann & Canard* 1910 TPD 1265 stated (at 1279-1280) that if "the registered owner is quite content to allow another to sell goods covered by a mark similar to his, and thus to help to induce the public to believe that they are buying his goods when he knows that they are buying some one else's goods as well as his own, then he himself has been party to a mark becoming *publici juris* which was *privati juris*".

²⁵⁴⁷ See paragraph 2.3.1 of this chapter.

that the defendant must use his offending mark "in relation to any goods or services". It would appear that the Supreme Court of Appeal requires a "sufficient link" between the use of the defendant's alleged offending mark and the goods or services for which the plaintiff's trade mark is registered before it will hold that the offending mark is used in relation to the goods or services for which the plaintiff's trade mark is registered.²⁵⁴⁸ Therefore, only time will tell whether South African courts are willing to follow US jurisprudence in this regard.

5. POSSIBLE REFORMS TO THE SOUTH AFRICAN TRADE MARKS ACT

Next, a few recommendations are made concerning the possible reform and/or amendment of the *Trade Marks Act*.

5.1. Additional fair use provisions

5.1.1. Constitutional rights and comparative advertisements

It is recommended that an additional fair use provision should be inserted into the Act in order to bring it in conformity with the requirements of the *Constitution*, specifically the constitutional right to freedom of expression. This fair use provision should, *inter alia*, provide that entrepreneurs and businesses are allowed to use their competitors' trade marks for the purpose of *bona fide* comparative advertisements, provided that no likelihood of confusion or deception arises.

5.1.2. Auction web sites

It was submitted²⁵⁴⁹ above that when a seller of a particular product uses the manufacturer's or producer's registered trade mark next to his product on an auction web site, he violates the provisions of the Act.

It is submitted that such use should be protected by the Act as a fair use. In such instances, the trade mark proprietor does not suffer any prejudice in that the auction seller uses his (the proprietor's) trade mark in relation his (the proprietor's) genuine goods.

²⁵⁴⁸ See the case of *Miele et Cie GmbH & Co v Euro Electrical (Pty) Ltd* 1988 2 SA 583 A discussed in paragraph 4.5.2.1.4 of this chapter.

²⁵⁴⁹ See paragraph 4.8.4.5 of this chapter.

5.2. Cybersquatting activities

It is submitted that the Act should specifically address cybersquatting activities. In particular, all cybersquatting activities should be penalised. It was observed earlier²⁵⁵⁰ that when a cybersquatter registers a domain name but does not establish a web site for that particular domain name, he contravenes neither section 34(1) nor section 35 in that he does not use his mark in relation to any goods or services. The legislature should specifically address this issue. It is submitted that a requirement that the defendant must have had an intent to profit should not be posed – such a requirement would entail that where someone registered a domain name in order to prevent the trade mark owner from reflecting his trade mark online, without establishing a web site for this particular domain name, his conduct would not fall within the scope of the prohibition. Rather other non-exclusive factors may be posed such as that the defendant had the intent to divert consumers from the trade mark owner's business. An intent to tarnish or to dilute the distinguishing value of the trade mark by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the site can also be posed.

It is further submitted that in order to assist plaintiffs in cybersquatting cases, the Act should establish the following rebuttable presumptions:

- Where X institutes trade mark proceedings against Y, the alleged cybersquatter, and a third party has already instituted a successful action against Y for cybersquatting activities, a rebuttable presumption should exist in favour of X that Y is a cybersquatter and that he uses his mark (the disputed domain name) in the course of trade for the purpose of taking unfair advantage of the reputation adhering to X's well-known trade mark and that such use will likely cause confusion and/or deception.
- Likewise, where X institutes trade mark proceedings against Z, the alleged cybersquatter, and X can prove that Z is the owner of various domain names consisting of third parties' trade mark names, a similar presumption should arise in favour of X.

These proposed presumptions will complement the common law presumption that where X intentionally copies A's trade mark name, a likelihood of confusion or

²⁵⁵⁰ See paragraphs 4.8.6.3.1 & 4.9 of this chapter.

deception arises.

5.3. Making provision for the UDRP

It is imperative that the Act should make provision for the *Universal Dispute Resolution Procedure*,²⁵⁵¹ specifically with regard to the enforcement thereof by a South African court and secondly with regard to the issue of reversing a *UDRP* panel's decision. In this regard the US provisions dealing with these issues are instructive.²⁵⁵²

5.4. More offences

As noted above,²⁵⁵³ the Act only criminalises the false indication that one has a registered trade mark.

It is submitted that the Act should criminalise trade mark infringements by providing that whenever someone intentionally uses a registered or a well-known trade mark without the proprietor's permission (i.e. unlawfully), for the purpose of commercial gain, he commits a crime. This would be in line with South Africa's obligations in terms of the *TRIPS*²⁵⁵⁴ agreement which provides that member states are obliged to provide -

"for criminal procedures and penalties ... at least in cases of wilful trademark counterfeiting ... on a commercial scale ... Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale."²⁵⁵⁵

It is further submitted that the Act should empower a court to order the forfeiture of electronic equipment where the accused is found guilty of the proposed offence. Such a forfeiture provision would entail, *inter alia*, that a court could, upon finding a cybersquatter guilty of a trade mark infringement offence, order the forfeiture of the computer which he used in committing the offence.

²⁵⁵¹ Discussed in paragraph 3.1 of this chapter.

²⁵⁵² See paragraph 3.3 of this chapter.

²⁵⁵³ See paragraph 4.7 of this chapter.

²⁵⁵⁴ An acronym for *Agreement on Trade-Related Aspects of Intellectual Property Rights*. This convention was discussed in paragraph 4.1.2 of chapter three.

²⁵⁵⁵ Article 61.

CHAPTER FIVE

UNLAWFUL COMPETITION – SELECTED ASPECTS

1. INTRODUCTION

As noted in chapter two, the Internet is mainly used to conduct e-commerce “and where there is competition, acts of unfair competition are liable to occur.”²⁵⁵⁶ Competitors only have a right to compete fairly and lawfully with their business rivals.

The law of unlawful competition, on the one hand, supplements the statutory laws of copyright and trade mark in protecting immaterial property rights,²⁵⁵⁷ but, on the other hand, offers better protection than these statutory provisions in that as illegal commercial practices surface, courts can merely apply and extend the aforementioned common law principles in order to cater for these new scenarios.²⁵⁵⁸ It is of paramount importance that both entrepreneurs and entities are able to use the common law to protect their goodwill seeing that unlawful competition can result in loss of reputation as well as a loss of customers.²⁵⁵⁹

The main purpose this chapter serves is to observe -

- how US courts apply their established legal principles of unfair competition to Internet scenarios,²⁵⁶⁰ and

²⁵⁵⁶ *Primer on Electronic Commerce and Intellectual Property Issues 2000*:par 176.

²⁵⁵⁷ See *Primer on Electronic Commerce and Intellectual Property Issues 2000*:par 177.

²⁵⁵⁸ See e.g. *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd & Others* 1981 2 SA 173 T where the court maintained (at 183E-F) that “[a]s the ingenuity of parasitical entrepreneurs and trade pirates is unlimited, it is, in my view, to be expected that the illegal commercial practices designed as unlawful competition will ever increase in variety and number. This virile branch of the law will be required to expand to meet the schemes of geniuses bent upon reaping where they have not sown.” See also Keller 1998.

²⁵⁵⁹ *Primer on Electronic Commerce and Intellectual Property Issues 2000*:par 176.

²⁵⁶⁰ South African courts have maintained that useful guidance can be drawn from US and UK judgments dealing with unfair and unlawful competition. See *Policansky Bros Ltd v L. & H. Policansky* 1935 AD 89 where the Supreme Court of Appeal stated (at 98) that because the “Roman Dutch authorities do not deal with the various aspects of passing-off that modern conditions have evoked, we in South Africa have followed the principles enunciated by the English and American Courts where such principles are not in conflict with either our common law or our statute law.” This was approved by the court in *Montres Rolex SA v Kleynhans* 1985 1 SA 55 C:63A-B. One court has even stated that in given circumstances US judgments can prove extremely helpful in passing-off cases. See *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra)* where the court said, with regard to the law of

- how South African courts will probably apply South African common law principles to online misappropriation of third parties' trade marks and copyrights.

Note that when the word "user" is used in this chapter, it should be understood as continuous use of a particular mark over a period of time.

2. US LAW – UNFAIR COMPETITION

Next the principles of the US law governing unfair competition are briefly discussed. Thereafter a few US judgments are scrutinised in order to ascertain how the aforementioned principles are applied to online scenarios.

In most of the US judgments discussed in chapters three and four, the plaintiffs relied not only upon copyright and/or trade mark legislation, but also upon the statutory and common law of unfair competition. Most of these courts focused primarily on the question whether the defendants committed trade mark infringement and/or dilution. Thereafter, the courts merely stated that the same reasoning applied to the claim based upon unfair competition. It should be borne in mind that most of the US principles discussed and analysed in chapter four apply equally to the US law of unfair competition.²⁵⁶¹ For this reason, the US principles discussed in chapter four are not repeated and analysed again. Consequently only a few US judgments, where the courts specifically addressed the claim instituted upon the law of unfair competition,

passing-off: "[I]n this field there is a large body of legal thought and practical application especially in the United States that could give profitable guidance in the solution of problems along the lines of our own law." (At 179F-G). Other courts have, in turn, held that useful guidance can be obtained from UK judgments. See *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T where the court noted (at 442D) that "[i]t has long since been accepted that we lean heavily on English authority in regard to the law of passing off" as well as *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others* 1990 2 SA 718 T where the court remarked (at 734J-735B) that "[i]n passing off matters our Courts have frequently looked to the analysis of the problem in English cases. Our own law on the subject derives, of course, from the *actio legis Aquiliae* which is unknown in English law. Nevertheless, the analysis of the problem to be found in English cases is often illuminating and can be of assistance in solving the problem of how to apply the principles of our own law to the facts of a particular case."

²⁵⁶¹ See *Playboy Enterprise Inc v Frena et al* 839 F.Supp. 1552 (M.D. Fla. 1993) where the court stated that "both sections [sections 1114 and 1125(a)(1)] require the same test to determine whether the particular actions complained of are violative of their terms ... Thus, as a general rule, the same set of facts which support an action for trademark infringement also support an action for unfair competition." See also *Advance Magazine Publishers Inc v Vogue International et al* 123 F.Supp.2d 790 (D.N.J. 2000):795 [a copy of this judgment was obtained from Westlaw]; *CIT Group Inc v Citicorp* 20 F.Supp.2d 775 (D.N.J. 1998):785 [a copy of this judgment was obtained from Westlaw].

are discussed. Where no reported US judgment has yet addressed a specific issue, the opinions of US commentators are reflected.

2.1. Section 1125(a) - general principles

Section 1125(a)(1) of Title 15 of the *United States Code* (hereafter referred to as the USC)²⁵⁶² regulates unfair competition,²⁵⁶³ by providing that:

"Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act."

US courts maintain that the requirements for section 1125(a) are: "(1) the advertisements at issue are false or misleading and the advertisements actually deceived or had the tendency to deceive a substantial segment of the audience, (2) the deceptive or misleading portions of the advertisement were material, in other words they were likely to influence the purchasing decision, (3) defendant caused the advertised goods to enter interstate commerce, and (4) plaintiff has been or is likely to be injured either by direct diversion of sales from itself to defendant or by lessening the goodwill or acceptability its products enjoy with the buying public."²⁵⁶⁴ The plaintiff must also prove that his mark has acquired a secondary meaning. Only then will the

²⁵⁶² A copy of this section can be downloaded from www4.law.cornell.edu/uscode/15/ch22.html.

²⁵⁶³ See *Playboy Enterprise Inc v Frena et al* 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html.

²⁵⁶⁴ See e.g. *Playboy Enterprises Inc v Hardenburgh Inc* 982 F.Supp. 503 (N.D. Ohio 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Hardenburgh.html.

consuming public associate the product with a certain producer.²⁵⁶⁵ However, where the defendant intentionally copied the defendant's trade mark or trade dress, the onus shifts to the defendant to prove a lack of secondary meaning.²⁵⁶⁶ The likelihood of confusion must relate either to source of the defendant's performance or to a connection between the parties' performances.²⁵⁶⁷ The mark is protected from use in other fields than those for which the mark is registered or used, so far as the consumers would assume that the performance emanates from the trade mark owner or is sponsored by the latter.²⁵⁶⁸

Section 1125(a)(1) is not limited to the use of registered trade marks; it also protects unregistered trade marks.²⁵⁶⁹ Unregistered trade marks are only protected where they constitute common law trade marks.²⁵⁷⁰ US courts have maintained that the same likelihood-of-confusion factors considered for the purposes of trade mark infringement apply to unfair competition scenarios.²⁵⁷¹ Furthermore, if the evidence shows that the

²⁵⁶⁵ *M Kramer Mfg Co Inc v Andrews* 783 F.2d 421 (4th Cir. 1986):448-449.

²⁵⁶⁶ *M Kramer Mfg Co Inc v Andrews (supra)*:450; *Midway Manufacturing Co v Dirkschneider* 543 F.Supp. 466 (D. Neb. 1981):486 [a copy of this judgment was obtained from Westlaw].

²⁵⁶⁷ *Midway Manufacturing Co v Dirkschneider (supra)*:487.

²⁵⁶⁸ In *Planetary Motion Inc v Techplosion Inc et al* 261 F.3d 1188 (11th Cir. 2001) the Eleventh Circuit of Appeal noted that "[c]ourts determine the proper scope of protection of a mark in the context of intervening uses by applying the 'source or sponsorship' test. Under this test, a trademark owner has 'protection against use of its mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner.' " A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/11th/0010872man.html>. See also *555-1212.com Inc v Communication House Intern Inc* 157 F.Supp.2d 1084 (N.D. Cal. 2001):1092. A copy of this judgment was obtained from Westlaw.

²⁵⁶⁹ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora* 86 F.Supp.2d 176 (W.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/99746.htm>]; *Advance Magazine Publishers Inc v Vogue International et al* 123 F.Supp.2d 790 (D.N.J. 2000):795 [a copy of this judgment was obtained from Westlaw]; *BigStar Entertainment Inc v Next Big Star Inc et al* 105 F.Supp.2d 185 (S.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://pub.bna.com/ptcj/0911.htm>]; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999) [a copy of this judgment was obtained from Westlaw].

²⁵⁷⁰ See paragraph 2.1.2 of chapter four. This means that the plaintiff's trade mark is distinctive and that it was used prior to when the defendant commenced using his alleged offending mark." See *Gateway 2000 Inc v Gateway.com Inc* 1997 US Dist LEXIS 2144 (E.D.N.C. 1997). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/gateway.html>.

²⁵⁷¹ *OBH Inc & Columbia Insurance Company v Spotlight Magazine Inc & Claude Tortora (supra)*; *New York State Society of Certified Public Accountants v Eric Louis Associates Inc (supra)*:340; *CD Solutions*

defendant intentionally copied the plaintiff's mark, a likelihood of confusion is presumed.²⁵⁷² In addition, the courts have noted that the public need not be able to identify the name of the manufacturer that produces the product. It is sufficient if the public perceives that the product emanates from a single source.²⁵⁷³

Section 1125(c)(4)(B) limits liability in terms of section 1125(a) by stating that the following does not constitute infringement:

“(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.²⁵⁷⁴ (B) Noncommercial use of a mark. (C) All forms of news reporting and news commentary.”

Note further that US courts do not require the litigating parties to be competitors before their conduct can constitute unfair competition. Even non-competitors can be guilty of unfair competition.

Finally, it should be mentioned here that US courts have stated that “reverse passing-off” occurs when a defendant removes the name or trade mark on the plaintiff's product and sells that product under a name chosen by the defendant.²⁵⁷⁵ Stated differently, reverse passing-off occurs when someone markets a product as his own,

Inc v CDS Networks et al 15 F.Supp.2d 986 (D. Or. 1998) [a copy of this judgment can be downloaded from <http://eon.law.harvard.edu/h2o/property/domain/cds.html>]; *Jews for Jesus v Brodsky* 993 F.Supp. 282 (D.N.J. 1998) [a copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/jfj.html>]. Consequently, the court takes the following factors into consideration: The strength of the plaintiff's trade mark; the degree of care likely to be exercised by potential customers; the degree of similarity between the parties' products; the competitive proximity of their products; actual incidents of consumer confusion; and whether the defendant intentionally copied the plaintiff's get-up or performance in order to benefit from the latter's reputation. See *Midway Manufacturing Co v Dirkschneider* (*supra*):487-489. A copy of this judgment was obtained from Westlaw.

²⁵⁷² *New York State Society of Certified Public Accountants v Eric Louis Associates Inc* (*supra*):340.

²⁵⁷³ *M Kramer Mfg Co Inc v Andrews* (*supra*):449.

²⁵⁷⁴ The Eight Circuit of Appeal has noted in *Calvin Klein Cosmetics Corp v Perfumes de Coeur Ltd et al* 824 F.2d 665 (8th Cir. 1987) that “[a] manufacturer does not commit unfair competition merely because it refers to another's product by name in order to win over customers interested in a lower cost copy of that product if the reference is truthful and does not likely confuse consumers into believing that the copy is from the same source as the original.” (At 668). See also *Saxony Products Inc v Guerlain Inc* 513 F.2d 716 (9th Cir. 1975):722.

²⁵⁷⁵ *Playboy Enterprises Inc v Frena et al* (*supra*); *Litchfield v Spielberg et al* 736 F.2d 1352 (9th Cir. 1984):1358 [a copy of this judgment was obtained from Westlaw].

although the product was created by someone else.²⁵⁷⁶

2.2. Specific instances of unfair competition

Next, specific online instances constituting unfair competition are discussed.

2.2.1. Misappropriation

2.2.1.1. Competitors copying "hot news"

The question arose whether competitors are allowed to copy news articles in each other's newspapers. The defence was frequently raised that only facts *per se*, which copyright law does not protect, were copied and not the expression of these facts. US courts created the "hot news" doctrine to remedy this *lacuna*.

In *International News Service v The Associated Press*²⁵⁷⁷ the appellant gathered news by expending labour, skill and money. Such news was telegraphed daily to its members throughout the US. The respondent, a business competitor, made a practice of obtaining relevant news by means of appellant's early newspaper publications, sent to the latter's subscribers, and subsequently sending it telegraphically to its own clients, who then published this news in their respective newspapers. The appellant contended that the respondent was guilty of unfair competition. The respondent, in turn, argued that because the above-mentioned information was available to the ordinary purchaser of the newspaper, it was allowed to use the information seeing that it was in the public domain. The Supreme Court rejected this contention, maintaining that -

"[t]he fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant - which is what defendant has done and seeks to justify - is a very different matter. In

²⁵⁷⁶ See *Perfect 10 Inc v Cybernet Ventures Inc et al* 2002 US Dist Lexis 7333 (C.D. Cal. 2002). A copy of this judgment was obtained from Westlaw.

²⁵⁷⁷ 1918 248 US 215. A copy of this judgment can be downloaded from www.law.uconn.edu/homes/swilf/ip/cases/ins.html.

doing this, defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill and money, and which is saleable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavouring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business".^{2578 2579}

The court went on to hold that -

"[t]heir effect is that publication by each member must be deemed not by any means an abandonment of the news to the world for any and all purposes, but a publication for limited purposes; for the benefit of the readers of the bulletin or the newspaper as such; not for the purpose of making merchandise of it as news, with the result of depriving complainant's other members of their reasonable opportunity to obtain just returns for their expenditures. It is to be observed that the view we adopt does not result in giving to complainant the right to monopolize either the gathering or the distribution of the news, or, without complying with the copyright act, to prevent the reproduction of its news articles; but only postpones participation by complainant's competitor in the processes of distribution and reproduction of news that it has not gathered, and only to the extent necessary to prevent that competitor from reaping the fruits of complainant's efforts and expenditure, to the partial exclusion of complainant, and in violation of the principle that underlies the maxim *sic utere tuo, etc.*"²⁵⁸⁰

The court further noted that, for the purposes of misappropriation, it is not necessary that the news articles should be copied *verbatim*, but it suffices where the wrongdoer rewrites the competitor's articles without giving credit to the competitor. The court also stated that such misappropriation constituted a false representation to the respondent's clients and newspaper readers that the news transmitted was the result

²⁵⁷⁸ 1918 248 US 215:239-240.

²⁵⁷⁹ This passage was approved by the South African Supreme Court of Appeal. See *Schultz v Butt* 1986 3 SA 667 A:683C.

²⁵⁸⁰ 1918 248 US 215:241.

of respondent's own investigation in the field.²⁵⁸¹

The above statements of the Supreme Court were subsequently limited by the Second Court of Appeal in *The National Basketball Association et al v Motorola et al*.²⁵⁸² The court limited the above misappropriation theory (known as the *hot-news* doctrine) by stating that it only applies to cases where "(i) a plaintiff generates or gathers information at a cost; (ii) the information is time-sensitive; (iii) a defendant's use of the information constitutes free-riding on the plaintiff's efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened."

Therefore it can be concluded where A displays its news articles online, competitor B cannot simply copy these articles or rewrite them in his own words, without expending labour, skill and money. Should B do this, he commits unfair competition.

2.2.1.2. Deep-linking

No reported US judgment has yet addressed the issue whether deep-linking²⁵⁸³ constitutes misappropriation. However, some US litigants maintain that where A includes a link on his web page, which deep-links into B's web pages, such conduct constitutes unlawful competition in that A offers the information or content on B's web page as a service to the former's users and therefore reaps where he has not sown: "[A] is, in effect, committing electronic piracy. In this narrow corridor of cyberspace, [B] must maintain control of the manner in which others utilize and profit from its proprietary services, or face the prospect of [others] diluting its content ... [A's] commercial use and appropriation of [B's] name, marks and web site as aforesaid has enhanced the value of [A's] web site and business and diluted and diminished the value of [B's] web site and business. E.g., [A] has gained revenue from advertising made a part of [his] web site, depriving [B] of favorable advertising business and

²⁵⁸¹ 1918 248 US 215:242

²⁵⁸² 105 F.3d 841 (2d Cir. 1996). A copy of this judgment can be downloaded from www.tourolaw.edu/2ndCircuit/January97/96-7975.html.

²⁵⁸³ Discussed in paragraph 3.2.11.1 of chapter three.

opportunities.”²⁵⁸⁴

2.2.1.3. Framing

No reported US judgment has yet dealt with the issue whether framing²⁵⁸⁵ constitutes misappropriation of a competitor's performance. Some US litigants maintain that this question should be answered in the affirmative. In *The Washington Post Company et al v Total News Inc et al* the defendants framed the content of plaintiffs' web pages in a way that made it appear that such content was published by them (the defendants). A computer user would assume that the proprietors of the information were defendants because their logos, URLs and advertisements were displayed on the user's computer screen. Although the case was settled out of court, the plaintiffs' contention is noteworthy.²⁵⁸⁶

The plaintiffs argued as follows: It spent substantial resources to gather and display the news and information found on their web sites. The defendants preyed upon the plaintiffs' efforts by simply “lifting” the latter's content and displaying or selling it as their own. This type of free-riding substantially reduced the plaintiffs' economic incentive to expend the resources necessary to gather and display material on their own web sites. The defendants' conduct was specifically unfair in that by usurping the content of plaintiffs' web sites and causing each of plaintiffs' web sites to appear within a window on defendants' web site, the latter unfairly misappropriated valuable commercial property belonging to the plaintiffs for their own profit. Furthermore, defendants expressly promoted their web site to advertisers on the basis of their ability to feature plaintiffs' content next to commercial messages that an advertiser might place.²⁵⁸⁷

2.2.1.4. Registering a competitor's trade mark name as a domain name

In *Actmedia Inc v Active Media International Inc*²⁵⁸⁸ the plaintiff was the owner of the

²⁵⁸⁴ This was stated by the plaintiff in *Ticketmaster Co v Microsoft Co*. A copy of Ticketmaster's complaint can be downloaded from www.jmls.edu/cyber/cases/ticket1.html. The parties settled before the case went to court. See <http://law.about.com/library/weekly/aa022399.htm>.

²⁵⁸⁵ Discussed in paragraph 3.2.9.1 of chapter three.

²⁵⁸⁶ See the complaint of The Washington Post, par 8. A copy can be downloaded from www.jmls.edu/cyber/cases/total1.html.

²⁵⁸⁷ See paragraphs 39-42 of the complaint.

²⁵⁸⁸ 1996 WL 466527 (N.D. ILL. 1996). A copy of this judgment can be downloaded from www.loundy.com/CASES/ActMedia_v_Active_Media.html.

registered trade mark "Actmedia", registered and used for advertising and promotional services. Defendant, Active Media, registered the domain name www.actmedia.com. The court firstly stated that defendant's reservation of the said domain name precluded the plaintiff from reserving an Internet domain name incorporating its registered trade mark. The court further held that defendant was guilty of unfair competition because its conduct constituted unauthorised use and misappropriation of the plaintiff's trade mark.

2.2.2. Passing-off (likelihood of confusion and false designation of origin)

2.2.2.1. Deep-linking²⁵⁸⁹

In *Ticketmaster Corp et al v Tickets.com Inc*²⁵⁹⁰ the plaintiffs operated a web site where Internet users could purchase tickets for various entertainment events. From the Ticketmaster homepage Internet users were transferred to "event pages" which provided information as well as a description on how to order tickets for a particular event. The defendant also sold a few tickets at its web site, but primarily provided information as to where and how tickets to an event could be purchased. A deep-link on defendant's web site transferred the user to the interior web pages of plaintiff's web site, where the Internet user could purchase the tickets for a particular event. Defendant also included a disclaimer on its web page: "These tickets are sold by another ticketing company. Although we can't sell them to you, the link above will take you directly to the other company's web site where you can purchase them." The interior web page linked to also contained the plaintiff's trade mark. Therefore the user was fully aware of the fact that he was dealing with the plaintiff and not the defendant.

The plaintiff alleged that deep linking constituted passing-off. The court rejected this argument by stating that "deep linking by itself (i.e., without confusion of source) does not necessarily involve unfair competition."

2.2.2.2. Registering a third party's trade mark name as a domain name

Many US courts have, in the context of passing-off, maintained that when a defendant registers the plaintiff's trade mark name as his domain name, the former causes a

²⁵⁸⁹ The functioning of deep-linking was discussed in paragraph 3.2.11.1 of chapter three.

²⁵⁹⁰ 54 USPQ.2d 1344 (C.D. Cal. 2000). A copy of this judgment can be downloaded from www.gigalaw.com/library/ticketmaster-tickets-2000-03-27.html.

likelihood of confusion in the form of initial interest confusion.²⁵⁹¹ Other courts simply stated that the false designation of origin caused a likelihood of confusion or deception.²⁵⁹² Only three judgments are scrutinised in order to illustrate how courts solved certain vexing questions.

In *New York State Society of Certified Public Accountants v Eric Louis Associates Inc*²⁵⁹³ the plaintiff was the owner of the well-known, common law trade mark "NYSSPCA", used for identifying its services to its accountant members. The defendant, specialising in permanent and temporary placement of accounting and other types of professionals, registered the domain name www.nysscpa.com. The plaintiff alleged that the defendant's conduct constituted a false designation of origin. After finding that the plaintiff's trade mark had acquired the necessary secondary meaning, the court held that a likelihood of confusion was present in that (1) the evidence clearly established that the defendant intentionally registered the disputed domain name, and (2) consumer confusion was likely in that "[m]any persons searching for the Society's web site, but unaware of its precise address, would either assume that it was located at nysscpa.com or attempt to access it by typing the Society's NYSSCPA mark into a search engine."²⁵⁹⁴ Consequently, the court was of the opinion that a likelihood of confusion was present in the form of initial interest confusion, which confusion a disclaimer could not dispel.²⁵⁹⁵

²⁵⁹¹ See *Brookfield Communications Inc v West Coast Entertainment Corp* 174 F.3d 1036 (9th Cir. 1999):par 33 [a copy of this judgment can be downloaded from <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=9th&navby=case&no=9856918>]; *New York State Society of Certified Public v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999):342 [a copy of this judgment was obtained from Westlaw]; *Teletech Customer Care Management Inc v Tele-Tech Co Inc* 977 F.Supp. 1407 (C.D. Cal. 1997) [a copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/metaschool/fisher/domain/dncases/teletech.htm>]. The doctrine of initial interest confusion was discussed in paragraph 2.1.3.1 of chapter four.

²⁵⁹² *Referee Enterprises Inc v Planet Ref Inc et al* 2001 US Dist LEXIS 9303 (E.D. Wis. 2001) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Referee_Ent_v_Planet_Ref.html]; *Playboy Enterprises Inc v Calvin Designer Label et al* 985 F.Supp. 1220 (N.D. Cal. 1997) [a copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/calvin1.html]; *Actmedia Inc v Active Media International Inc* 1996 WL 466527 (N.D. ILL. 1996) [a copy of this judgment can be downloaded from www.loundy.com/CASES/ActMedia_v_Active_Media.html].

²⁵⁹³ 79 F.Supp.2d 331 (S.D.N.Y. 1999). A copy of this judgment was obtained from Westlaw.

²⁵⁹⁴ 79 F.Supp.2d 331 (S.D.N.Y. 1999):341.

²⁵⁹⁵ 79 F.Supp.2d 331 (S.D.N.Y. 1999):342.

Of particular importance is *Jews for Jesus v Brodsky*.²⁵⁹⁶ The plaintiff was the owner of the registered and well-known trade mark "Jews for Jesus". The defendant, an opponent to the views of the plaintiff, registered the domain name www.jewsforjesus.org where he voiced negative comments about the plaintiff. The defendant stated that "the intent behind my bogus 'Jews for Jesus' site ... is to intercept potential converts before they have a chance to see the obscene garbage on the real J4J site." The plaintiff alleged that the defendant was guilty of unfair competition and, specifically, false designation of origin.

The court held, after taking into account the defendant's above-mentioned statement, that the said domain name was designed to be a false designation of origin. With regard to the requirement that the false designation must occur in commerce in connection with goods or services, the court observed that -

"[t]he requirement that the activities of an infringer be done 'in connection with any goods or services,' does not require the infringer to actually cause goods or services to be placed into the stream of commerce ... Rather, all that is needed is that the trademark violation be 'in connection' with any goods or services ... The activities of the Defendant are 'in connection' with goods and services for several reasons. First, the hyperlink in the Defendant Internet site to the Outreach Judaism Organization Internet site [an opponent of the plaintiff] is designed to promote the viewpoint of the Outreach Judaism Organization and to encourage the purchase of the products and services offered by that organization. Second, as explained in *Planned Parenthood*, 'the defendant's use of plaintiff's mark is "in connection with the distribution of services" because it is likely to prevent some Internet users from reaching plaintiff's own Internet web site' ... In this case, because of the similarity of the domain name used by the Defendant with the [trade mark] of the Plaintiff Organization, the conduct of the Defendant is not only designed to, but is likely to, prevent some Internet users from reaching the Internet site of the Plaintiff Organization; as well it diverts visitors to the Outreach Judaism Organization site which is commercial in nature."

Consequently, the court held that the defendant's false designation of origin caused a likelihood of confusion.²⁵⁹⁷

²⁵⁹⁶ 993 F.Supp. 282 (D.N.J. 1998). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/jfj.html>.

²⁵⁹⁷ The court further held that the plaintiff was likely to suffer irreparable harm if the interdict was not granted: "The Plaintiff Organization has demonstrated a likelihood that the Defendant is infringing upon the [trade mark] of the Plaintiff Organization ... The use of the [plaintiff's trade mark] by the Defendant has interfered with the ability of the Plaintiff to control [its trade mark]. This in turn creates the potential

See also *Green Products Co v Independence Corn By-Products Co*²⁵⁹⁸ where the defendant registered a domain name consisting of his business rival's trade mark name. The court held that by registering this domain name the "[defendant] did intend to pass off its domain name as though it belonged to [defendant]. As a result of the confusion in thinking that [plaintiff's] web site could be found through the [said domain name], [defendant] could deceptively lure potential customers onto its own turf ... This Court finds that such a deceptive use of a competitor's trademark as a way to lure customers away from the competitor is a kind of consumer confusion."²⁵⁹⁹

Only one further comment is warranted. It can therefore be seen from the *Jews for Jesus* judgment that with regard to the law of unlawful competition, as codified in section 1125(a), courts are willing to protect trade mark proprietors from online passing-off by holding that the defendant's use of the contested domain name is "in connection" with goods or services in that the defendant's domain name, incorporating the plaintiff's trade mark name, prevents Internet users from reaching the plaintiff's online presence. Furthermore, when the web site established for the disputed domain name diverts Internet users way from the plaintiff's online presence to a competing web site, the requirement of "in connection with goods or services" is also present.

2.2.2.3. Using a third party's trade mark name as a metatag

The following principles can be inferred from the cases dealing with metatags:

- a) Where the defendant uses, for no lawful purpose, a third party competitor's trade mark name as a metatag or metatags for his competing web site the defendant

for damage to the reputation of the Plaintiff Organization, especially in light of the disparaging comments the Defendant and the Outreach Judaism Organization have made ... The Plaintiff Organization should not be required to leave its reputation in the hands of the Defendant, especially when the Defendant intends to destroy the reputation of the Plaintiff Organization ... The Plaintiff Organization has made a strong showing of a likelihood confusion if the Defendant is permitted to maintain his Internet site."

²⁵⁹⁸ 992. F.Supp. 1070 (N.D. Iowa 1997). A copy of this judgment can be downloaded from <http://cyber.law.harvard.edu/property/domain/green.html>.

²⁵⁹⁹ See also *Actmedia Inc v Active Media International Inc* (*supra*) where the plaintiff was the owner of the registered and well-known trade mark "Actmedia", used for advertising and promotional services. Defendant, a business rival registered the domain name "www.actmedia.com". The court held that the defendant was guilty of passing-off because his was "likely to cause confusion in the marketplace that Plaintiff and Defendant [were] affiliated; and [was] likely to cause confusion that Plaintiff sponsors or approves Defendant's commercial activities."

causes a likelihood of confusion in the form of initial interest confusion.²⁶⁰⁰

- b) No disclaimer on the defendant's web page can remedy this type of confusion.²⁶⁰¹
- c) Where the defendant establishes a web site criticising the plaintiff's business or performance and the defendant uses the plaintiff's trade mark name as metatags for this particular web site, such use of the plaintiff's trade mark name is lawful because it is protected by the fair use doctrine as well as by the defendant's constitutional right to freedom of speech.²⁶⁰²

2.2.2.4. Using a competitor's trade mark as file or document indicators

In *Playboy Enterprises Inc v Frena et al*²⁶⁰³ the defendants ran a subscription BBS.

²⁶⁰⁰ See *New York State Society of Certified Public v Eric Louis Associates Inc* 79 F.Supp.2d 331 (S.D.N.Y. 1999). A copy of this judgment was obtained from Westlaw. See also *SNA Inc v Array et al* 51 F.Supp.2d 544 (E.D. Pa. 1999) where the court noted that "defendants intentionally use[d] [plaintiff's] mark in this way to lure internet users to their site instead of SNA's official site. This is true whether the meta tagging is visible or hidden in the code, and no matter what the website's domain name is." The court further held that the repetitious use of the plaintiff's trade mark name as metatags was "a bad faith effort to confuse internet users that is likely to succeed". (At 552-553). A copy of this judgment was obtained from Westlaw. See also *777388 Ontario Ltd v Lencore Acoustics Corp* 105 F.Supp.2d 56 (E.D.N.Y. 2000) where the court held (at 56) that "[defendant] had deliberately used the name 'Scamp' in metatags to its web site, in an effort to steer Internet browsers looking for information on 'Scamp' products to the site, where in turn promotional material may be found that fosters the impression that there is no difference between the [plaintiff's] and the [defendant's] line of [products]". A copy of this judgment was obtained from Westlaw. Finally, in *Playboy Enterprises Inc v Calvin Designer Label et al* 985 F.Supp. 1220 (N.D. Cal. 1997) the parties were competitors. The defendants used the plaintiff's trade mark names "Playboy" and "Playmate" as metatags for their web site. The court held that the use of these trade mark names as defendant's metatags constituted unfair competition, and in particular, false designation of origin. A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Calvin.html.

²⁶⁰¹ See *New York State Society of Certified Public v Eric Louis Associates Inc (supra)*.

²⁶⁰² In *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000) the defendants used the plaintiff's trade mark name as metatags for their web site, established for the domain name www.designscam.com, where they criticised the plaintiff. The plaintiff averred that by using his trade mark name as metatags, the defendants were likely to cause consumer confusion and were thus guilty of passing-off. The court was of the opinion that the disclaimer on the defendants' web site as well as the disparaging comments regarding the plaintiff's business ethics prevented consumer confusion. The court was further of the opinion that the use of the relevant trade mark name as metatags was protected by the fair use doctrine (the metatags indexed the content of the defendants' web pages) as well as the defendants' constitutional right to freedom of speech. A copy of this judgment can be downloaded from <http://august1.com/courses/cyber/cases/Bihari.htm>.

²⁶⁰³ 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Frena.html.

Some of the defendants' subscription members scanned photos from plaintiff's magazines and posted them on the defendants' BBS. These members also indexed the images using the plaintiff's trade mark names "Playmate" and "Playboy". The question of law was whether the defendants were guilty of unlawful competition in the form of passing-off. The court maintained that such indexing violated section 1125(1)(a) "by falsely inferring and describing the origin of PEI's photographs [as well as making] it appear that PEI authorized Defendant Frena's product."²⁶⁰⁴

2.2.2.5. Using a third party's trade mark name in one's e-mail messages (spoofing)

In *Hotmail Corporation v Van Money Pie Inc et al*²⁶⁰⁵ the defendants, competitors of the plaintiff, sent spam (i.e. unsolicited commercial e-mail) to the e-mail accounts of other Hotmail subscribers. The defendants altered (spoofed) the return addresses of their e-mail messages to falsely indicate that they were sent from a Hotmail account, rather than its true source. The plaintiff applied for an interdict, on the basis of passing-off, prohibiting the defendants from sending spam which indicated that it came from the former.

The court held that plaintiff was likely to succeed on the merits of its claims that defendants' use of the HOTMAIL mark was likely to cause consumer confusion or mistake as to the origin, sponsorship, or approval of defendants' spam e-mails and spam e-mail business.²⁶⁰⁶ The court specifically held that the defendants' mark, referring to the fact that the defendants used the plaintiff's trade mark to indicate the origin of their spam e-mail messages, was identical to the plaintiff's trade mark: "A comparison of defendants' and plaintiff's uses shows such striking similarity that a jury could not help but find that defendants' use is confusing. Indeed, there has been actual confusion among consumers regarding the marks. This factor alone may be determinative."²⁶⁰⁷

The court further noted that "[p]laintiff has suffered and, if defendants are not enjoined, will continue to suffer irreparable harm from the distribution, promotion and use of e-mails bearing plaintiff's mark - particularly spam e-mails, some of which advertise

²⁶⁰⁴ See also *Sega Enterprises Ltd v Maphia* 857 F.Supp. 769 (N.D. Cal. 1994). A copy of this judgment can be downloaded from http://www.leepfrog.com/E-Law/Cases/Sega_v_MAPHIA2.html.

²⁶⁰⁵ 47 USPQ.2d 1020 (N.D. Cal. 1998). A copy of this judgment was obtained from Westlaw.

²⁶⁰⁶ 47 USPQ.2d 1020 (N.D. Cal. 1998):1023, par 23.

²⁶⁰⁷ 47 USPQ.2d 1020 (N.D. Cal. 1998):1023, par 25.

pornography - because of the loss of goodwill and reputation arising from customer confusion about the source of defendants' spam e-mails and/or plaintiff's affiliation or sponsorship of them."²⁶⁰⁸

Other courts have also held that spoofing constitutes a violation of section 1125(a), in that receivers of such messages were likely to believe that the messages originated from the spoofed e-mail address, namely the plaintiff's e-mail address.²⁶⁰⁹

2.2.2.6. Using a competitor's trade mark on one's web page

In *Playboy Enterprises Inc v Universal Tel-A-Talk Inc et al*²⁶¹⁰ the plaintiff owned two registered and internationally well-known trade marks, namely "Playboy" and "Bunny". The defendants used these trade marks, without the plaintiff's authorisation, on their web site, established for www.adult-sex.com, to advertise sexually explicit photographic images. The defendants' web site further offered a subscription service called "Playboy's Private Collection". The "Playboy" trade mark was prominently displayed on this page. They also used the term "Bunny" on the navigation bar of the introductory screens and web pages. Defendants also provided an e-mail address which utilised the "Playboy" trade mark, namely "Playboy@adult-sex.com". The plaintiff submitted that the defendants were guilty of unfair competition.

The court maintained that the "[d]efendants intentionally adopted PLAYBOY and BUNNY trademarks in an effort to capitalize on PEI's established reputation in the PLAYBOY and RABBIT HEAD DESIGN marks. This is evidenced by defendants' establishment of a 'link' between their website and PEI's actual PLAYBOY website at 'Playboy.com' and their appropriation of the words 'Playboy' and 'Bunny' to advertise their own on-line service ... PEI and defendant market their services through the same channel of trade: the Internet. The consuming public is likely to believe that PEI is connected with defendants' hard core."²⁶¹¹ Consequently, the court held that the defendants contravened section 1125(a).

²⁶⁰⁸ 47 USPQ.2d 1020 (N.D. Cal. 1998):1025-1026, par 41.

²⁶⁰⁹ See e.g. *Classified Ventures L.L.C. v Softcell Marketing Inc* 109 F.Supp.2d 898 (N.D. ILL. 2000):900-901. A copy of this judgment was obtained from Westlaw.

²⁶¹⁰ 48 USPQ.2d 1779 (E.D. Pa. 1998). A copy of this judgment can be downloaded from www.loundy.com/CASES/PEI_v_Universal.html.

²⁶¹¹ See also *Playboy Enterprises Inc v Calvin et al* 985 F.Supp. 1220 (N.D. Cal. 1997). A copy of this judgment can be downloaded from www.loundy.com/CASES/Playboy_v_Calvin.html.

In *Planetary Motion Inc v Techplosion Inc et al*²⁶¹² the appellant was the proprietor of the common law trade mark "Coolmail", used for e-mail software. The respondent registered the domain name www.coolmail.to, which it commenced using for its e-mail server. The respondent also commenced using the term "CoolMail" as a trade mark for its e-mail service. The appellant contended that the respondent contravened section 1125(a). The court held that due to the fact that the respondent's trade mark "CoolMail" were virtually identical to the appellant's protected trade mark name together with the fact that their performance were closely related, a likelihood of confusion was present.

2.2.2.7. Competitors using their rivals' information as metatags

In *Niton Corp v Radiation Monitoring Devices Inc*²⁶¹³ the defendant included references to the plaintiff's home page as metatags for its web page: The "META" descriptions of the defendant's web sites were identical to those that the plaintiff used for constructing its web site. Consequently, the metatags of the defendant's web site read: "The Home Page of Niton Corporation, makers of the finest lead, radon, and multi-element detectors". Consequently, when a computer user used a search engine to locate the plaintiff's web site, five matches referred the computer user to web pages on the defendant's web site. Furthermore, the defendant used the names of the plaintiff's products as metatags for its web site. The plaintiff contended that the defendant was guilty of passing-off. The court granted the interdict, maintaining that the -

"plaintiff has shown a likelihood of success on the merits of its contention that [defendant's] Internet web sites and means of attracting users of the Internet to examine these web sites have been used by [defendant] in a way likely to lead users to believe that the employees of [defendant] are 'makers of the finest radon detectors,' that [defendant] is also known as Niton Corporation, that [defendant] is affiliated with Niton Corporation, that [defendant] makes for Niton products marketed by Niton, and that [defendant] web sites are Niton web sites."

²⁶¹² 261 F.3d 1188 (11th Cir. 2001). A copy of this judgment can be downloaded from <http://laws.lp.findlaw.com/11th/0010872man.html>.

²⁶¹³ 27 F.Supp.2d 102 (D. Mass. 1998). A copy of this judgment can be downloaded from <http://eon.law.harvard.edu/property00/metatags/NITON.html>.

2.2.2.8. Using a third party's trade mark name as a search engine term

In *Nissan Motor Co Ltd v Nissan Computer Corp*²⁶¹⁴ the following scenario arose: The plaintiff, owner of the registered and famous trade mark "Nissan", had won a previous civil action in which the court directed the defendant to include disclaimers on his web sites, established for www.nissan.com and www.nissan.net, stipulating that he was not associated with the plaintiff's business. Following this court case, the plaintiff purchased two search engine terms,²⁶¹⁵ namely "nissan" and "nissan.com". The result was that when an Internet user typed these two terms into the dialog box on a search engine web site, the search engine listed, *inter alia*, the plaintiff's web site. The defendant submitted that this constituted unfair competition: "As a result of the purchase of these search terms ... customers, potential customers, and others using a search engine, or a recent browser, looking for [defendant] Computer will be wrongfully re-directed to [plaintiff], ... will not find [defendant] ..., will believe that [defendant] is no longer in business and, as a result, [defendant] will lose customers and suffer irreparable damage to its goodwill." The plaintiff, in turn, contended that its purchase of the said search terms was lawful because the defendant was not allowed to exclude the plaintiffs from using the said terms on the Internet, solely because the defendant held registrations for the domain names www.nissan.com and www.nissan.net "since 'federal trademark law precludes [the defendant's] assertion of exclusive rights to these terms.'" The court responded, by stating that -

"[i]ntellectual property rights are the exception to the principle of free competition ... It is well-settled that 'registration of a domain name for a Web site does not trump long-established principles of trademark law.' ... Because this Court has already found that 'the plaintiffs have a valid, protectable trademark interest in the "Nissan" mark,' ... the defendant's registration of the Internet domain names 'nissan.com' and 'nissan.net' cannot trump the plaintiffs' use of the 'Nissan' mark on the Internet or anywhere else. This is not to suggest that Internet search terms are entirely 'up-for-grabs.' There are protections against the registration of a domain name for the improper purpose of extorting large sums from senior users for its transfer, also known as 'cybersquatting' ... There are also protections against the registration of a domain name that infringes another's trademark ... and against the registration of a domain name for the improper purpose of diluting another's mark ... There appears to be no good cause for not extending these protections and limitations to cases where one infringes or dilutes

²⁶¹⁴ 2001 WL 1557455 (C.D. Cal. 2001). A copy of this judgement was obtained from Westlaw.

²⁶¹⁵ From various search engine operators.

another's mark by purchasing a search term - as opposed to using another's mark in one's metatags - for the purpose of manipulating a search engine's results list. This is not such a case, however, because the plaintiffs cannot infringe upon or dilute their own mark - much less, one in which they have a valid, protectable interest. This analysis applies equally to both the search term 'nissan' and 'nissan.com' because any permutations one may derive from adding a top-level domain ('TLD'), which merely describes the nature of the enterprise registering the domain name - i.e., '.com' (commercial), '.org' (non-profit and miscellaneous organizations), or '.net' (networking provider) - to the second-level domain 'nissan' are indistinguishable as a matter of law."

The defendant further argued that it had a right to protect its proprietary interest in www.nissan.com as an Internet address: Like any other business, it argued, it had the right to prevent others from attempting to divert or confuse its customers. The defendant contended further that it was not the plaintiff's purchase of the search terms that created liability, but the effect of their purchase and use of the search terms that created the said liability. The court responded by stating that -

"[i]n some instances, this argument would be compelling, but not here. By way of analogy, the purchase of advertising in a periodical is not *per se* unlawful. When that advertising is false or misleading, however, the effect of the purchase or use of the advertising becomes unlawful. Similarly, if the plaintiffs had purchased the search term 'Microsoft.com,' resulting in the display of a results page which stated: 'Quick Hit Result: The Official Site for Microsoft.com,' and users who clicked on the hyperlink were diverted to the plaintiffs' web site, the plaintiffs' conduct would be unlawful. Again, this is not the case here. The plaintiffs have merely purchased search terms, in one of which ('nissan') they indisputably have a valid, protectable trademark interest and in the other ('nissan.com'), by operation of the law that treats a '.com' domain name as indistinguishable from its second-level domain root, an equally valid, protectable trademark interest."

The court further remarked that "the consumer who is allegedly misdirected by the plaintiffs' purchase of the search term 'nissan.com' has the location of the business (nissan.com) it seeks in hand ... Typing 'nissan.com' into a search engine to obtain the domain name for 'nissan.com' is as pointless, as the plaintiffs correctly point out, 'as telephoning a business and asking for its telephone number.'" Finally, the court maintained that "the defendant owns the registration of a domain name. That ownership bestows upon the defendant *only* the right to have Internet users go to the defendant's web site when a user types the domain name into a web browser. Absent

a basis for claiming broader intellectual property rights in a domain name, a domain name is an address, nothing more.”

One remark is warranted here. The court made the valuable observation that where A uses B’s mark name as a search term for his (i.e. A’s) web page or web site, such use will render A liable for unfair competition, unless he has lawful rights in using such a search term.

2.2.2.9. Reverse passing-off – removal of copyright notices and trade marks

The doctrine of reverse passing-off²⁶¹⁶ was applied in *Playboy Enterprises Inc v Frena et al.*²⁶¹⁷ The defendant operated a BBS and copied the plaintiff’s digital photographs to his BBS server, after he had removed the plaintiff’s trade mark from these photos and inserted his own copyright notices thereon. The plaintiff contended that the defendant was guilty of passing-off. The court observed that the removal of plaintiff’s trade mark from the aforementioned photos constituted reverse passing-off: “PEI’s trademarks were obliterated from the photographs, and then Defendant Frena attempted to take credit for Plaintiff’s work by placing its own advertisement with its phone number on some of the photographs. Thus, PEI has been denied the right to public credit for the success and quality of its goods.”

2.3. Conclusion

The US law of unfair competition can be summarised as follows:

- a) Competitors are not allowed to appropriate their rivals’ newly released offline and online news articles. They are required to expend time, labour and money.
- b) An entrepreneur is allowed to pay search engine operators to display his banner advertisements when a certain word or name is keyed in as a search enquiry, provided that the former enjoys a legitimate right in such word or name.
- c) When the defendant registers the trade mark name of his competitor as his domain name, his registration constitutes unfair competition and specifically, misappropriation, false designation of origin and passing-off.

²⁶¹⁶ Explained in paragraph 2.1 of this chapter.

²⁶¹⁷ 839 F.Supp. 1552 (M.D. Fla. 1993). A copy of this judgment can be downloaded from www.louandy.com/CASES/Playboy_v_Frena.html.

- d) When the defendant uses the trade mark name of a third party as metatags for his web pages, he is guilty of passing-off and false designation of origin in that he causes an initial interest of confusion.
- e) When the defendant displays in his e-mail message the trade mark name of a third party, thus falsely indicating that the latter sent the message, he is guilty of passing-off and false designation of origin.
- f) When the defendant uses the plaintiff's trade mark on his commercial web site, he is guilty of passing-off.
- g) When the defendant uses the plaintiff's trade mark as navigator bars (i.e. indexes) for his web site, he is guilty of passing-off.
- h) When the defendant digitally removes the plaintiff's copyright notices and/or trade marks from the latter's digital photographs and inserts his own copyright notices and/or trade marks, he is guilty of reverse passing-off.

3. THE SOUTH AFRICAN COMMON LAW ACTION FOR UNLAWFUL COMPETITION

Next the general principles of South African common law are discussed. Thereafter, these principles are applied to specific Internet scenarios in order to ascertain whether these instances constitute unlawful competition.

3.1. General

3.1.1. Courts distinguish between the delict of passing-off and the delict of unlawful competition

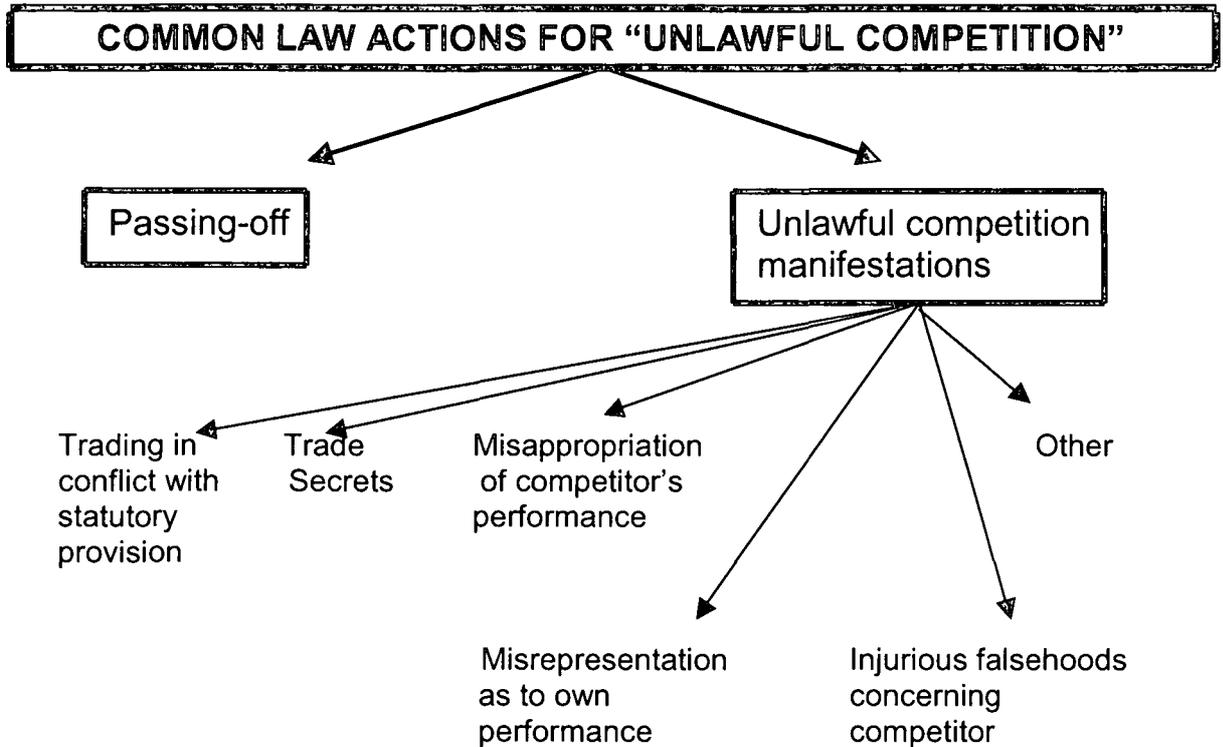
South African courts, generally speaking, maintain that the "law of unlawful competition", under the umbrella of the *Actio legis Aquiliae*, recognises a wide *genus* of delicts referred to as unlawful competition, of which *genus* the delict of passing-off²⁶¹⁸ and the delict of unlawful competition²⁶¹⁹ are *species*.²⁶²⁰ The delict of unlawful competition is then divided into various manifestations such as injurious falsehoods,

²⁶¹⁸ *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 189 C:197C; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others* 1987 2 SA 511 W:520F-G.

²⁶¹⁹ *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others* 1990 4 SA 136 D:141G; *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others* 1990 3 SA 897 C:915E.

²⁶²⁰ *Union Wine Ltd v E Snell & Co Ltd (supra):197C; Moroka Swallows Football Club Ltd v The Birds Football Club and Others (supra):520F-G.*

competition in conflict with a statutory provision, filching of trade secrets and confidential information, etc. Therefore, the courts maintain that passing-off is a specific instance or form of unlawful competition.^{2621 2622} The law can be illustrated as follows:



This division of the law of unlawful competition is followed in this study.

3.1.2. Distinction between registered and common law trade marks

Two kinds of trade marks are recognised by the South African law, namely (1) common law trade marks and (2) registered trade marks in terms of the *Trade Mark*

²⁶²¹ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:898A-B; *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:666G; *Kellogg Co and Another v Bokomo Co-operative Ltd* 1997 2 SA 725 C:732J; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:418D; *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:554I; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:471B.

²⁶²² One court has even held that passing-off is a *species* of the delict of unlawful competition. See *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1138A.

Act.²⁶²³ Common law trade marks can be described as unregistered trade marks that have acquired distinctiveness through continuous use.²⁶²⁴

Three requirements for the recognition of a common law trade mark can be gleaned from South African judgments²⁶²⁵ dealing with trade mark infringements and passing-off proceedings, namely (1) the plaintiff, claiming to be the proprietor of the alleged common law trade mark, must have originated, acquired or adopted the mark;²⁶²⁶ (2) the "mark" must be able to serve the function of a trade mark, namely to distinguish the performance to which it relates from competing performances; and (3) the mark must have become distinctive by "user", which means that the mark must have acquired a reputation.²⁶²⁷

3.2. The delict of passing-off

Next, this study turns to the delict of passing-off,²⁶²⁸ and, in particular, its definition, elements and peculiarities.

3.2.1. Definition and elements of

Local courts have defined passing-off as a representation by one person that his business or performance is that of another, or is associated or connected with the performance or business of another.²⁶²⁹ The courts have posed the following requirements as elements of passing-off:²⁶³⁰

²⁶²³ Act 194/1993. See Webster 2001

²⁶²⁴ Webster 2001.

²⁶²⁵ See e.g. *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T:446G-H; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others* 1977 2 SA 916 A:925H; *Barlow & Jones Ltd v Elephant Trading Co* 1905 TS 637:647.

²⁶²⁶ *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another (supra)*:446G-H.

²⁶²⁷ *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another (supra)*:446G-H; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others (supra)*:925H.

²⁶²⁸ Passing-off is also known as "aanklamping".

²⁶²⁹ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pvt) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:898B-C; *Federation Internationale De Football and Others v Bartlett and Others* 1994 4 SA 722 T:739D-E; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:471B; *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others* 1990 4 SA 136 D:142C-D; *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 180 D:182C-D; *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T:441I-J; *Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (in liquidation) And Another* 1987 2 SA 600 A:613D-E; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:478F-H; *Scott and Leisure Research and Design (Pty) Ltd v*

- 1) The trade mark, get-up or business name or other distinctive *indicia* on which the plaintiff relies has acquired a reputation; and
- 2) the defendant makes a misrepresentation by means of the name, get-up or mark he uses,
- 3) in the course of trade,
- 4) which misrepresentation is calculated to deceive or confuse third parties into believing the defendant's false representation, and
- 5) which misrepresentation causes or will likely cause prejudice or damage to the plaintiff.

3.2.2. Trade mark, get-up or business name must be able to distinguish

Before any mark, and in particular a word or business name, can qualify as a trade mark it must be able to distinguish,²⁶³¹ which will be the case where the mark (a) either

Watermaid (Pty) Ltd 1985 1 SA 211 C:218F; *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another* 1984 1 SA 734 N:736E-G; *Easyfind International (SA) (Pty) Ltd v Instaplan Holdings & Another* 1983 3 SA 917 W:923B-C; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd* 1982 4 SA 123 T:131E-F; *Omega, Louis Brandt et Frere SA and Another v African Textile Distributors* 1982 1 SA 951 T:954B-C; *Adcock-Ingram Laboratories Ltd v Lennon Ltd* 1982 1 SA 862 T:865G-H; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1138A-B; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others* 1977 2 SA 916 A:929C-D; *Monis Wineries Ltd v Mouton* 1966 2 SA 89 SWA:91C; *Policansky Bros Ltd v L. & H. Policansky* 1935 AD 89:97.

²⁶³⁰ *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd* 2000 3 SA 259 SCA:267E-F; *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:666I-667B; *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another* 1998 3 SA 938 SCA:947A-B; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:418G-I; *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd* 1996 2 ALL SA 414 C:418f-g; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:122C-H; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd (supra)*:471D-E; *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another (supra)*:442B-C; *Juvena Produits De Beaute SA v BLP Import and Export* 1980 3 SA 210 T:221A-B; *J. Goddard & Sons v R.S. Goddard and J. Mentz & Co* 1924 TPD 290:305; *Hatting's Yeast Ltd v Frienlin* 1919 TPD 417:422; *Glenton & Mitchell v Ceylon Tea Co* 1918 WLD 118:121; *Levy Brothers & Lewis v Goldstein & Goldstein* 1890 6 HCG 1:4-5.

²⁶³¹ *Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd* 1984 3 SA 911 T:913C. As the court put it in *Printing Machinery Co Ltd v Registrar of Trade Marks* 1912 TPD 653 (at 657): "I think it is the essence of a trade mark that it should be distinctive."

inherently distinguishes or (b) has acquired by means of use a reputation and accordingly distinguishes the proprietor's performance.²⁶³² Where, however, a mark is inherently totally non-adapted to distinguish, no amount of use or assistance from extraneous circumstances can render it registrable or distinctive.²⁶³³ Next, the principles pertaining to inherently distinguishing marks, descriptive and laudatory marks, and finally, words common to the trade are discussed.

When considering whether a mark is inherently capable of distinguishing, an important factor is whether other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same mark or some mark nearly resembling it upon or in connection with their own goods.²⁶³⁴

A descriptive mark, consisting of a word or words describing either the quality or characteristics of the performance or the business in question, cannot *per se* constitute a trade mark. Such mark will only qualify as a trade mark once it has become distinctive by user²⁶³⁵ so that the use of that particular mark will be understood by the trade and public as indicating the performance or business of the proprietor.²⁶³⁶ The courts have elaborated on this issue by maintaining that a descriptive mark can only become distinctive of the plaintiff's performance or business once it acquires a strong reputation.²⁶³⁷ Very clear and cogent evidence as to such reputation is required.²⁶³⁸

²⁶³² *Distillers Corporation (SA) Ltd v SA Breweries Ltd and Another; Oude Meester Groep Bpk and Another v SA Breweries Ltd* 1976 3 SA 514 A:552H; *Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd (supra)*:913F-G; *Truck and Car Co Ltd v Kar-N-Truk Auctions* 1954 4 SA 552 A:557H; *Truck and Car Co Ltd v Hirschman and Others* 1954 2 SA 117 E:120C-D.

²⁶³³ *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 2 SA 522 T:532C; *Estee Lauder Cosmetics Ltd v Registrar of Trade Marks* 1993 3 SA 43 T:471; *Heublin Inc and Another V Golden Fried Chicken (Pty) Ltd (supra)*:913F-G.

²⁶³⁴ *Triomed (Pty) Ltd v Beecham Group plc and Others (supra)*:533F. See also 533E where the court stated that "in South Africa, as in the United Kingdom, a mark is inherently not capable of distinguishing when it cannot do the job of distinguishing without the public first being educated that the sign is a trade mark."

²⁶³⁵ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another* 1998 1 SA 59 T:75H-I.

²⁶³⁶ *Haggard Co v SA Tailorscraft (Pty) Ltd and Another* 1985 4 SA 569 T:574A-B; *Die Bergkelder v Delheim Wines (Pty) Ltd* 1980 3 SA 1171 C:1180A; *Marlton and Hotchin v Holmes* 1944 NPD 50:52; *Cash Wholesalers Ltd v Hogan t/a Cash Meat Wholesalers* 1933 NPD 117:129.

²⁶³⁷ *Van Der Watt v Humansdorp Marketing CC* 1993 4 SA 779 SE:782J-783B; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others* 1977 2 SA 916 A:928B; *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd* 1975 2 SA 189 C:206C-D; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd* 1974 2 SA 125 C:130H; *Selected*

The courts have further stated that where a trader uses a descriptive mark in designating his business or performance he must ordinarily submit to the risk of some confusion arising among the public if another trader uses the same mark in relation to his business or performance.²⁶³⁹

However, the courts have also stated that a business name consisting only of descriptive words will be protected against passing-off where the defendant copied the exact name of the plaintiff's business name, or where he uses a confusingly similar name, in order to divert customers to his business and/or to take advantage of the plaintiff's name.²⁶⁴⁰

With regard to laudatory marks the courts have stated that the general principle is that these marks cannot be made the subject of a trade mark monopoly.²⁶⁴¹ However, such marks can be registered as trade marks, or be recognised as common law trade marks, where either they are so obscure, although laudatory, as not to be reasonably required for use in the trade or where they have acquired a strong reputation rendering them distinctive.²⁶⁴²

The reason why courts are reluctant to register or recognise descriptive and laudatory words as trade marks is twofold: a) Such recognition involves an undue limitation on the rights of others to the free choice of language in describing and advertising and

Products Ltd v Enterprise Bakeries (Pty) Ltd 1963 1 SA 237 C:242F-H; *Yellow Cabs of South Africa Ltd v Ginsberg* 1930 WLD 205:208-209; *Patlansky Co Ltd v Patlansky Bros* 1914 TPD 475:492.

²⁶³⁸ *Truck and Car Co Ltd v Hirschman and Others* 1954 2 SA 117 E:122B-F.

²⁶³⁹ *Van Der Watt v Humansdorp Marketing CC (supra)*:783D-E; *Rovex Ltd and Another v Prima Toys (Pty) Ltd* 1982 2 SA 403 C:405E-H; *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd* 1979 2 SA 276 E:282B-C; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd (supra)*:938G-H; *Shatz v Josman* 1935 NPD 142:145; *Cash Wholesalers Ltd v Hogan t/a Cash Meat Wholesalers* 1933 NPD 117:128; *Patlansky Co Ltd v Patlansky Bros (supra)*:491. In *Fillery's Home Utilities (Pty) Ltd v Easiwork Ltd* 1940 NPD 141 the court was of the opinion that the word "Health", on its own, could not be registered as a trade mark for metal cookers, in that it was descriptive, and not distinctive, and had further not acquired a strong secondary meaning. (At 150)

²⁶⁴⁰ *Van Der Watt v Humansdorp Marketing CC (supra)*:785F-G; *Shatz v Josman (supra)*:148; *Cash Wholesalers Ltd v Hogan t/a Cash Meat Wholesalers (supra)*:130.

²⁶⁴¹ *Estee Lauder Cosmetics Ltd v Registrar of Trade Marks (supra)*:47F-G; *Heublin Inc and Another v Golden Fried Chicken (Pty) Ltd* 1982 4 SA 84 T:89B; *Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd (supra)*:537A-E.

²⁶⁴² *Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd (supra)*:537A-E.

extolling their goods or services,²⁶⁴³ and b) because such words are not adapted to distinguish the performance of the proprietor from those of other persons.²⁶⁴⁴ For this reason courts are reluctant to grant monopoly rights to all words and phrases that are "common to the trade",²⁶⁴⁵ which, in turn, has been interpreted to mean either (1) that such word or phrase is reasonably required (i.e. necessary) for use in the trade²⁶⁴⁶ or (2) as "in common use in the trade" and not which is reasonably required for use in the trade.²⁶⁴⁷ The principle seems to be that anyone should always be able to use descriptive language to describe the quality and characteristic of his performance.²⁶⁴⁸

With regard to ordinary words (also known as *generic words*) used by entrepreneurs either as their trade marks or as their business names, the general rule is that these words will not be protected or registered as trade marks.²⁶⁴⁹

Finally, the courts have stated that when ascertaining whether a mark is distinctive, it is to the market of this country alone that one has to have regard.²⁶⁵⁰ It has also been noted that where a particular name or word is an essential part of a trade mark, the use of that word or name is protected by law.²⁶⁵¹ For this reason, courts have stated that it is not necessary that the get-up as a whole should be distinctive, for a part of the get-up may be shown to be so identified with the plaintiff's goods that its use for similar

²⁶⁴³ *Estee Lauder Cosmetics Ltd v Registrar of Trade Marks (supra):47F-G; Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd* 1990 1 SA 722 A:728E; *Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd* 1979 1 SA 532 T:537A-E; *Star Shirt Clothing Factory Natal (Pty) Ltd v Registrar of Trade Marks* 1972 1 SA 562 T:567D-E; *Shatz v Josman (supra):146*.

²⁶⁴⁴ *Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd (supra):537A-E*.

²⁶⁴⁵ *Ex parte Martell* 1920 TPD 53:58.

²⁶⁴⁶ *Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd (supra):536G-H; Star Shirt Clothing Factory Natal (Pty) Ltd v Registrar of Trade Marks (supra):567D-E*.

²⁶⁴⁷ *Judy's Pride Fashions (Pty) Ltd v Registrar of Trade Marks* 1997 2 SA 87 T:94F; *Federation Internationale De Football and Others v Bartlett and Others* 1994 4 SA 722 T:741G; *Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd (supra):535G-H*. For example, the words "world cup" are common to the trade and specifically of sports clothing. Consequently they are of a non-distinctive character. See *Federation Internationale De Football and Others v Bartlett and Others (supra):742B-C*.

²⁶⁴⁸ *Star Shirt Clothing Factory Natal (Pty) Ltd v Registrar of Trade Marks (supra):567D-F*.

²⁶⁴⁹ In *Seeco (Pvt) Ltd v Zambesia Furnishers (Pvt) Ltd and Another* 1972 4 SA 95 R the Zimbabwean court stated (at 98A-B) that "save in exceptional circumstances no individual will be allowed to monopolise the use of a word in its ordinary sense or meaning in connection with his business."

²⁶⁵⁰ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another (supra):71G-H*.

²⁶⁵¹ See *Societe Anonyme Le Khedive v Resenzweig* 1904 2 TH 59:64.

goods would pass them off as his.²⁶⁵²

3.2.3. Trade mark, get-up or business name must have acquired reputation

The courts have posed it as an absolute requirement that before the plaintiff can succeed with a passing-off action, he must prove, either by means of direct evidence or by means of necessary inference,²⁶⁵³ that his trade mark, get-up or business name (i.e. his distinctive features)²⁶⁵⁴ acquired a reputation in South Africa prior to the date when the defendant commenced using his offending trade mark, get-up or business name,²⁶⁵⁵ which reputation must still exist when the alleged misrepresentation was made.²⁶⁵⁶ Therefore, the law of passing-off protects the reputation pertaining to a particular trade mark, get-up or business name.²⁶⁵⁷

²⁶⁵² *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 4 SA 434 W:437B-C.

²⁶⁵³ *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd* 1975 2 SA 189 C:203H. See also *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son (SA) (Pty) Ltd* 1995 1 SA 725 T where the court stated (at 732E) that in the absence of direct evidence as to the reputation of the trade name or trade mark and its consequent distinctiveness, the court is required to infer from the evidence relating to the use of the said name or mark that it has become distinctive. A similar statement was made in *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:227f.

²⁶⁵⁴ See *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra)* where the court held (at 226l) that the law did not require that the get-up as a whole should be distinctive: A part of the get-up may be shown to be so identified with the plaintiff's goods that its use for similar goods is calculated to pass them off as his.

²⁶⁵⁵ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra)*:226f-g; *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another* 1998 3 SA 938 SCA:949H; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:122E; *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 180 D:183l-J; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1)* 1989 1 SA 236 A:249J; *Haggard Co v SA Tailorscraft (Pty) Ltd and Another* 1985 4 SA 569 T:574B-C; *Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd* 1985 1 SA 211 C:218G; *S C Johnson & Son Inc and Another v Klensan (Pty) Ltd t/a Markrite* 1982 4 SA 579 T:584A; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1140A; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 3 SA 144 T:150A & 155D; *William Bartfield & Co (Pty) Ltd v Job Hypermarket* 1976 3 SA 157 T:158F; *Polakow Brothers (Pty) Ltd v Gershowitz* 1976 1 SA 863 E:865C-E; *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd (supra)*:203B; *Glenton & Mitchell v Ceylon Tea Co* 1918 WLD 118:124; *Patlansky Co Ltd v Patlansky Bros* 1914 TPD 475:491-492

²⁶⁵⁶ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:900C; *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another (supra)*:950H-I.

²⁶⁵⁷ See *S C Johnson & Son Inc and Another v Klensan (Pty) Ltd t/a Markrite (supra)*:581F-G.

"Reputation", sometimes referred to as *secondary meaning*,²⁶⁵⁸ simply means that a substantial number²⁶⁵⁹ of the relevant members of the trade and/or of the public (either clients and customers or potential clients and customers)²⁶⁶⁰ must recognise a particular mark (i.e. a trade mark, get-up, symbol or business name), as a result of "user or advertising or some similar means",²⁶⁶¹ as distinctive of, or associated with, a particular trader's performance and/or business²⁶⁶² and would, therefore, when they saw the defendant's identical or confusingly similar mark believe that the defendant's performance or business was that of the plaintiff's or connected with the plaintiff's performance or business.²⁶⁶³ As the court in *Horseshoe Caterers (Greenpoint) (Pty)*

²⁶⁵⁸ *Union Wine Ltd v E Snell & Co Ltd (supra)*:183B-C; *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another* 1984 1 SA 734 N:737E-F; *Patlansky Co Ltd v Patlansky Bros (supra)*:486.

²⁶⁵⁹ *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 4 SA 434 W:436H-437A; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:155G-H. As the court stated in *Haggard Co v SA Tailorscraft (Pty) Ltd and Another (supra)* (at 578F-G): "Even a product with a substantial reputation will not be known to every buyer or potential customer in the market. The evidence therefore of persons who are unaware of the existence of the product or the extent of its penetration in the market does not displace and therefore does not contradict the evidence of persons who have this knowledge and testify positively to the extent of such a reputation." See also Van Heerden & Neethling 1995:179-180; LAWSA 1993: vol 2, par 399.

²⁶⁶⁰ *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd* 2000 3 SA 259 SCA:272F-G; *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another (supra)*:950B-C.

²⁶⁶¹ *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods (supra)*:122E.

²⁶⁶² *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another (supra)*:737F-G; *S C Johnson & Son Inc and Another v Klensan (Pty) Ltd t/a Markrite (supra)*:584B-C; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd (supra)*:436H-437A. Stated differently, they would recognise the mark as indicative of a particular origin. *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another*; *Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:666I-667A; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:418G-H; *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd* 1996 2 ALL SA 414 C:418f-g; *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:554I-J; *Union Wine Ltd v E Snell & Co Ltd (supra)*:184J; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1) (supra)*:249D-F; *Frank & Hirsch (Pty) Ltd v Roopanand Brothers* 1987 3 SA 165 D:188H-I; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1981 2 SA 173 T:202B-C. See also Van Heerden & Neethling 1995:169; LAWSA 1993:vol 2, par 399.

²⁶⁶³ *Cambridge Plan AG and Another v Moore and Others* 1987 4 SA 821 D:834D-E; *S C Johnson & Son Inc and Another v Klensan (Pty) Ltd t/a Markrite (supra)*:581H-582A; *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd (supra)*:202B-C. Stated differently, they would associate it with the plaintiff. See *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd*

*Ltd v Burnkloof Caterers (Pty) Ltd*²⁶⁶⁴ aptly put it: "It seems to me to be a logically unassailable proposition that before such clientele can be confused, they must know of the plaintiff's business. If they do not know of the plaintiff's business they cannot confuse it with any other business".²⁶⁶⁵ Suffice it to say, that the plaintiff must show that his mark is well-known by, and favourably associated with, a particular trade or class of persons.²⁶⁶⁶ Note, however, that the plaintiff is not required to prove that purchasers of his goods are aware of his identity.²⁶⁶⁷

The courts have also pointed out that where the defendant intentionally copies or imitates the plaintiff's trade mark, this fact indicates that the defendant considers the plaintiff's trade mark to have acquired the necessary reputation.²⁶⁶⁸ At least one court has gone further to note that where the defendant adopts a name identical to the applicant's business name, two inferences can be made: "[F]irst, that it was a name to which a reputation attached; and secondly, that the business contemplated by the

(*supra*):267A-B; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* (*supra*):898E-F; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* (*supra*):438H.

²⁶⁶⁴ *Supra*.

²⁶⁶⁵ 1975 2 SA 189 C:202C. See also *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* (*supra*):898F-H; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* (*supra*):122F; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:479B-D.

²⁶⁶⁶ See *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd* (*supra*):267A & 272F; *Glenton & Mitchell v Keshavjee & Sons* 1918 TPD 263:264.

²⁶⁶⁷ See *Adcock-Ingram Laboratories Ltd v Lennon Ltd* 1982 1 SA 862 T where the court stated (at 866B-D): "Goods of a particular get-up just as much proclaim their origin as if they had a particular name attached to them, and it is well known that when goods are sold with a particular get-up for long enough to be recognised by the public as goods of a particular manufacturer it does not matter whether you know who the manufacturer was." See also *S C Johnson & Son Inc and Another v Klensan (Pty) Ltd t/a Markrite* (*supra*):581H-582A; *Easyfind International (SA) (Pty) Ltd v Instaplan Holdings & Another* 1983 3 SA 917 W:924A-B. Or as the court stated in *John Waddington Ltd v Arthur E Harris (Pty) Ltd* 1968 3 SA 405 T (at 416H): "It is, admittedly, not necessary for the success of a passing-off action to prove that a purchaser consciously had in mind the manufacturer of the particular article. But what is necessary is that he must be shown to have been misled into buying one article for another article which he knew to have been of a certain standard or quality. If the known article of quality is the product of a certain manufacturer and a purchaser should buy the passed-off articles, there is deception, whether the manufacturer is known or not, because the purchaser thinks he buys the article of quality." See also *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1)* (*supra*):249D-F.

²⁶⁶⁸ *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Another; McDonald's Corporation v Dax Prop CC & Another; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd & Dax Prop CC* 1996 4 ALL SA 1 A:24e; *Yellow Cabs of South Africa Ltd v Ginsberg* 1930 WLD 205:209.

respondent company was of such a nature that it would benefit from an association with that reputation."²⁶⁶⁹

Of necessity, where the defendant concedes that the plaintiff's product or service has a well-established reputation, proof of reputation is not required.²⁶⁷⁰

3.2.4. Misrepresentation

3.2.4.1. General principles

As noted above,²⁶⁷¹ one of the elements of passing-off is that the defendant must have, directly or indirectly,²⁶⁷² falsely represented in the course of business or trade²⁶⁷³ that his performance or business is the plaintiff's performance or business²⁶⁷⁴ or is associated or connected with²⁶⁷⁵ the plaintiff's performance or business or that his goods emanate from the plaintiff.²⁶⁷⁶ As one court aptly put it: "Thus he may not adopt

²⁶⁶⁹ *Pockets (Holdings) Ltd and Others v Oak Holdings Ltd* 1953 2 SA 659 SR:661B. Or as the court in *Appalsamy v Appalsamy and Another* 1977 3 SA 1082 D put it (at 1086F-G): Where the applicant cannot prove that his descriptive mark acquired a reputation but the respondent adopted a similar mark with a fraudulent intent, the court may find that the respondent achieved his goal to deceive or confuse.

²⁶⁷⁰ *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* 2001 3 SA 884 SCA:892G-H.

²⁶⁷¹ See paragraph 3.2.1 of this chapter.

²⁶⁷² *Kellogg Co and Another v Bokomo Co-operative Ltd* 1997 2 SA 725 C:733A; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:418D-E; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1981 2 SA 173 T:202A; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 4 SA 434 W:436H.

²⁶⁷³ *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T:442B-C; *Cash Wholesalers Ltd v Hogan t/a Cash Meat Wholesalers* 1933 NPD 117:127.

²⁶⁷⁴ Therefore a deception or confusion as to trade source. See *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another* 1998 3 SA 938 SCA:947F-G; *Kellogg Co and Another v Bokomo Co-operative Ltd (supra):733B-C*; *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd* 1993 2 SA 307 A:315A-B.

²⁶⁷⁵ Therefore a deception or confusion as to a business connection. See *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another (supra):947F-G*; *Kellogg Co and Another v Bokomo Co-operative Ltd (supra):733B-C*; *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd (supra):315A-B*. In the *Reckitt* case the Supreme Court of Appeal explained (at 320E-F) the concept of "business connection": "The typical case of business connection confusion is to be found where the same or a confusingly similar mark or get-up is used on different goods or services and not on the same goods or services."

²⁶⁷⁶ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:898B-C; *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:667A-B; *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another*

or imitate a trade mark or trade name or use wrappers or ... employ 'names, marks, letters or other *indicia* by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person.'²⁶⁷⁷

It can be gleaned from the judgments dealing with passing-off that there are two types of passing-off: (a) Direct (also known as *express*) passing-off, which occurs where the defendant expressly or verbally misrepresents to his customers that certain goods are the plaintiff's or where he uses the plaintiff's labels on his goods; and (b) Indirect (also known as *implied*) passing-off, which occurs where the defendant uses, imitates or adopts the plaintiff's trade mark, get-up or business name or uses a confusingly similar trade mark, get-up or business name.²⁶⁷⁸ As stated by the Supreme Court of Appeal,

(*supra*):947E-F; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* (*supra*):418E-F; *Federation Internationale De Football and Others v Bartlett and Others* 1994 4 SA 722 T:739D-E; *Van Der Watt v Humansdorp Marketing CC* 1993 4 SA 779 SE:782H; *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:554I; *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others* 1992 2 SA 489 A:500D-E; *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others* 1990 4 SA 136 D:142C-D; *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 180 D:182C-D; *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* (*supra*):441I-J; *Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (in liquidation) And Another* 1987 2 SA 600 A:613D-E; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:478F-H; *Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd* 1985 1 SA 211 C:218F; *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another* 1984 1 SA 734 N:736E-G; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd* 1982 4 SA 123 T:131E-F; *Omega, Louis Brandt et Frere SA and Another v African Textile Distributors* 1982 1 SA 951 T:954B-C; *Adcock-Ingram Laboratories Ltd v Lennon Ltd* 1982 1 SA 862 T:865G-H; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1138A-B; *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd* 1979 2 SA 276 E:281B-C; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* (*supra*):436H; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others* 1977 2 SA 916 A:929C-D; *Slenderella Systems Incorporated of America v Hawkins and Another* 1959 1 SA 519 T:521A; *Ivan Dunsterville (Pty) Ltd v Buster's Electrical (Pty) Ltd and Others* 1958 4 SA 198 N:206D-E; *Durban Gift Shop (Pty) Ltd v The Gift Box (Pty) Ltd* 1952 4 SA 493 N:497D-E.

²⁶⁷⁷ *Patlansky Co Ltd v Patlansky Bros* 1914 TPD 475:491-492.

²⁶⁷⁸ See *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:226d-e; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* (*supra*):898C-E; *Kellogg Co and Another v Bokomo Co-operative Ltd* (*supra*):733A-B; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* (*supra*):418F-G; *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* (*supra*):554I-J; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:122C-D; *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 180 D:186B-C; *Adcock-Ingram Laboratories Ltd v Lennon Ltd* (*supra*):865H; *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus* 1905 TS 472:474-475.

whether the defendant passes his performance or business of as that of the plaintiff is a question of fact.²⁶⁷⁹

For such a misrepresentation to be present, the defendant must have *used* a mark, get-up or business name.²⁶⁸⁰ A misrepresentation can also be made by way of an advertisement and by using a misleading shop sign.²⁶⁸¹

Finally, the courts have maintained that where the plaintiff claims damages, either an intentional or negligent misrepresentation suffices.²⁶⁸²

3.2.4.2. Reverse passing-off

As noted above,²⁶⁸³ the courts have invariably defined the "representation" element of passing-off as follows: A misrepresents that his (A's) performance or business is B's or is associated or connected with B.

However, recently the Supreme Court of Appeal in *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd*²⁶⁸⁴ defined passing-off as follows: "[A] wrong consisting of a false representation made by one trader (the defendant) to members of the purchasing public that the enterprise, goods or services of a rival trader (the plaintiff) either belong to him (the defendant) or are connected, in the course of trade, with his own enterprise, goods or services."²⁶⁸⁵

Therefore, this definition entails that A misrepresents that B's performance or business is his (A's) or connected to his (A's) own performance or business. In this instance A is not passing-off his own performance or business as someone else's but is passing-off another's performance or business as his.

²⁶⁷⁹ *Policansky Bros Ltd v L. & H. Policansky* 1935 AD 89:98; *Patlansky Co Ltd v Patlansky Bros* (*supra*):486.

²⁶⁸⁰ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* (*supra*):902E-F; *Frank & Hirsch (Pty) Ltd v Roopanand Brothers* 1987 3 SA 165 D:1881-J.

²⁶⁸¹ *S.A. Metal & Machinery Co (Pty) Ltd v Metal Salvage Co (Pty) Ltd* 1952 4 SA 302 C:308B.

²⁶⁸² See *Policansky Bros Ltd v L. & H. Policansky* (*supra*):104; *Yellow Cabs of South Africa Ltd v Ginsberg* 1930 WLD 205:209; *Zyp Products Co Ltd v Ziman Bros Ltd* 1926 TPD 224:230; *J. Goddard & Sons v R.S. Goddard and J. Mentz & Co* 1924 TPD 290:320; *Reiners, Von Laer & Co v Fehr* 1892 SC 310.

²⁶⁸³ See previous paragraph.

²⁶⁸⁴ 2000 3 SA 259 SCA.

²⁶⁸⁵ 2000 3 SA 259 SCA:266I-J.

In order to ascertain whether the above statement is a correct reflection of the South African law or merely a slip of the tongue, a scrutiny of the facts of this particular case is warranted. X, a company in Australia, commenced selling roller skates under the trade mark "Bladeline". It concluded a contract with the respondent to the effect that the latter would be the sole distributor of this particular product in South Africa. Y, a Taiwanese company, pirated the Bladeline product in Taiwan and further added the word "Bladeline" to its product. The appellant, a South African company, imported this product into South Africa and commenced selling it prior to the respondent.²⁶⁸⁶ The appellant sought an interdict prohibiting the respondent from selling its products under the name "Bladeline" on the basis of passing-off.

It is, therefore, clear that the respondent, had the required reputation been proved, would have been guilty of passing-off,²⁶⁸⁷ in that by using the same trade mark name he falsely represented that his goods emanated from the appellant, or was connected with the appellant's business, which would likely have lead to consumer confusion or deception. Therefore, it is unclear why the Supreme Court of Appeal defined passing-off as set out above.

It can be argued that this new definition of passing-off, namely that A misrepresents that B's product is his or is connected with his business, is merely the opposite side of the "traditional" definition of passing-off, namely that A misrepresents that his product is B's or is connected with B's business, in that consumer confusion is caused because he or she is confused as to whether the two products or business are inter-connected.

However, for the purpose of this study it is assumed that both definitions are correct and that any scenario that falls within any one of these definitions constitutes passing-off.

3.2.5. Causation

Another element of passing-off is that the plaintiff must prove that the defendant's misrepresentation (namely the use of the distinctive feature concerned) causes or will

²⁶⁸⁶ The respondent only commenced selling its product a year later.

²⁶⁸⁷ As defined in paragraphs 3.2.1 and 3.2.4.1.

likely cause confusion or deception²⁶⁸⁸ and has caused or is likely to cause damage to the applicant.²⁶⁸⁹

3.2.6. Likelihood of confusion or deception

3.2.6.1. General

As noted above,²⁶⁹⁰ the defendant's misrepresentation must cause a likelihood of confusion or deception as to trade source or business connection.²⁶⁹¹

The factors which a court must take into consideration, when determining whether such a likelihood of confusion or deception is present, were also discussed in chapter four in the context of trade mark infringement.²⁶⁹² Most of the principles discussed there apply equally to the question, in a passing-off case, whether a likelihood of confusion or deception arises. For this reason, these principles are only outlined without referring to all the applicable authority. Thereafter, specific principles unique to a passing-off action are discussed.

When a court ascertains whether a likelihood of confusion or deception exists, the following factors are taken into account:

1. The *onus* of establishing a likelihood of confusion or deception rests upon the applicant.²⁶⁹³
2. Confusion or deception can relate either to (1) whether the defendant's business or

²⁶⁸⁸ *Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (in liquidation) And Another* 1987 2 SA 600 A:619D-E; *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd* 1979 2 SA 276 E:288H; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 4 SA 434 W:437E-F; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd* 1976 2 SA 930 A:938H.

²⁶⁸⁹ *Van Der Watt v Humansdorp Marketing CC* 1993 4 SA 779 SE:785H; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:122D-E; *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd (supra)*:286A.

²⁶⁹⁰ See paragraph 3.2.1 of this chapter.

²⁶⁹¹ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:902E-F; *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar* 1981 4 SA 706 D:712G; *Pockets (Holdings) Ltd and Others v Oak Holdings Ltd* 1953 2 SA 659 SR:661D-E; *S.A. Metal & Machinery Co (Pty) Ltd v Metal Salvage Co (Pty) Ltd* 1952 4 SA 302 C:307H. See also *Van Heerden & Neethling* 1995:186-188.

²⁶⁹² See paragraph 4.5.2.1.4 of this chapter.

²⁶⁹³ *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:471C; *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar (supra)*:712H.

performance is the plaintiff's business or performance, or (2) whether a material connection between the defendant's performance or business and the owner of the trade mark or business name exists, or (3) confusion as to origin of the defendant's performance.²⁶⁹⁴

3. The court must ascertain whether the ordinary purchaser will be misled or confused.²⁶⁹⁵ The ordinary purchaser has the following characteristics: He is of average intelligence²⁶⁹⁶ of the class of persons²⁶⁹⁷ who are interested in the parties' performances; He has proper eye-sight; He purchases with ordinary caution;²⁶⁹⁸ He is neither the very careful nor very careless man;²⁶⁹⁹ He knows more or less the peculiar characteristics of the article he wants; He has a general idea of the appearance of the article, but not an exact and accurate representation of it,²⁷⁰⁰ And he looks at the article not closely, but sufficiently to take in its general appearance.²⁷⁰¹

The question is not solely directed to whether *potential purchasers* will be misled or confused. See for example *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd*,²⁷⁰² which concerned the question whether the appellant used a confusingly similar name to the respondent's trading name. The Supreme Court of

²⁶⁹⁴ *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:478H-I; *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another* 1973 4 SA 145 W:160H; *Pasquali Cigarette Co Ltd v Diaconicolos & Capsopolus* 1905 TS 472:480; *Levy Brothers & Lewis v Goldstein & Goldstein* 1890 6 HCG 1:4.

²⁶⁹⁵ *Shatz v Josman* 1935 NPD 142:145.

²⁶⁹⁶ *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 189 C:198A-B. See also Webster and Page 2001:15-53.

²⁶⁹⁷ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:227j; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra):904G-H*; *Kellogg Co and Another v Bokomo Co-operative Ltd* 1997 2 SA 725 C:734C-D; *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd* 1993 2 SA 307 A:315F-G; *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar (supra):714G*. See also Webster and Page 2001:15-53; LAWSA 1993:vol 2, par 399.

²⁶⁹⁸ *Kellogg Co and Another v Bokomo Co-operative Ltd (supra):734D*.

²⁶⁹⁹ *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd* 1979 2 SA 276 E:280H; *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others* 1979 2 SA 290 T:295B-C; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1140H. See also LAWSA 1993:vol 2, par 399.

²⁷⁰⁰ *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* 2001 3 SA 884 SCA:887D-E.

²⁷⁰¹ *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd* 1996 2 ALL SA 414 C:422d-e. See also LAWSA 1993:vol 2, par 399.

²⁷⁰² *Supra*.

Appeal simply stated that the question of law was whether the appellant's name "is reasonably likely to confuse or deceive ordinary members of the public, or a substantial section thereof".²⁷⁰³ See also *Moroka Swallows Football Club Ltd v The Birds Football Club and Others*²⁷⁰⁴ where the court was of the opinion that soccer supporters could be misled by the defendant's passing-off.²⁷⁰⁵

4. The question is whether a substantial number of persons who buy or will be interested in the relevant goods are likely to be deceived or confused.²⁷⁰⁶
5. The respective marks should not only be compared side-by-side.²⁷⁰⁷ The Court must also have regard to the position of a person who might at one time see or hear one of the marks and later, possibly with an imperfect recollection of that mark or the product's appearance²⁷⁰⁸ or with an imperfect perception, come across the other mark.²⁷⁰⁹ Allowance must further be made for imperfect pronunciation and speech on the part of the purchaser as well as the shop assistant.²⁷¹⁰ Therefore, a meticulous comparison should be avoided.

²⁷⁰³ 1985 4 SA 466 A:482H.

²⁷⁰⁴ 1987 2 SA 511 W.

²⁷⁰⁵ For the sake of interest, note can be taken of the UK case of *Clark v Associated Newspapers Ltd* 1998 1 ALL ER 959 ChD where the Chancery Division protected readers of a particular newspaper against deception. At 966h-j the court stated that "[t]he protection afforded by the law is against deception of readers of a literary work as to its authorship ... The plaintiff is entitled to protection from false attribution of authorship made to readers of a newspaper put into circulation by the defendant."

²⁷⁰⁶ *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd* 2000 3 SA 259 SCA:266I-J; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra):902E-F*; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1)* 1989 1 SA 236 A:249C-D; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra):478G-H*; *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another* 1984 1 SA 734 N:762D; *Adcock-Ingram Laboratories Ltd v Lennon Ltd* 1982 1 SA 862 T:873A.

²⁷⁰⁷ *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others (supra):295B-C*; *Consolidated Fish Distributors (Pty) Ltd v Smokies Selected Fish Products (Pty) Ltd* 1966 3 SA 765 C:768C.

²⁷⁰⁸ *Kellogg Co and Another v Bokomo Co-operative Ltd (supra):734E*; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others* 1987 2 SA 511 W:535D-E; *Consolidated Fish Distributors (Pty) Ltd v Smokies Selected Fish Products (Pty) Ltd (supra):768C*.

²⁷⁰⁹ *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others (supra):295B-C*; *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another (supra):161E-F*.

²⁷¹⁰ *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another (supra):161D-E*.

6. The marks must be compared with regard to their general sense (main idea conveyed), sound and appearance.²⁷¹¹ A likelihood of confusion or deception in any one of these three aspects is sufficient.
7. One must compare the parties' respective marks as a whole, even though they contain common elements. Bearing this in mind, one should also look at the essential or dominant features of the marks in question.
8. The marks must be compared as they are seen in actual, ordinary, commercial use on the goods for which they are used. For this purpose, the court must place itself in the position of an ordinary purchaser and "transport" itself notionally to the market place where the marks or performances will be encountered.²⁷¹²
9. Deception need not last more than one or two seconds. Stated differently, initial confusion suffices. In *Cambridge Plan AG and Another v Moore and Others*²⁷¹³ the respondent sold a virtually identical product to the applicant's product, bearing a trade mark which the court held was confusingly similar to the appellant's trade mark. The respondent maintained that its sellers would inform any prospective purchaser that its product was not the applicant's product. The court rejected this contention, maintaining that -

"such explanations, even if tendered by the counsellors, may well be forthcoming only after the *initial confusion* has occurred. This being so, they may not undo the harm occasioned by the initial confusion. For example, a person may have been moved to seek out someone dealing in the respondents' product whilst under the impression that they were dealing in the applicants' product and thereafter be persuaded to buy the respondents' product, a situation which would never have arisen but for the *initial confusion*. In any event, the authorities are clear that it is no answer for a party creating confusion between his product and that of another person to show that such confusion may subsequently be rectified."²⁷¹⁴

10. In the case where the plaintiff's mark is invented or fancy, a likelihood of confusion

²⁷¹¹ *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others (supra)*:295B-C.

²⁷¹² *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another (supra)*:161C-D.

²⁷¹³ 1987 4 SA 821 D.

²⁷¹⁴ 1987 4 SA 821 D:841A-C. Own emphasis.

is greater, than when the mark is descriptive.²⁷¹⁵ Where the defendant uses or imitates such a fancy name or mark, the court is also more likely to find an intention to deceive.²⁷¹⁶

11. Due to the fact that services are not offered side by side enabling customers to make instant comparisons, a likelihood of confusion can more easily be established than in the case of comparable goods marks.

12. Where the defendant uses a trade mark or business name that incorporates the plaintiff's trade mark or business name, but adds a prefix or a suffix to the former's trade mark or business name, the question is whether the suffix or prefix adequately distinguishes the defendant's performance or business from the plaintiff's business or performance.²⁷¹⁷

13. Whether a likelihood of confusion or deception exists, always depends on the facts of each case.²⁷¹⁸

The following factors are unique to a passing-off action and consequently distinguish this action from the trade mark infringement action:

(a) A *reasonable* likelihood of confusion or deception must exist,²⁷¹⁹ which some courts have interpreted as that there must be a substantial likelihood of confusion or

²⁷¹⁵ *Van Der Watt v Humansdorp Marketing CC* 1993 4 SA 779 SE:782I-J; *Kellogg Co and Another v Bokomo Co-operative Ltd (supra)*:734E-F.

²⁷¹⁶ *Patlansky Co Ltd v Patlansky Bros* 1914 TPD 475:492.

²⁷¹⁷ *Old Apostolic Church of Africa v Non-White Old Apostolic Church of Africa* 1975 2 SA 684 C:688G-H.

²⁷¹⁸ *Union Wine Ltd v E Snell & Co Ltd (supra)*:182F-G; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:478H-I; *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd (supra)*:280H; *Appalsamy v Appalsamy and Another* 1977 3 SA 1082 D:1085G-H; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others* 1977 2 SA 916 A:929E; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd* 1974 2 SA 125 C:130H. Or as some courts have put it: Whether a likelihood of confusion or deception exists is simply a question of impression. See *Patlansky v Brown* 1931 NPD 147:151; *Southern Life Association v Southern Cross Assurance Company* 1924 CPD 248:250.

²⁷¹⁹ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra)*:898B-C; *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:667F; *Kellogg Co and Another v Bokomo Co-operative Ltd (supra)*:734G-H; *Federation Internationale De Football and Others v Bartlett and Others* 1994 4 SA 722 T:739D-E; *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd (supra)*:318G; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd (supra)*:471C; *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd &*

deception.²⁷²⁰ One court has interpreted this to mean that a general resemblance is not sufficient: There must be a resemblance in essential parts.²⁷²¹

(b) The court is allowed to and must take extraneous factors into account. As the courts have put it: The marks must not be considered *in abstracto* but in the form and under the circumstances in which they are used. This involves having regard to all the surrounding circumstances.²⁷²² This entails that the following factors must be taken into account:

- (1) Where the parties' respective businesses are situated.²⁷²³
- (2) The nature and circumstances of the respondent's conduct.²⁷²⁴
- (3) The degree of distinctiveness or reputation of the plaintiff's get-up, trade mark or business name.²⁷²⁵
- (4) The manner in which the parties' goods have been marketed.²⁷²⁶
- (5) Additional material explaining that no trade connection between the plaintiff and the defendant exists.²⁷²⁷

Others 1990 4 SA 136 D:142C-D; *Union Wine Ltd v E Snell & Co Ltd (supra)*:182C-D; *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T:441I-J; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1) (supra)*:249C-D; *Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (in liquidation) And Another* 1987 2 SA 600 A:613D-E; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:478F-H; *Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd* 1985 1 SA 211 C:218F; *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another (supra)*:736E-G; *Easyfind International (SA) (Pty) Ltd v Instaplan Holdings & Another* 1983 3 SA 917 W:923B-C; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd* 1982 4 SA 123 T:131E-F; *Omega, Louis Brandt et Frere SA and Another v African Textile Distributors* 1982 1 SA 951 T:954B-C; *Adcock-Ingram Laboratories Ltd v Lennon Ltd (supra)*:865G-H; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant (supra)*:1138A-B; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others (supra)*:929C-D.

²⁷²⁰ *Funeral Services (Pty) Ltd v Pinetown Funeral Services (Pty) Ltd and Others (supra)*:572A

²⁷²¹ *Frankau & Company v Pope* 1894 SC 209:212.

²⁷²² *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others (supra)*:295B-C; *Durban Gift Shop (Pty) Ltd v The Gift Box (Pty) Ltd* 1952 4 SA 493 N:497G-H; *Hatting's Yeast Ltd v Frienlin* 1919 TPD 417:421.

²⁷²³ *Durban Gift Shop (Pty) Ltd v The Gift Box (Pty) Ltd (supra)*:497G-H.

²⁷²⁴ *Truck and Car Co Ltd v Kar-N-Truk Auctions* 1954 4 SA 552 A:557D-F.

²⁷²⁵ *Humphries Ltd v Edward Sharp (SA) (Pty) Ltd* 1972 4 SA 528 C:539F-G. As the court in *Cavalla Ltd v International Tobacco Co of SA Ltd* 1953 1 SA 461 T put it (at 466F): "[I]t is reasonable to suppose that confusion will be less likely between a well-established trade mark and a new trade mark than between a less well-known mark and a new mark."

²⁷²⁶ *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd* 1976 1 SA 530 T:537C-D.

- (6) It is irrelevant whether the plaintiff has a registered trade mark or not.²⁷²⁸
- (7) Where the plaintiff is the proprietor of a series of marks having a common feature or common syllables, this fact renders the likelihood of deception or confusion, resulting from a third party's use of a mark containing the same common feature, more likely. The public might be led to believe that such a mark indicates goods produced by and emanating from the same source.²⁷²⁹
- (8) Although no court has expressly stated so, it is submitted that the subjective knowledge or belief of the public can also be taken into account.
- (9) But the most important factor is that the applicant's whole get-up must be compared to the respondent's whole get-up.²⁷³⁰ This means, *inter alia*, that the court must have regard to all the features of the goods in question.²⁷³¹ Therefore, the nature of the goods on which the mark appears can and has to be taken into account.

A court must look at the cumulative effect of all the aforementioned circumstances and/or evidence.²⁷³²

- (c) The misrepresentation and subsequent likelihood of confusion need not result in a sale or purchase. Recently, the Supreme Court of Appeal stated in *Premier Trading*

²⁷²⁷ *Standard Bank of South Africa Ltd v United Bank Ltd and Another* 1991 4 SA 780 T:786J-788E-F.

²⁷²⁸ *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 3 SA 144 T:150A.

²⁷²⁹ *The Upjohn Company v Merck and Another* 1987 3 SA 221:228H; *International Power Marketing (Pty) Ltd v Searles Industrials (Pty) Ltd* 1983 4 SA 163 T:169C-F; *Juvena Produits De Beaute SA v BLP Import and Export* 1980 3 SA 210 T:218H.

²⁷³⁰ *Kellogg Co and Another v Bokomo Co-operative Ltd (supra):733I-J*; *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd (supra):317C*; *Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd (supra):130C*; *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* 1980 2 SA 254 W:264H; *Softex Mattress (Pty) Ltd v Transvaal Mattress and Furnishing Co Ltd* 1979 1 SA 755 D:759A; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra):149F-G*; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):531H-532A*; *Humphries Ltd v Edward Sharp (SA) (Pty) Ltd (supra):539F-G*; *Stellenbosch Farmers' Winery Ltd v Stellenvale Winery (Pty) Ltd* 1957 4 SA 234 C:240D-E; *Hatting's Yeast Ltd v Frienlin (supra):423*. See also Tsatsawana 2000:94.

²⁷³¹ *Juvena Produits De Beaute SA v BLP Import and Export (supra):221E*; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):538A*.

²⁷³² *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others (supra)*; *William Bartfield & Co (Pty) Ltd v Job Hypermarket* 1976 3 SA 157 T:160F-G; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd* 1976 2 SA 930 A:942H; *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd (supra):539H*.

*Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd*²⁷³³ the elements of a passing-off action as follows: "(i) his own reputation in relation to the symbol which epitomises his product and (ii) deception, or at the very least confusion ... caused by the conduct of the defendant, as to the origin of the product or a trade connection with the defendant, and which would likely have had an influence on their decision to procure it."²⁷³⁴

Two additional observations must be made here. Firstly, the courts have expressly stated that evidence of actual deception is not required,²⁷³⁵ especially where the court is satisfied that a likelihood of confusion or deception exists.²⁷³⁶ However, evidence of actual confusion is of the greatest importance²⁷³⁷ where it appears from merely looking at the respective marks that no likelihood of confusion would arise.²⁷³⁸ Likewise, the absence of evidence of actual confusion or deception plays an important role,²⁷³⁹ especially in two instances.²⁷⁴⁰ (a) Where a court cannot find, by itself, a likelihood of confusion or deception,²⁷⁴¹ and (b) where the defendant has used the alleged infringing mark for a long period of time and no instance of actual confusion has

²⁷³³ *Supra*.

²⁷³⁴ 2000 3 SA 259 SCA:267E-F.

²⁷³⁵ *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra)*:798A; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd (supra)*:130G-H; *Cash Wholesalers Ltd v Hogan t/a Cash Meat Wholesalers* 1933 NPD 117:126-127; *Glenton & Mitchell v Keshavjee & Sons* 1918 TPD 263:265; *Martel & Co v Paarl Berg Wine, Brandy and Spirit Co* 1895 SC 326:329. As the court in *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar (supra)* explained it (at 715D-F): "[E]vidence of instances of actual confusion or deception is not essential to success ... such evidence is, from its very nature, extremely difficult to locate and obtain even when deception is in fact occurring. Furthermore, a person aggrieved by another's passing off is obliged to act as quickly as possible to vindicate his rights and avoid further damage: he cannot be expected to wait until the occurrence of provable instances of deception before approaching the Court for relief".

²⁷³⁶ *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd (supra)*:421f-g; *Tri-Ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd* 1985 1 SA 448 A:470G-H.

²⁷³⁷ *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus (supra)*:476. See also Webster and Page 2001:15-59.

²⁷³⁸ *Seeco (Pvt) Ltd v Zambezia Furnishers (Pvt) Ltd and Another* 1972 4 SA 95 R:99D-E.

²⁷³⁹ *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:126E.

²⁷⁴⁰ See *Standard Bank of South Africa Ltd v United Bank Ltd and Another (supra)* where the court remarked (at 798A-B) that "[w]hether an adverse conclusion may be drawn from a failure to [lead evidence of actual confusion] depends on the circumstances of the case."

²⁷⁴¹ *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others (supra)*:297F-G.

surfaced.²⁷⁴² Furthermore, where actual confusion did occur "the Court's protection is not afforded where such confusion is the result of careless or thoughtless conduct on the part of the persons deceived; that protection is only granted where reasonable people, applying ordinary attention to the matter, would be deceived".^{2743 2744}

Secondly, where the court finds an intention to mislead or an intention to benefit from the plaintiff's goodwill, such consideration plays an important role when the court considers whether or not the defendant's imitation is so close as to be calculated to deceive.²⁷⁴⁵ In such instances the court "is not inclined to hold that the dishonest trader was unsuccessful in his attempt to filch another's trade."²⁷⁴⁶ Or as another court stated it: "[P]roof or disproof of fraudulent imitation is a matter which may bring a doubtful case down on either side of the scale; if the applicant proves that there has been fraudulent imitation, then that may satisfy the Court that there is [passing-off], where as if the respondent proves that there has been no imitation he may similarly in a doubtful case, satisfy the Court that" his conduct does not constitute passing-off.²⁷⁴⁷ However, a fraudulent intent is not lightly inferred by a court.²⁷⁴⁸ Note, further, that the courts maintain that where no likelihood of confusion or deception exists, a fraudulent intent will not assist the applicant's case.²⁷⁴⁹

Finally, it should be kept in mind that by proving the required likelihood of confusion or deception, the plaintiff satisfies the second requirement for an interim interdict, namely a well-grounded apprehension of irreparable harm.²⁷⁵⁰

²⁷⁴² *Jones v Petersen & Co* 1903 SC 399:403.

²⁷⁴³ *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd (supra)*:286H.

²⁷⁴⁴ See *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd (supra)* where the court was of the opinion (at 422c) that while evidence of deception has value, it is, in the final analysis, the impression which the product makes upon the court which is of overriding importance.

²⁷⁴⁵ *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd (supra)*:890G-J; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd (supra)*:943A-B.

²⁷⁴⁶ *Greenblatt v Hirschson* 1958 4 SA 371 A:376D-E. See also *Appalsamy v Appalsamy and Another (supra)*:1086G; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:157H. Stated differently, the court will not scrutinise minor differences in such instances. See *Humphries Ltd v Edward Sharp (SA) (Pty) Ltd (supra)*:536G-H; *Metal & Machinery Co (Pty) Ltd v Metal Salvage Co (Pty) Ltd* 1952 4 SA 302 C:307H; *Trading Stamp Co Ltd v African Discount Stamp Co (Pty) Ltd* 1927 CPD 254:259; *Zyp Products Co Ltd v Ziman Bros Ltd* 1926 TPD 224:230-231.

²⁷⁴⁷ *Crossfield & Son Ltd v Crystallizers Ltd* 1925 WLD 216:221. See also *Durban Gift Shop (Pty) Ltd v The Gift Box (Pty) Ltd (supra)*:496H-497A.

²⁷⁴⁸ *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:158A-B.

²⁷⁴⁹ *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd (supra)*:158A.

²⁷⁵⁰ *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd (supra)*:418h.

3.2.6.2. Competition is not an essential requirement

The courts, including the Supreme Court of Appeal, have continuously maintained that the fact that the parties are not competitors does not bar a passing-off action: It is simply a factor to be taken into account when considering whether a likelihood of confusion or deception exists or will arise and/or whether the plaintiff has suffered or is likely to suffer damage as a result of the defendant's activities.²⁷⁵¹ The weight that must be assigned to this factor depends on a consideration of all the relevant facts.²⁷⁵² However, the fact that the parties are competitors tends to enhance the likelihood of

²⁷⁵¹ *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:123B-C; *Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd* 1990 1 SA 722 A:735F-G. *Philip Morris Inc and Another v Marlboro Shirt Co SA Ltd and Another* 1991 2 SA 720 A is an example of where the Supreme Court of Appeal held that passing-off was present even though the parties were not competitors. The facts were, extremely simplified, that the appellant was the owner of the well-known trade mark "Marlboro", used for selling cigarettes. The respondent commenced using a virtually identical mark to the appellant's mark for the manufacture of its clothing. Therefore the parties were not business competitors. The appellant contended that the respondent was guilty of passing-off. The Supreme Court of Appeal maintained that "it must be accepted that ... a representation by Marlboro Shirt had been made to the effect that its merchandise was associated with the manufacture of Marlboro cigarettes and that there was a reasonable likelihood that members of the public may have been confused into believing that there was such a connection." (At 734J-735B)

²⁷⁵² *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:898F-H; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:479B; *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar* 1981 4 SA 706 D:713H-714B; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1140H; *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others* 1979 2 SA 290 T:295D-G; *Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others* 1977 2 SA 916 A:929E-H. As the Supreme Court of Appeal noted in *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods (supra)* (at 123G-H): "[T]he Court will not readily conclude that in the case of disparate goods the defendant's product will be regarded as another horse from the plaintiff's stable. There must be cogent grounds to justify this conclusion. And it must be borne in mind that what has to be gauged is the likely reaction of ordinary members of the purchasing public, not that of lawyers or traders or persons engaged in the kinds of business conducted by the parties." See also *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar (supra)* where the court stated (at 713H-714B) that "the absence of a common field of activity does not necessarily exclude the likelihood of deception or confusion between the businesses concerned but it is a very cogent factor in determining whether such likelihood exists or not. The closer the resemblance between the activities of the respective businesses the greater the likelihood that the public will be confused between them. Conversely 'vast differences' in the nature of goods and the manner of trading can result in the negation of the likelihood of deception arising from trading styles which are, considered in isolation, very similar".

confusion or deception as far as the general public is concerned.²⁷⁵³

3.2.6.3. Plaintiff is not required to carry on business in South Africa

The courts only require that the plaintiff's mark, get-up or name must have a reputation in South Africa.²⁷⁵⁴ They no longer require that the plaintiff must have a business premise, or conduct business, in South Africa.²⁷⁵⁵ Furthermore, the courts do not require that the plaintiff's goods have to be sold in South Africa.²⁷⁵⁶

3.2.6.4. Specific problems surrounding surnames

The question arose whether the defendant is allowed to use his surname as his trade mark or business name, where a third party also uses his identical or similar surname as his trade mark or business name.

It can be gleaned from the judgments dealing with surnames and passing-off actions that the following principles apply to this scenario:

- a) No-one is allowed to pass off his goods or business as those of another.²⁷⁵⁷
- b) An entrepreneur is allowed to use his surname as his trade mark or business name, even where a third party conducts his business by using an identical or similar surname as his trade mark or business name, provided that -
 - (1) the third party's surname has not acquired a reputation;²⁷⁵⁸ and
 - (2) the first-mentioned entrepreneur is using his surname *bona fide*, meaning that

²⁷⁵³ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra):898F-H; Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd (supra):735F-G; Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra):479B.*

²⁷⁵⁴ *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another 1998 3 SA 938 SCA:948C-949G.*

²⁷⁵⁵ *Haggar Co v SA Tailorscraft (Pty) Ltd and Another 1985 4 SA 569 T:580I.*

²⁷⁵⁶ *Greaterman's Stores (Rhodesia) Ltd v Marks and Spencer (Southern Rhodesia) (PVT) Ltd 1963 2 SA 58 FC:74E-G.*

²⁷⁵⁷ *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd 1985 4 SA 466 A:480F-G; Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another 1984 1 SA 734 N:765F-G; Policansky Bros Ltd v L. & H. Policansky 1935 AD 89:102.*

²⁷⁵⁸ *Van Der Watt v Humansdorp Marketing CC 1993 4 SA 779 SE:782J-783B; Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra):480D-E; Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another (supra):766A-C; Volkskas Beperk v Barclays Bank (D.C. & O.) 1952 3 SA 343 A:351A; Policansky Bros Ltd v L. & H. Policansky (supra):103-104.*

he does not employ his surname with the intent to benefit from the reputation pertaining to the third party's surname.²⁷⁵⁹

- c) Where the third party's surname has acquired a reputation, the first-mentioned entrepreneur is only allowed to use his surname as his trade mark or business name where he can adequately distinguish his performance or business from the third party's performance or business.²⁷⁶⁰
- d) Where the entrepreneur uses his identical or similar surname on different goods than those for which the third party's trade mark is well-known, the question whether a likelihood of confusion exists is a question of fact.²⁷⁶¹
- e) Identical principles apply to the scenario where a juristic person wishes to use its own name as its business name or as its trade mark.²⁷⁶²

In conclusion it can be stated that where the third party's trade name or trade mark, consisting of the latter's surname, has not acquired a reputation, any entrepreneur is allowed to use his identical or similar surname *bona fide* as his own trade mark or business name. In such instances no likelihood of confusion or deception arises.²⁷⁶³

3.2.6.5. Effect of disclaimers

The question arises whether X is guilty of passing-off where he uses an identical or confusingly similar trade mark or business name to Y's trade mark or business name, but disclaims that his performance or business is associated with Y.

As indicated earlier,²⁷⁶⁴ the Supreme Court of Appeal held in *Cambridge Plan AG and Another v Moore and Others*²⁷⁶⁵ that where the defendant creates initial confusion by using a confusingly similar trade mark, no explanation afterwards can rectify the

²⁷⁵⁹ *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:480C-D; *Volkscas Beperk v Barclays Bank (D.C. & O.) (supra)*:351A; *Policansky Bros Ltd v L. & H. Policansky (supra)*:103; *J. Goddard & Sons v R.S. Goddard and J. Mentz & Co* 1924 TPD 290:322-323.

²⁷⁶⁰ *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:480E-F. See also Webster and Page 2001:15-70.

²⁷⁶¹ See *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:480E; *Policansky Bros Ltd v L. & H. Policansky (supra)*:103.

²⁷⁶² *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pvt) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:903B-C; *Policansky Bros Ltd v L. & H. Policansky (supra)*:102.

²⁷⁶³ *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another (supra)*:766B-C.

²⁷⁶⁴ See paragraph 3.2.6.1 of this chapter.

²⁷⁶⁵ 1987 4 SA 821 D.

aforementioned confusion.²⁷⁶⁶ Other courts have also maintained that no disclaimer can neutralise or eliminate confusion caused by the defendant's mark or business name.²⁷⁶⁷ Therefore, the law requires an effective disclaimer which will avoid or eliminate confusion before it arises.²⁷⁶⁸

3.2.7. Unlawfulness

The courts have unanimously enunciated the following principle, with regard to the element of unlawfulness, in more or less the following terms: No man has the right to pass off his performance or business as that of another man.²⁷⁶⁹ Stated differently, no-

²⁷⁶⁶ 1987 4 SA 821 D:841A-C. Own emphasis.

²⁷⁶⁷ See also *Barclays Bank (D.C. & O.) v Volkskas Bpk* 1951 2 SA 296 T where the court stated that "[i]t would be a startling proposition so say that A could use B's trade mark provided he took the precaution of announcing on the label or container or on the goods he sells, that they were made by A and not by B. (At 304A). This was confirmed on appeal by the court in *Barclays Bank (D.C. & O.) v Volkskas Bpk* 1951 4 SA 630 T:637D-E. See further *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another* 1984 1 SA 734 N where the respondent commenced using a confusingly similar name, for its circus, to the applicant's name. The respondent contended that any likelihood of confusion that possibly existed was reduced because the ringmaster announced, when each performance began, that their circus had no connection with "any other circus which is currently touring South Africa". The court was of the opinion that this announcement had no effect upon the likelihood of confusion: "The spectators at a particular session have bought their tickets and are seated, after all, by the time they hear the announcement. The enticement from the Boswell-Wilkie Circus of those whose presence is thus explained has already been accomplished." (At 741D-E). This was confirmed by the Supreme Court of Appeal in *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:483H-I.

²⁷⁶⁸ For example in *Patlansky Co Ltd v Patlansky Bros* 1914 TPD 475 the court stated (at 494) that "[w]hat was required was something to show that enough was done to make it plain to every purchaser and to every person who might afterwards see one of the purchased tins, and to all persons who might see the tins exposed for sale in the defendant's shop, that they were not selected or imported by the plaintiffs." See also *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)* where the appellant argued that it was only required to take reasonable steps to avoid confusion, even if such steps proved to be unsuccessful. The Supreme Court of Appeal disagreed: "[A]ppellants cannot use the name Boswell in connection with its circus business unless they make it perfectly clear to the circus-going public that their circus is not that of the respondent and is not connected with respondent's circus. In my opinion, any disclaimer or other steps taken to thus enlighten the public must be sufficient to eliminate the likelihood of deception or confusion." (At 484A-B). The court further elaborated upon this by noting that such steps taken must be effective or likely to be effective. (At 484E-F)

²⁷⁶⁹ *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* 2001 3 SA 884 SCA:887C; *Stellenbosch Wine Trust Ltd and Another v Oude Meester Group Ltd; Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd and Another* 1972 3 SA 152 C:160C-D; *Barlow & Jones Ltd v Elephant Trading Co* 1905 TS

one is allowed to carry on his business or to sell his goods in such a way that it is likely to deceive those who deal with him that his business or performance is that of another or is connected with another's business or performance.²⁷⁷⁰ Other courts have put this as follows: The plaintiff enjoys a (subjective) right to prevent third parties from passing-off their products as his.²⁷⁷¹

Another principle on which the courts rely in holding that the defendant's conduct is unlawful is that the plaintiff enjoys the right to attract custom without unlawful interference.²⁷⁷² This principle is further discussed in paragraph 3.3.4 of this chapter.

A third reason why such conduct is unlawful is that it results, or at any rate is calculated to result, in prejudice to the plaintiff's goodwill or reputation.²⁷⁷³

3.2.8. Damage or prejudice

As noted above,²⁷⁷⁴ the plaintiff must show that the defendant's misrepresentation results, or is calculated to result, in damage or harm to him.²⁷⁷⁵ When A passes his goods off as those of B, the prejudice or injury that occurs can take one of two forms, namely -

637:643; *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus* 1905 TS 472:474; *Holt v Lewis* 1893 HCG 77:83; *Levy Brothers & Lewis v Goldstein & Goldstein* 1890 6 HCG 1:4.

²⁷⁷⁰ *Omega, Louis Brandt et Frere SA and Another v African Textile Distributors* 1982 1 SA 951 T:956A-B; *Deans Man Shop (Pty) Ltd v Momberg* 1975 1 SA 841 W:842G-H; *Appalsamy v Appalsamy and Another* 1977 3 SA 1082 D:1085F; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Greenpoint) (Pty) Ltd* 1974 2 SA 125 C:130E-F; *Seeco (Pvt) Ltd v Zambezia Furnishers (Pvt) Ltd and Another* 1972 4 SA 95 R:96H; *John Waddington Ltd v Arthur E Harris (Pty) Ltd* 1968 1 SA 38 T:44A-B; *S.A. Metal & Machinery Co (Pty) Ltd v Metal Salvage Co (Pty) Ltd* 1952 4 SA 302 C:307G; *Patlansky Co Ltd v Patlansky Bros* 1914 TPD 475:490; *Trustee, Tennent & Co v L C Tennent* 1914 NLR 410:412.

²⁷⁷¹ *Omega, Louis Brandt et Frere SA and Another v African Textile Distributors (supra)*:957C-E.

²⁷⁷² *Salusa (Pty) Ltd v Eagle International Traders* 1979 4 SA 697 C:704A.

²⁷⁷³ *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:666G-H; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:418E-F; *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:555A-B; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:478I-J.

²⁷⁷⁴ See paragraph 3.2.1 of this chapter.

²⁷⁷⁵ *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 3 SA 656 C:666I-667B.

- A) a diversion or filching of custom or potential customers from the business of the aggrieved party to the passer off and, therefore, causing a diversion of profit.²⁷⁷⁶ It follows that the defendant misappropriates the plaintiff's goodwill.²⁷⁷⁷
- B) prejudice to the reputation of B's business name, trade mark or get-up.²⁷⁷⁸ The reputation can be harmed either by dilution²⁷⁷⁹ or by tarnishment²⁷⁸⁰ of the distinctiveness of the plaintiff's trade mark.

As numerous courts have stated, the plaintiff is not required to leave his reputation at the mercy of third parties who have wrongly conducted themselves as to cause confusion or deception or a likelihood thereof.²⁷⁸¹

²⁷⁷⁶ *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd* 2000 3 SA 259 SCA:267B-C; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:898C-E; *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC (supra)*:666G-H; *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:418E-F; *Van Der Watt v Humansdorp Marketing CC* 1993 4 SA 779 SE:785H; *Beecham Group PLC v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd and Another* 1993 1 SA 546 A:555A-B; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:122D-E; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others* 1987 2 SA 511 W:532D-E; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd* 1985 4 SA 466 A:478I-J; *Adcock-Ingram Laboratories Ltd v Lennon Ltd* 1982 1 SA 862 T:868B-C; *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1138F-G; *Salusa (Pty) Ltd v Eagle International Traders* 1979 4 SA 697 C:703H; *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd* 1979 2 SA 276 E:288H; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 4 SA 434 W:438A; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd* 1976 2 SA 930 A:942B-C; *Rusmarc (SA) (Pty) Ltd v Hemdon Enterprises (Pty) Ltd* 1975 4 SA 626 W:632G-H; *Seeco (Pvt) Ltd v Zambezia Furnishers (Pvt) Ltd and Another* 1972 4 SA 95 R:98G. See also *Van Heerden & Neethling* 1995:195.

²⁷⁷⁷ *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods (supra)*:122D-E.

²⁷⁷⁸ *Appalsamy v Appalsamy and Another* 1977 3 SA 1082 D:1085F-G. Sometimes simply referred to as injury to the plaintiff's trade reputation. See *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:478I-J.

²⁷⁷⁹ See *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:234c; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1)* 1989 1 SA 236 A:253E-F; *Cambridge Plan AG and Another v Moore and Others* 1987 4 SA 821 D:847I.

²⁷⁸⁰ See *Tullen Industries Ltd v A De Sousa Costa (Pty) Ltd and Others* 1976 4 SA 218 T where the court held (at 219H-220A) that where the defendant uses an identical or confusing similar mark on his inferior goods he is likely to tarnish the plaintiff's trade mark reputation.

²⁷⁸¹ *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant (supra)*:1138G-H; *Capital Estate and*

The above-mentioned injury, actual or probable, causes damage to the goodwill of the plaintiff's business.^{2782 2783} Hence, the goodwill is the property which the applicant seeks to protect.²⁷⁸⁴

Before moving on to the remedies available to a plaintiff, it is necessary to elaborate on the concepts "reputation" and "goodwill". Reputation, as defined above,²⁷⁸⁵ means that the trade mark or business name has become so well-known that the public associates that mark or name with a particular product or manufacturer. Goodwill, on the other hand, refers to the drawing power (attractive force)²⁷⁸⁶ attached to or based on the aforementioned reputation.²⁷⁸⁷ It is, therefore, the favourable association created by the trade mark's reputation.²⁷⁸⁸ The Supreme Court of Appeal has further noted that it

General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others 1977 2 SA 916 A:932D-E; *Truck and Car Co Ltd v Kar-N-Truk Auctions* 1954 4 SA 552 A:559C-D.

²⁷⁸² *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd (supra)*:266J; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra)*:898C-E; *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd* 1996 2 ALL SA 414 C:418f-g; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:471E; *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another* 1989 4 SA 427 T:442H-I; *Brain Boswell Circus (Pty) Ltd v Boswell-Wilkie Circus (Pty) Ltd (supra)*:478I-J; *Adcock-Ingram Laboratories Ltd v Lennon Ltd (supra)*:867F-G & 868B-C; *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd (supra)*:438A; *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd (supra)*:942B-C; *Polakow Brothers (Pty) Ltd v Gershowitz* 1976 1 SA 863 E:865C-E.

²⁷⁸³ See *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another* 1998 3 SA 938 SCA where the Supreme Court of Appeal remarked (at 947I-J) that "[t]he only component of goodwill of a business that can be damaged by means of a passing-off is its reputation and it is for this reason that the first requirement for a successful passing-off action is proof of the relevant reputation".

²⁷⁸⁴ *Philip Morris Inc and Another v Marlboro Shirt Co SA Ltd and Another* 1991 2 SA 720 A:734B-C; *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others* 1990 2 SA 718 T:730D-E; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others (supra)*:520J-521A.

²⁷⁸⁵ See paragraph 3.2.3 of this chapter.

²⁷⁸⁶ *Tie Rack plc v Tie Rack Stores (Pty) Ltd and Another (supra)*:445C-D.

²⁷⁸⁷ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra)*:901D; *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others (supra)*:730D-E; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others (supra)*:519D.

²⁷⁸⁸ See *Tie Rack plc v Tie Rack Stores (Pty) Ltd & Another (supra)* where the court (at 442I-443B) approved the *locus classicus* definition of goodwill as enunciated in *Commissioner for Inland Revenue v Muller & Co's Margarine Ltd* 1901 AC 217. See also *Premier Trading Co (Pty) Ltd and Another v Sporttopia (Pty) Ltd* 2000 3 SA 259 SCA where the Supreme Court of Appeal noted (at 266J-267A) that "[p]assing-off, to be actionable, erodes the plaintiff's goodwill. Goodwill is the product of a cumulation of factors, the most important of which, in the context of passing-off, is the plaintiff's reputation."

is not necessary for the purpose of passing-off proceedings to localise goodwill.²⁷⁸⁹

In addition, goodwill constitutes intellectual property²⁷⁹⁰ (an asset) which is part of one's patrimony.²⁷⁹¹ It can also be added that reputation is the only component of a business' goodwill that can be damaged by passing-off.²⁷⁹² It follows from the aforementioned that it is incorrect to equate goodwill with reputation and *vice versa*.²⁷⁹³

3.2.9. Available remedies

3.2.9.1. Interdict

Where the defendant is guilty of passing-off, he can be restrained by an interdict from continuing the wrong, where future infringement is threatening.²⁷⁹⁴ Normally the court will order that the defendant cannot use the offending mark or name unless he makes it perfectly clear that his performance or business is not connected with plaintiff.²⁷⁹⁵ The court normally leaves it to the defendant to decide how he is going to achieve

²⁷⁸⁹ See *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another (supra)* where the Supreme Court of Appeal stated (at 948C-949G): "If the protection of the reputation of a business is the only or main concern of the remedy, why is it necessary to localise goodwill for purposes of passing-off? ... The fact that, under certain circumstances, the locality of a business might be a component of goodwill, does not mean that goodwill can only exist where the business is located ... One wonders what the drawing power of the place of business is if the business is conducted solely by post or over the Internet." See also *Deans Man Shop (Pty) Ltd v Momberg* 1975 1 SA 841 W where the court stated (at 842H) that "[i]n the case of a retail business, the area in which its goodwill is affected is the area from which it draws its customers."

²⁷⁹⁰ *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC (supra)*:668C. See also Van Heerden & Neethling 1995:55-56.

²⁷⁹¹ See *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others (supra)*:730D-E; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others (supra)*:530H-J.

²⁷⁹² See Webster and Page 2001:15-22.

²⁷⁹³ *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another (supra)*:948B.

²⁷⁹⁴ *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:122E; *Moroka Swallows Football Club Ltd v The Birds Football Club and Others* 1987 2 SA 511 W:535J-536. See *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others* 1990 2 SA 718 T where the court remarked (at 724D-E) that "the usual ambit of an interdict [is] to restrain the passing off of goods in trade, ie a restraint against selling, offering for sale, displaying for sale and advertising for sale, without clearly distinguishing." See also LAWSA 1993:vol 2, par 399.

²⁷⁹⁵ *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others* 1992 2 SA 489 A:500E; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 3 SA 144 T:149D.

this.²⁷⁹⁶

One of the requirements of an interdict is that the applicant must have no other remedy available. The defence is not available to the respondent that the applicant should rather claim damages because, as the courts have stated, "[t]he life of a trade mark depends on the promptitude with which it is vindicated".²⁷⁹⁷ This means that an interdict is the best remedy where passing-off (or unlawful competition for that matter) is proved. Furthermore, as noted below,²⁷⁹⁸ it is extremely difficult to prove the extent of damages suffered by the plaintiff.²⁷⁹⁹

Finally, it should be mentioned here that local courts maintain that the plaintiff is only allowed, where he bases his claim upon passing-off, to interdict the defendant from using an identical or confusingly similar mark in the areas where his (i.e. the plaintiff's) mark enjoys a reputation,²⁸⁰⁰ which is where the alleged passing-off occurred.²⁸⁰¹

3.2.9.2. Claim damages

One of the remedies available to the plaintiff is a claim for damages to compensate him for the losses he suffered or suffers through the defendant's interference with his goodwill.²⁸⁰² However, the problematic issue surrounding a claim for damages is the calculation thereof.²⁸⁰³

3.2.9.3. Delivery up or destruction

Local courts maintain that they enjoy inherent jurisdiction to order the delivery up of or the destruction of the infringing goods, where the defendant is guilty of passing-off.²⁸⁰⁴

²⁷⁹⁶ *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others (supra)*:500E.

²⁷⁹⁷ *Cambridge Plan AG and Another v Moore and Others* 1987 4 SA 821 D:848B.

²⁷⁹⁸ See the next paragraph.

²⁷⁹⁹ See *Cambridge Plan AG and Another v Moore and Others (supra)*:847J-848A.

²⁸⁰⁰ *Pepsico Inc and Others v United Tobacco Co Ltd* 1988 2 SA 334 W:343C-D; *Deans Man Shop (Pty) Ltd v Momberg* 1975 1 SA 841 W:842H.

²⁸⁰¹ Webster and Page 2001:15-27; Rutherford 2000(b):32.

²⁸⁰² *Moroka Swallows Football Club Ltd v The Birds Football Club and Others* 1987 2 SA 511 W:535J-536. See also LAWSA 1993:vol 2, par 399.

²⁸⁰³ See *Moroka Swallows Football Club Ltd v The Birds Football Club and Others (supra)*:535A-B.

²⁸⁰⁴ *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* 1980 2 SA 254 W:285F-G. See also LAWSA 1993:vol 2, par 399.

A court further enjoys the inherent jurisdiction to order something to make its own judgment effective.²⁸⁰⁵

3.2.9.4. Erasure of offending mark

Not only is the court empowered to prohibit further use of the infringing mark, but the court can also order the defendant to erase the offending mark from his performance.²⁸⁰⁶

3.3. The delict of unlawful competition

Next, this study turns to the delict of unlawful competition.

3.3.1. No fixed categories of unlawful competition

As noted above,²⁸⁰⁷ “unlawful competition” is a delict.²⁸⁰⁸ Certain established categories (or forms) of unlawful competition have emerged such as trading in contravention of an express statutory prohibition, making fraudulent misrepresentations concerning one’s own goods, the publication by a rival trader of injurious falsehoods concerning his competitor’s business, the filching of a competitor’s confidential information and/or trade secrets, and the employment of physical assaults and intimidation designed to prevent a competitor from pursuing his trade.²⁸⁰⁹

However, the courts have maintained that conduct may still be unlawful even where it does not fall within either one of the above-mentioned categories or within the definition of passing-off.²⁸¹⁰ As Corbett correctly points out: “[W]here unlawful

²⁸⁰⁵ See *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers (supra)*:286A.

²⁸⁰⁶ Van Heerden & Neethling 1995:194-195; LAWSA 1993:vol 2, par 399.

²⁸⁰⁷ See paragraph 3.1.1 of this chapter.

²⁸⁰⁸ *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others* 1990 4 SA 136 D:141G; *Sibex Construction (SA) (Pty) Ltd & Another v Injectaseal CC & Others* 1988 2 SA 54 T:63D; *Geary & Son (Pty) Ltd v Gove* 1964 1 SA 434 A:440H; *Slenderella Systems Incorporated of America v Hawkins and Another* 1959 1 SA 519 T:521A. See also Van Heerden & Neethling 1995:145; Domanski 1993:128; LAWSA 1993:vol 2, par 398; Corbett 1987:61.

²⁸⁰⁹ *Payen Components SA Ltd v Bovic CC & Others* 1995 4 SA 441 A:453B-C; *The Concept Factory v Heyl* 1994 2 SA 105 T:115E-F; *Schultz v Butt* 1986 3 SA 667 A:678G-J.

²⁸¹⁰ *Woodlands Dairy (Pty) Ltd v Parmalat SA (Pty) Ltd* 2002 2 SA 268 E:279C-D; *Spinner Communications v Argus Newspapers Ltd* 1996 4 SA 637 W:642D; *Spur Steak Ranches Ltd and Others*

competition is alleged and the case does not fall within one of the recognized categories of unlawfulness, the court is required to take a policy decision: a decision orientated by considerations of fairness and honesty, but at the same time guided by *boni mores* and the general sense of justice of the community.²⁸¹¹ Therefore, the recognised forms (instances) of unlawful competition do not form a *numerus clausus*.²⁸¹²

3.3.2. No definition and *Lex Aquilia* serves as basis for recognition of cause of action

No satisfactory definition of what constitutes the delict of unlawful competition has yet been given by South African courts.²⁸¹³ In fact, the courts have maintained that no attempt should be made to define the limits of the delict of unlawful competition: "As the ingenuity of parasitical entrepreneurs and trade pirates is unlimited, it is, in my view, to be expected that the illegal commercial practices designated as unlawful competition will ever increase in variety and number. This virile branch of the law will be required to expand to meet the schemes of geniuses bent upon reaping where they have not sown. To meet all possible contingencies the law will have to provide an open ended remedy. A general course has therefore to be plotted within certain parameters."²⁸¹⁴

South African courts have simply stated that "unlawful competition" is a *sui generis* cause of action and that the law of South Africa recognises and grants a general action

v Saddles Steak Ranch, Claremont, and Another 1996 3 SA 706 C:714H-J; *Interflora African Areas Ltd v Sandton Florist and Others* 1995 4 SA 841 T:847F; *Payen Components SA Ltd v Bovis CC & Others* (*supra*):453B-C; *The Concept Factory v Heyl* (*supra*):115E-F; *Schultz v Butt* (*supra*):678G-J; *Butt v Schultz and Another* 1984 3 SA 568 E:576F-G.

²⁸¹¹ Corbett 1987:62.

²⁸¹² *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:420C-D & 423F-G. See also Van Heerden & Neethling 1995:61-62; LAWSA 1993:vol 2, par 398.

²⁸¹³ In *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others* 1990 3 SA 897 C the court defined unlawful competition as follows (at 915H-I): "Put simply, unlawful competition is culpable or blameworthy conduct on the part of a person which - in and about the marketing of his product - results in or constitutes a false representation which causes, or which is likely to cause, confusion among or deception of a substantial number of prospective purchasers, eg that it has a distinctive attribute peculiar to that which is marketed by his competitor, and which misrepresentation occasions financial loss to him (the competitor)." It is immediately noted that this definition is totally inadequate in that it does not encompass established categories such as misappropriation of a competitor's performance as well as instigating boycotts, etc.

²⁸¹⁴ *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1981 2 SA 173 T:183D-F.

in the case of unlawful competition, based upon the principles of the *lex Aquilia*,²⁸¹⁵ even where no direct precedent in our law exists.²⁸¹⁶ For this reason, the courts have stated that to succeed with an action based on "unlawful competition", the plaintiff must prove all the requisites of Aquilian liability,²⁸¹⁷ namely conduct, unlawfulness, fault, causation and damages.

3.3.3. Is competition an essential element?

Some courts, dealing with the delict of unlawful competition, have maintained that a prerequisite for this cause of action is that the parties must be competitors.²⁸¹⁸ However, other courts have maintained that competition is not a prerequisite for unlawful competition.^{2819 2820}

²⁸¹⁵ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:897G; *Spur Steak Ranches Ltd and Others v Saddles Steak Ranch, Claremont, and Another* 1996 3 SA 706 C:715A-B; *The Concept Factory v Heyl* 1994 2 SA 105 T:115D-E; *Payen Components SA Ltd v Bovic CC & Others* 1994 2 SA 464 W:474B; *Union Wine Ltd v E Snell & Co Ltd* 1990 2 SA 189 C:197C; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra)*:186D.

²⁸¹⁶ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another (supra)*:897G; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 1 SA 209 K:218E-F. See also Neethling *et al* 1999:313; Van Heerden & Neethling 1995:64; Domanski 1993:129.

²⁸¹⁷ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:230c; *Payen Components SA Ltd v Bovic CC & Others* 1995 4 SA 441 A:453B-C; *Payen Components SA Ltd v Bovic CC & Others (supra)*:474B-C; *The Concept Factory v Heyl* 1994 2 SA 105 T:115E; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:473G; *Schultz v Butt* 1986 3 SA 667 A:678G-H.

²⁸¹⁸ The court stated in *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 1 SA 209 K that this element forms the "basis advanced for plaintiff's claim, viz. interference with its trade arising from unlawful competition, but also because it furnishes part of the causal connection between the conduct complained of and the damage suffered by the plaintiff." (At 222D-E). See *Abakor Ltd v Crafcor Farming (Pty) Ltd t/a Riversdale Feedlot and Another* 2000 1 SA 973 where the court held (at 978F) that "it is not possible to have unlawful competition unless a competitive situation exists." Van Heerden & Neethling 1995 are of the same opinion. (At p 17 & 66)

²⁸¹⁹ See *Sage Holdings Ltd and Another v Financial Mail (Pty) Ltd and Others* 1991 2 SA 117 W where the court held (at 132F-G) that "[w]hilst unlawful competition would most often be at the hands of a trade competitor ... it is not restricted thereto. Any person's conduct which interferes with the trader's right to carry on his lawful business, whether he is a competitor or not, may constitute unlawful competition." See also *Harchris Heat Treatment (Pty) Ltd v ISCOR* 1983 1 SA 548 T where the court noted (at 555D-E) that "[t]he remedy under the *lex Aquilia* in cases of unlawful interference with the business of another is not confined to competitors in trade. Loss will, at least *prima facie*, be occasioned by the unlawful deprivation of the owner of a trade secret of the right to exploit it, whether by attracting custom, or in other ways." Finally, see *Willie Welgemoed Mini-Gym (Edms) Bpk v Kloppers Discount Houses (Pty) Ltd*

It is submitted that competition should not be required for the delict of unlawful competition. Three reasons can be advanced as support for this contention:

- (1) The delict of passing-off has been extended to encompass instances where the parties are not competitors. No reason exists why a similar extension should not be recognised for the delict of unlawful competition. Some courts, as mentioned above, have already applied this delict to instances where the parties were not competitors.
- (2) By confining the delict of unlawful competition to instances where the parties are competitors, i.e. their products serve the same purpose, may lead to instances where it would be patently unfair to allow the defendant to pursue his course of conduct unhampered, and further leaving a sense of injustice. An example is *Willie Welgemoed Mini-Gym (Edms) Bpk v Kloppers Discount Houses (Pty) Ltd*²⁸²¹ where the respondent advertised that it sold the applicant's products, whilst, in truth, it had no intent to sell these products. It was clear that the respondent merely advertised this fact in order to lure the public to its shops.²⁸²² Even though the parties were not competitors, one's sense of justice tells one that such conduct should not be permitted in that (1) the respondent is drawing custom to his business on the basis of a third party's performance, which he has no intent to sell and/or to distribute, and (2) such conduct, if left unpunished, can eventually tarnish the applicant's trade mark reputation.
- (3) In the Internet context, such a requirement poses various problems. The questions that come to mind are: Who are competitors for the purpose of the Internet? Must the parties be physically located in the same province or country? Etc.

3.3.4. Unlawfulness

One of the elements of the delict of unlawful competition is that the conduct complained of must be unlawful.²⁸²³ Firstly, the study ascertains which subjective right

1978 4 SA 105 O where the court was of the opinion that the defendant was guilty of unlawful competition, even though the parties were not competitors. This case is further discussed in paragraph 3.3.8.3.2 of this chapter.

²⁸²⁰ Webster and Page 2001 are silent on this aspect.

²⁸²¹ *Supra*.

²⁸²² This judgment is discussed in paragraph 3.3.8.3.2 of this chapter.

²⁸²³ *Woodlands Dairy (Pty) Ltd v Parmalat SA (Pty) Ltd* 2002 2 SA 268 E:279C; *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:230c;

is infringed by the defendant's conduct and thereafter identifies the criteria for determining unlawfulness.

3.3.4.1. Right infringed by unlawful competition

Local courts have unanimously recognised that every entrepreneur and juristic person enjoy the right to attract custom, to trade, and to carry on his or its profession or lawful business without unlawful interference from others.²⁸²⁴ In *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd*²⁸²⁵ the court explained that the "right to attract custom" is the same as "die reg op werfkrag".²⁸²⁶

3.3.4.2. Criteria for determining unlawfulness

As noted above,²⁸²⁷ the delict of unlawful competition is founded on the unlawful interference with another trader's right to attract custom. The next question is: What constitutes an unlawful interference with trade?²⁸²⁸ The law on this aspect can be summarised as follows:

1. Every person (and juristic entity) is, as a general rule, entitled to carry on his

Accesso CC v Allforms (Pty) Ltd & Another 1998 4 ALL SA 655 T:673H-I; *Payen Components SA Ltd v Bovic CC & Others* 1995 4 SA 441 A:453B-C; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:473G; *Patz v Greene & Co* 1907 TS 427:437; *Schultz v Butt* 1986 3 SA 667 A:678G-J.

²⁸²⁴ *Premier Hangers CC v Polyak (Pty) Ltd* 1997 1 SA 416 A:421G-H; *Spur Steak Ranches Ltd and Others v Saddles Steak Ranch, Claremont, and Another* 1996 3 SA 706 C:715B; *Bophuthatswana Transport Holdings (Edms) Bpk v Matthyssen Busvervoer (Edms) Bpk* 1996 2 SA 166 A:174G; *Sage Holdings Ltd and Another v Financial Mail (Pty) Ltd and Others* 1991 2 SA 117 W:127J-131G; *Pepsico Inc and Others v United Tobacco Co Ltd* 1988 2 SA 334 W:347H-I; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1981 2 SA 173 T:182D-E; *Salusa (Pty) Ltd v Eagle International Traders* 1979 4 SA 697 C:704A; *Stellenbosch Wine Trust Ltd and Another v Oude Meester Group Ltd; Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd and Another* 1972 3 SA 152 C:161C; *Post Newspapers (Pty) Ltd v World Printing & Publishing Co Ltd* 1970 1 SA 454 W:455F; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 1 SA 209 K:216B-C & 223C-D; *Geary & Son (Pty) Ltd v Gove* 1964 1 SA 434 A:440H-441A; *Matthews and Others v Young* 1922 AD 492:507; *Patz v Greene & Co* 1907 TS 427:436.

²⁸²⁵ *Supra*.

²⁸²⁶ 1981 2 SA 173 T:182D-E.

²⁸²⁷ See previous paragraph.

²⁸²⁸ *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1981 2 SA 173 T:186E; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 1 SA 209 K:216E-F; *Patz v Greene & Co* 1907 TS 427:436.

business in competition with his business rivals,²⁸²⁹ provided that such competition remains within lawful bounds.²⁸³⁰ Therefore, competition *per se* is lawful.²⁸³¹

2. No trader can claim an absolute right to trade without *interference* from another in that competition often brings about interference in one way or another about which rivals cannot legitimately complain.²⁸³²
3. When considering whether specific conduct constitutes an *unlawful* interference, the following factors are taken into account:²⁸³³

(a) The principles of fairness in competition and honesty in trade.²⁸³⁴

²⁸²⁹ See *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd* 1991 1 SA 412 A where the Supreme Court of Appeal held (at 422A-B) that "competition as such cannot be unlawful, no matter to what extent it injures the custom built up by a trader who first marketed a particular product or first ventured into a particular sphere of commerce".

²⁸³⁰ *Woodlands Dairy (Pty) Ltd v Parmalat SA (Pty) Ltd* 2002 2 SA 268 E:279B-C; *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:230b-c; *Kellogg Co and Another v Bokomo Co-operative Ltd* 1997 2 SA 725 C:736C-D; *Payen Components SA Ltd v Bovic CC & Others* 1995 4 SA 441 A:453B-C; *The Concept Factory v Heyl* 1994 2 SA 105 T:115D-E; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd* 1991 2 SA 455 W:473F; *Schultz v Butt* 1986 3 SA 667 A:678F-G; *Marlton and Hotchin v Holmes* 1944 NPD 50:53-54; *Matthews and Others v Young* 1922 AD 492:507. As the court in *Elida Gibbs (Pty) Ltd v Colgate Palmolive (Pty) Ltd (1)* 1988 2 SA 350 W aptly put it (at 358F-G): "Commercial warfare is not proscribed by our law. So long as the combatants confine themselves to those legitimate methods of competition which the business community and society recognise as inevitable consequences of participation in commercial enterprise the Courts will refuse to interfere."

²⁸³¹ *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A:421B; *Premier Hangers CC v Polyaok (Pty) Ltd* 1997 1 SA 416 A:426E-F; *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd (supra)*:421J-422B; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd (supra)*:216E-F.

²⁸³² *Premier Hangers CC v Polyaok (Pty) Ltd (supra)*:426E-F; *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd (supra)*:422A-B; *William Bartfield & Co (Pty) Ltd v Job Hypermarket* 1976 3 SA 157 T:165A; *Butt v Schultz and Another* 1984 3 SA 568 E:576C-D; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd (supra)*:216E-F; *Marlton and Hotchin v Holmes (supra)*:53-54; *Matthews and Others v Young (supra)*:507.

²⁸³³ Stated differently, these criteria provide a guideline to the limits of lawful competition.

²⁸³⁴ *Woodlands Dairy (Pty) Ltd v Parmalat SA (Pty) Ltd (supra)*:279C-D; *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra)*:230e-f; *Lenco Holdings Ltd and Others v Eckstein and Others* 1996 2 SA 693 N:704E & 704G-H; *Payen Components SA Ltd v Bovic CC & Others (supra)*:453B-C; *Payen Components SA Ltd v Bovic CC & Others* 1994 2 SA 464 W:474B-C; *The Concept Factory v Heyl (supra)*:115G-H; *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd (supra)*:423C; *Elida Gibbs (Pty) Ltd v Colgate Palmolive (Pty) Ltd (1) (supra)*:354G-H; *Schultz v Butt (supra)*:679A-B & E-F; *Butt v Schultz and Another (supra)*:576E-F; *Stellenbosch Wine Trust Ltd and Another v Oude Meester Group Ltd; Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd and*

- (b) The objective norm of public policy,²⁸³⁵ based on the *boni mores* and the general sense of justice of the community, as manifested in public opinion.²⁸³⁶ The *boni mores* test basically entails that the parties' competing interests, namely the interest(s) the defendant promotes and the plaintiff's interests and/or rights he infringes, have to be weighed and balanced, keeping in mind the public interest ("*gemeenskapsbelang*").²⁸³⁷
- (c) When these competing interests are balanced and weighed, the competition principle, which entails that the competitor who delivers the best performance should prevail, must be kept in mind at all times.²⁸³⁸ However, one court has noted that the competition principle is merely a policy consideration.^{2839 2840}
- (d) Public policy or interest,²⁸⁴¹ which (1) demands justice and fair play²⁸⁴² and (2) emphasises the importance of a free and fair market and of competition in our

Another 1972 3 SA 152 C:161G-H; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd (supra)*:218H-219A.

²⁸³⁵ *Spinner Communications v Argus Newspapers Ltd* 1996 4 SA 637 W:640G; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra)*:188H.

²⁸³⁶ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra)*:230e-f; *Martin Johnson (Pty) Ltd v Cardello Footwear Manufacturers CC* 1999 3 ALL SA 81 N:85d; *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:897H-I; *Kellogg Co and Another v Bokomo Co-operative Ltd (supra)*:736G; *Payen Components SA Ltd v Bovic CC & Others (supra)*:453B-C; *Payen Components SA Ltd v Bovic CC & Others (supra)*:474B-C; *The Concept Factory v Heyl (supra)*:115G-H; *Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd (supra)*:473H; *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd (supra)*:423C; *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others* 1990 3 SA 897 C:916I; *Elida Gibbs (Pty) Ltd v Colgate Parnolive (Pty) Ltd (1) (supra)*:357B-C; *Schultz v Butt (supra)*:679C; *Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd* 1985 1 SA 211 C:223E; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra)*:188H-189A.

²⁸³⁷ *Van der Westhuizen v Scholtz* 1992 4 SA 866 O:873G-H; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra)*:188H. See also *Van Heerden & Neethling* 1995:123. At p 123 they state that the *boni mores* test determines whether "according to the legal convictions of the community and in the light of all the circumstances of the case, the defendant infringed the interests of the plaintiff in a reasonable or unreasonable manner".

²⁸³⁸ *Van der Westhuizen v Scholtz (supra)*:873I.

²⁸³⁹ *Payen Components SA Ltd v Bovic CC & Others (supra)*:474G-H.

²⁸⁴⁰ *Van Heerden and Neethling* are of the opinion that the competition principle primarily determines whether a competitor's conduct is lawful. According to them the *boni mores* criterion plays a supplementary role in determining the reasonableness of the conduct. See *Van Heerden & Neethling* 1995:135.

²⁸⁴¹ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra)*:230e-f; *The Concept Factory v Heyl (supra)*:115G-H; *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others (supra)*:916I.

economic system.²⁸⁴³ When the norm of public policy is applied, a relevant factor is the protection already afforded by statutes and by established remedies such as passing-off.²⁸⁴⁴

- (e) The morals of the market place and the business ethics of that section of the community where the norm is to be applied.²⁸⁴⁵
- (f) Competitor A is not allowed to prey upon the labour of competitor B.²⁸⁴⁶ The Supreme Court of Appeal has remarked that the following factors can be considered: The scale of the plaintiff's initial investment, the originality and commercial success of his product, the ease with which it is copied, the technical and commercial feasibility of product differentiation and the economic sense or nonsense of requiring investment in redesigning a satisfactory product from scratch.²⁸⁴⁷
- (g) The manner in which a competitor conducts his trade may render the conduct unlawful.²⁸⁴⁸
- (h) Proof of fraud helps to establish unlawfulness.²⁸⁴⁹
- (i) Where the defendant's conduct is motivated by malice and he causes prejudice or damage to his competitors, his conduct is unlawful.²⁸⁵⁰ An example of malice

²⁸⁴² *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1153B-C; *Harchris Heat Treatment (Pty) Ltd v ISCOR* 1983 1 SA 548 T:554H.

²⁸⁴³ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra):230e-f; Payen Components SA Ltd v Bovic CC & Others (supra):453B-C; The Concept Factory v Heyl (supra):115G-H; Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd (supra); William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others (supra):915C-E; Schultz v Butt (supra):679E-F; Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant (supra):1153B-C.*

²⁸⁴⁴ *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant (supra):1153B-C & 1155C-D.*

²⁸⁴⁵ *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant (supra):1153B-C; Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra):189A.*

²⁸⁴⁶ *Schultz v Butt (supra).*

²⁸⁴⁷ *Schultz v Butt (supra):683A-C.* This was confirmed in *Martin Johnson (Pty) Ltd v Cardello Footwear Manufacturers CC (supra):85a-c.*

²⁸⁴⁸ *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd (supra):422B; Schultz v Butt (supra); Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd (supra):216E-F.*

²⁸⁴⁹ *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others (supra):916D-E.*

²⁸⁵⁰ *Woodlands Dairy (Pty) Ltd v Parmalat SA (Pty) Ltd (supra):280D-F & 281A-282E; Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd (supra):47H-476A; Schultz v Butt (supra):683A-C; Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra):200F-G.*

is where the sole or dominant purpose of his act is to inflict harm or to retaliate and not to advance his own economic interests.²⁸⁵¹

(j) The facts of each case.²⁸⁵²

Note, however, that unfairness is not the sole criterion for unlawful interference.²⁸⁵³

The conduct must also be unjust.²⁸⁵⁴

4. Two courts have stated that where the plaintiff seeks an interdict he is only required to establish that the defendant is acting unlawfully *vis-à-vis* him.²⁸⁵⁵

5. In the end the court must make a policy decision (a value judgment) based on the general considerations of justice, equity, reasonableness, good faith, public policy and the public interest.²⁸⁵⁶

3.3.4.3. Where plaintiff cannot bring conduct within one of the established categories

The courts maintain that when determining whether conduct constitutes the delict of unlawful competition, the principles enunciated in passing-off and trade mark infringement cases should be kept in mind. An example of such a principle is that the law of passing-off does not grant protection to mere descriptive marks and business names, where these marks and names have not acquired a sufficient reputation.²⁸⁵⁷

When this principle is applied to unlawful competition, the courts maintain that a trader is entitled to use ordinary descriptive or laudatory words appropriate to describe his performance, even though another trader first "appropriated" and made extensive use of such words, provided that the former can use these words without deceiving the

²⁸⁵¹ *Woodlands Dairy (Pty) Ltd v Parmalat SA (Pty) Ltd (supra):281A-282E; Bress Designs (Pty) Ltd v GY Lounge Suite Manufactures (Pty) Ltd (supra):475H-J.*

²⁸⁵² *Elida Gibbs (Pty) Ltd v Colgate Parmolive (Pty) Ltd (1) (supra):358D.*

²⁸⁵³ *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others (supra):916B; Elida Gibbs (Pty) Ltd v Colgate Parmolive (Pty) Ltd (1) (supra):354H; Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant (supra):1154H; Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd (supra):187C-F.*

²⁸⁵⁴ *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others (supra):916C.*

²⁸⁵⁵ *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd (supra):230f; The Concept Factory v Heyl (supra):115l.*

²⁸⁵⁶ *Payen Components SA Ltd v Bovic CC & Others (supra):474H-I; Schultz v Butt (supra):683A-C; Butt v Schultz and Another (supra):576l.*

²⁸⁵⁷ *Seaharvest Corporation (Pty) Ltd v Irvin & Johnson Ltd 1985 2 SA 355 C:360C-E.*

public.²⁸⁵⁸

3.3.5. Causation

The plaintiff must establish a *nexus* between the defendant's unlawful conduct and the prejudice complained of.²⁸⁵⁹

3.3.6. Prejudice

One of the elements that the plaintiff must prove is that the defendant's unlawful conduct did, does or will likely cause him pecuniary harm,²⁸⁶⁰ depending on the type of remedy the plaintiff seeks. The prejudice that the plaintiff normally suffers or will suffer is the diversion of custom to defendant's competing business.²⁸⁶¹

The problem, as in many other instances, is how to calculate the loss suffered by means of unlawful competition. The Supreme Court of Appeal has remarked that a court has to do the best it can on such material as is placed before it and to make an educated guess.²⁸⁶²

3.3.7. Available remedies

The obvious remedies available to a plaintiff where the defendant is guilty of unlawful competition are an interdict prohibiting future infringements and a claim for damages.²⁸⁶³ It is submitted that a court is also empowered, as in the case of passing-off, to order the delivery up of the infringing material and/or the destruction thereof, under given circumstances.

²⁸⁵⁸ *Seaharvest Corporation (Pty) Ltd v Irvin & Johnson Ltd (supra)*:360CF-G & 361E-F.

²⁸⁵⁹ *Spinner Communications v Argus Newspapers Ltd* 1996 4 SA 637 W:642C-D.

²⁸⁶⁰ *Spinner Communications v Argus Newspapers Ltd* 1996 4 SA 637 W:642A-B; *Bophuthatswana Transport Holdings (Edms) Bpk v Matthyssen Busvervoer (Edms) Bpk* 1996 2 SA 166 A:174G-H.

²⁸⁶¹ *Rectifier and Communication Systems (Pty) Ltd v Harrison and Others* 1981 2 SA 283 C:287A-B; *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 1 SA 209 K:222H. See also Van Heerden & Neethling 1995:17 & 72; Moster and Moster 1995:448. The court in *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others* 1990 3 SA 897 C stated (at 917B-C) that "where there is evidence before a Court that unlawful competition on a substantial scale has been carried on, it follows almost as a matter of course that some damage has been suffered"

²⁸⁶² *Hudson SA (Pty) Ltd v Pictech (Pty) Ltd & Others* 1997 2 ALL SA 672 A:685a-b. See further 688i-j.

²⁸⁶³ *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others* 1990 4 SA 136 D:143H. See also Parker 1996:116; Van Heerden & Neethling 1995:74 & 232; Joubert 1985:44.

3.3.8. Established categories of unlawful competition

Next this study turns to certain established categories of unlawful competition, falling under the delict of unlawful competition. Three categories, namely (1) publishing false injurious statements concerning a competitor, (2) trading in conflict with a statutory provision, and (3) filching of a competitor's confidential information and/or trade secrets, are not discussed seeing that they are irrelevant to this study.

3.3.8.1. Misappropriation of a competitor's performance²⁸⁶⁴

The underlying principle is that a trader is allowed to use and to adopt the ideas of his business rival provided that he distinguishes his performance from his rival's performance.²⁸⁶⁵ The law does not confer a monopoly on one trader because he is the first to do something or to present his products in a certain manner.²⁸⁶⁶

The courts have, in two instances, maintained that misappropriation of a competitor's performance constitutes the delict of unlawful competition, namely (1) where X incorporates many features or parts of Y's competing performance into his own product;²⁸⁶⁷ and (2) where A obtains B's confidential information and uses this to his own advantage.²⁸⁶⁸

²⁸⁶⁴ This is also known as "*prestasieaanklamping*". See Van Heerden & Neethling 1995:242

²⁸⁶⁵ See LAWSA 1993: vol 2, par 402.

²⁸⁶⁶ See *Easyfind International (SA) (Pty) Ltd v Instaplan Holdings & Another* 1983 3 SA 917 W:925C-926A.

²⁸⁶⁷ See *John Waddington Ltd v Arthur E Harris (Pty) Ltd* 1968 1 SA 38 T where the court, with regard to a board game, stated that "[e]ven though the respondent was free to use the idea and the mechanics of the game, it is not clear to me that it should have copied or was entitled to have copied the many features in the arrangement and appearance of the applicant's board, other apparatus and description of the rules." (At 44C-D). See also *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T where the respondent intended to commence manufacturing a vehicle that would have been deceptively similar in appearance to the applicant's competing vehicle. The respondent simply used the applicant's body parts in creating its vehicle. The applicant alleged that the respondent, if he manufactured this vehicle, would be guilty of unlawful competition. The court held that such conduct was not fair between the two competing motor vehicle manufacturers and should not be countenanced. Such conduct, according to the court, offended against the general sense of justice in the community and the *boni mores*. (At 231b-g)

²⁸⁶⁸ See e.g. *Harchris Heat Treatment (Pty) Ltd v ISCOR* 1983 1 SA 548 T where the plaintiff was the owner of a particular furnace. The defendant unlawfully used the plaintiff's confidential information in building a similar competing furnace. The court maintained (at 555E-F) that the "defendant has misappropriated intellectual property belonging to the plaintiff, and is continuing to use it when it is not

The principle that transpires from these cases is that where X preys upon the labour, skill and industry that Z spent on producing or perfecting his performance, X is guilty of unlawful competition where he did not spend labour, skill and industry in developing and/or perfecting his performance.²⁸⁶⁹ The case of *Dun and Bradstreet (Pty) Ltd v Merchants Combined Credit Bureau (Cape) (Pty) Ltd*²⁸⁷⁰ amply illustrates this. The plaintiff compiled information which it distributed to its subscribers on a confidential basis. The defendant, a business rival, who was not a subscriber to the plaintiff's service, obtained copies of this information and sent it to its subscribers. The plaintiff alleged that the defendant was guilty of unlawful competition. The court stated that where "a trader has by the exercise of his skill and labour compiled information which he distributes to his clients upon a confidential basis ... a rival trader who is not a client but in some manner obtains this information and, well knowing its nature and the basis upon which it was distributed, uses it in his competing business and thereby injures the first mentioned trader in his business, commits a wrongful act *vis-à-vis* the latter and will be liable to him in damages".²⁸⁷¹ Such conduct, according to the court, constituted a deliberate misappropriation and filching of the products of another's skill and labour and was further dishonest and constituted a fraud upon the compiler of the information.²⁸⁷² The court went on to say that such misappropriation amounted to an infringement of the rights of the compiler to carry on his trade and attract custom without unlawful interference from competitors.²⁸⁷³ Finally, the court held that the damages suffered in these types of scenarios would normally be the diversion of custom.²⁸⁷⁴

entitled to do so. This is a situation justifying the grant of an interdict." See also *Stellenbosch Wine Trust Ltd and Another v Oude Meester Group Ltd; Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd and Another* 1972 3 SA 152 C where the court observed that where a trader filches information from a competitor which he knows to be secret and confidential and which has been developed by the competitor's skill and industry, such conduct "amounts to deliberate misappropriating of a business asset which was acquired by another's skill and industry. It is difficult to appreciate how this conduct differs in principle from the conduct of a man who steals goods from the shelves of a rival's shop. Both types of conduct constitute unlawful interference with the trade of another; both types of conduct are in my view actionable, and fall within the principles of the *Lex Aquilia*." (At 162A-C)

²⁸⁶⁹ See e.g. LAWSA 1993:vol 2, par 402.

²⁸⁷⁰ 1968 1 SA 209 K.

²⁸⁷¹ 1968 1 SA 209 K:221C-E.

²⁸⁷² 1968 1 SA 209 K:221F-G.

²⁸⁷³ 1968 1 SA 209 K:221H.

²⁸⁷⁴ 1968 1 SA 209 K:221H.

3.3.8.2. Misrepresentation as to own performance

3.3.8.2.1. General principles

The principle that can be inferred from South African judgments, dealing with misrepresentations as to own performance, can be stated as follows:²⁸⁷⁵

- No-one is permitted to carry on trade by fraudulent misrepresentations to the injury of another.²⁸⁷⁶ Whenever a trader or manufacturer labels, promotes, advertises and markets his performance, he must be honest.²⁸⁷⁷
- It is unlawful for a trader to make misrepresentations, by word or conduct or both, as to his own business or performance, where such misrepresentation causes or will cause prejudice to his business competitors.²⁸⁷⁸
- Such misrepresentations can relate either to the character, composition or origin of a specific performance.²⁸⁷⁹
- The question is always how a substantial number of the public, who are likely to be the purchasers of the goods in question, would perceive the respondent's representations and/or performance.²⁸⁸⁰
- Such conduct constitutes a wrongful interference with the plaintiff's right to attract custom without unlawful interference.²⁸⁸¹ The custom being those persons who wish to buy the genuine product.²⁸⁸²
- The damage or prejudice present or likely to occur as a result of such unlawful

²⁸⁷⁵ See *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others* 1977 2 SA 221 C; *Geary & Son (Pty) Ltd v Gove* 1964 1 SA 434 A.

²⁸⁷⁶ *Combrink v De Kock* 1887 SC 405:415.

²⁸⁷⁷ *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others* 1990 3 SA 897 C:921F.

²⁸⁷⁸ *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others* 1990 4 SA 136 D:143G-H; *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra)*:251F-G; *Geary & Son (Pty) Ltd v Gove (supra)*:440H-441A & 441C-D.

²⁸⁷⁹ See *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others (supra)*:143G; *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others (supra)*; *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra)*:247A. See also Van Heerden & Neethling 1995:149.

²⁸⁸⁰ *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others (supra)*:146D. See also LAWSA 1993:vol 2, par 400.

²⁸⁸¹ *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra)*:250F; *Geary & Son (Pty) Ltd v Gove (supra)*:440H-441A.

²⁸⁸² *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra)*:250F-G.

interference is twofold: (1) Loss of custom, namely those who purchase the defendant's product thinking that it is what it purports to be;²⁸⁸³ and (2) The defendant's product may give the genuine products a bad name leading to further loss of custom for the manufacturers of the genuine product.²⁸⁸⁴

- o Anyone who produces the genuine product, which the defendant purports to sell or manufacture, and who is likely to suffer prejudice as a result of the defendant's misrepresentations, is an aggrieved party and may institute proceedings.²⁸⁸⁵

Generally speaking, traders often misrepresent their performances to be of a different class, normally a more luxurious and expensive class, in order to benefit from some of the goodwill attached to this type of class and to capture some of the established trade in it.²⁸⁸⁶ One way of doing this is to add a descriptive name that signifies a specific product or that has acquired a reputation. An example is the addition of the words "Scotch Whisky".

It should be noted here that some courts have referred to this type of unlawful competition as passing-off in the sense that he was passing-off his product as something that it was not.²⁸⁸⁷ However, subsequent judgments have made it clear that misrepresentation as to own performance does not constitute passing-off; it falls within the parameters of the delict of unlawful competition.²⁸⁸⁸

3.3.8.2.2. Specific application

Most of the instances where the court held that misrepresentation as to own performance was present concerned the scenario where a trader misrepresented his performance to have certain characteristics which it did not have. An example is *William Grant & Sons Ltd and Another v Cape Wine & Distillers Ltd and Others*²⁸⁸⁹ where the defendants manufactured and sold whisky in such a way that the name

²⁸⁸³ *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra):250G-H; Geary & Son (Pty) Ltd v Gove (supra):440H-441A.*

²⁸⁸⁴ *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra):250H.*

²⁸⁸⁵ *Long John International Ltd v Stellenbosch Wine Trust (Pty) Ltd & Others (supra):143G-H.*

²⁸⁸⁶ *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra):247E-G.*

²⁸⁸⁷ See e.g. *Stellenbosch Wine Trust Ltd and Others v Oude Meester Group Ltd and Others (supra):246C-D.*

²⁸⁸⁸ See e.g. *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T:1138E-F.

²⁸⁸⁹ 1990 3 SA 897 C.

("Macleans Gold Label Whisky") as well as their label and advertising material constituted "together a representation by defendants to the whisky-drinking public that 'Macleans Gold Label Whisky' is a wholly Scotch whisky", which it was not. The plaintiffs alleged that the defendants were guilty of unlawful competition.

The court held that the defendants made false misrepresentations as to the attributes of their product.²⁸⁹⁰ Moreover, such false misrepresentations were likely to cause "the hypothetical average ordinary drinker (and buyer) of whisky calling at a liquor outlet in order to make a purchase of Scotch whisky to believe that defendants' product was indeed a Scotch whisky, and there can be no doubt that defendants could not but have been aware of the likelihood that such person would so believe."²⁸⁹¹ Prejudice was present in that by making such a false misrepresentation, the defendants captured a greater share of the South African whisky market than they would have done had they not made the said misrepresentations, which greater share was obtained at the expense of defendants' competitors. The court was also of the opinion that there existed a strong probability that plaintiffs (who were defendants' business competitors) could sustain direct patrimonial loss.²⁸⁹² The court further stated that a reasonable likelihood exists that a substantial number of persons amongst the whisky-drinking public would be misled by defendants' misrepresentations.²⁸⁹³ Consequently the court held that the defendants committed unlawful competition.

An interesting case dealing with misrepresentation as to own performance²⁸⁹⁴ is *Spinner Communications v Argus Newspapers Ltd.*²⁸⁹⁵ The plaintiff and defendant were business rivals in the newspaper industry. The defendant made false statements concerning the circulation figure of its newspaper. The plaintiff alleged that these false statements caused it prejudice in the form of diversion of custom and consequently loss of advertising revenue. The court held that due to these false statements, the respondent was guilty of unlawful competition:

"Mr Burger, on behalf of the plaintiff, has pointed out that circulation figures are the very basis upon which the revenue of publications is largely determined. The greater the circulation figures, the higher the advertising revenue. He points out also that the two

²⁸⁹⁰ 1990 3 SA 897 C:919E-G.

²⁸⁹¹ 1990 3 SA 897 C:919H-I.

²⁸⁹² 1990 3 SA 897 C:920C-D.

²⁸⁹³ 1990 3 SA 897 C:925F-G.

²⁸⁹⁴ Although not identified as such by the court.

²⁸⁹⁵ 1996 4 SA 637 W.

publications in issue compete against each other for a particular segment of a specialised market and that they both operate within the same area. It would follow, I should think, that there was a likelihood that the defendant's exaggerated figures would have diverted some of the plaintiff's advertising revenue to the defendant."²⁸⁹⁶

3.3.8.2.3. Reverse passing-off

An interesting scenario arose in *Victor Products (SA) (Pty) Ltd v Lateulere Manufacturing (Pty) Ltd*²⁸⁹⁷ where the defendant alleged that the plaintiff had removed the former's labels from his (the defendant's) goods and attached its (the plaintiff's) own labels to these goods. The court held that "provided the requirements of Aquilian liability are satisfied, the defendant's action for wrongful interference by a competitor with his rights as a trader is covered by the *Lex Aquilia*."²⁸⁹⁸ Therefore this conduct constitutes the delict of unlawful competition.

It was noted earlier²⁸⁹⁹ that the Supreme Court of Appeal is also of the opinion that such conduct constitutes normal passing-off.

3.3.8.3. Leaning on?

3.3.8.3.1. General

"Leaning on",²⁹⁰⁰ as a specific manifestation of the delict of unlawful competition, has to date never been mentioned nor recognised in any reported South African judgment. Leaning on is the creation of two South African commentators, namely Van Heerden and Neethling.²⁹⁰¹

According to these authors, leaning on occurs where A uses B's marks to advertise his (A's) performance.²⁹⁰² In the case of leaning on, the public is not deceived or confused as to whom produces or renders the products or services and consequently A does not infringe the distinguishing value of B's trade mark or trade name. Leaning on,

²⁸⁹⁶ 1996 4 SA 637 W:643G-I.

²⁸⁹⁷ 1975 1 SA 961 W.

²⁸⁹⁸ 1975 1 SA 961 W:965C.

²⁸⁹⁹ See paragraph 3.2.4.2 of this chapter.

²⁹⁰⁰ In Afrikaans "aanleuning".

²⁹⁰¹ Van Heerden first propounded his theory in his 1953 doctoral thesis.

²⁹⁰² Van Heerden & Neethling 1995:201. At 202 they further state that similar to passing-off, leaning on may occur between competitors as well as non-competitors.

according to their theory, is the infringement and misappropriation of the advertising value of B's trade mark or trade name, as an advertising mark or name.²⁹⁰³ "Thus he leans on the *reputation* or *good name* of the other performance for his own profit or financial gain."²⁹⁰⁴

According to Van Heerden and Neethling, such conduct is clearly in conflict with the competition principle in that A attempts to draw customers through the merit of his competitor's performance and thus infringes B's right to goodwill and right to his distinguishing mark.²⁹⁰⁵ They further contend that leaning on infringes an entrepreneur's right to goodwill in two ways, namely²⁹⁰⁶ -

A) it may harm the reputation of B's trade mark by means of tarnishment in that the public lowers their opinion of B's performance and/or business as a result of their association thereof with A's inferior performance and/or business; and/or

B) dilution of the advertising value of the aggrieved party's trade mark or trade name.

Van Heerden and Neethling, however, identify two scenarios where leaning on is justified. The first scenario is where the defendant cannot inform the public about the nature and purpose of his performance other than by referring to a competitor's performance.²⁹⁰⁷ They give the example of a trader who manufactures or markets spare parts for a rival's products and then brings this fact to the attention of the public in advertisements.²⁹⁰⁸ The second scenario is where one competitor compares his performance with another's performance. Although this constitutes leaning on, they contend that such comparative advertisements are justified by the defence of necessity.²⁹⁰⁹ They pose the requirements that (1) such comparison must be necessary for the first mentioned competitor to bring the merits of his performance to the attention of potential customers²⁹¹⁰ and (2) such comparison must be true.²⁹¹¹ Van Heerden & Neethling further contend that comparative advertisements should be protected by a defence of public interest in that the public has an interest in forming a

²⁹⁰³ Van Heerden & Neethling 1995:201.

²⁹⁰⁴ Van Heerden & Neethling 1995:202. Own emphasis. See also Neethling 1993:309.

²⁹⁰⁵ Van Heerden & Neethling 1995:203.

²⁹⁰⁶ Van Heerden & Neethling 1995:209.

²⁹⁰⁷ Van Heerden & Neethling 1995:203-204.

²⁹⁰⁸ Van Heerden & Neethling 1995:204.

²⁹⁰⁹ Van Heerden & Neethling 1995:331.

²⁹¹⁰ Van Heerden & Neethling 1995:331-332.

²⁹¹¹ Van Heerden & Neethling 1995:333.

true image of the relative merits of the performances involved. They argue that such comparison would not be in conflict with the competition principle if (a) it is true and (b) the public has an interest in the comparison, which will be the case where the comparison informs the public in a "relevant, useful and meaningful manner about the differences between and the relative merits of the performances involved",²⁹¹² and (c) the comparison does not "go further than what the furtherance of the public interest requires".²⁹¹³ Of course, it can be added that *bona fide* and truthful comparative advertisements are protected by the constitutional right to freedom of expression, as enshrined in section 16 of the *Constitution*.²⁹¹⁴ Specifically, they constitute protected commercial speech.²⁹¹⁵

Van Heerden and Neethling identify three requirements for a successful claim based on leaning on, in the form of dilution:²⁹¹⁶

- a) The plaintiff's trade mark must have acquired an advertising value or reputation in regard to his performance²⁹¹⁷ "to such an extent that not only the clientele exclusively associates the mark with the particular performance, but also that the association is favourable or positive."²⁹¹⁸
- b) The defendant's use of such mark creates, or is likely to create, the misrepresentation that the defendant's performance has the same origin or source as that of the plaintiff or is associated with the plaintiff's business.²⁹¹⁹ Put differently, a reasonable likelihood of deception or confusion must exist as a result of the defendant's misappropriation and exploitation of such mark.
- c) The plaintiff's goodwill will be or is infringed as a result of the disparagement or dilution of such reputation or advertising value.²⁹²⁰

It is submitted that the second requirement posed is incorrect. One thinks immediately of the scenario where, for example, Pepsi advertises that its cool drinks are just as

²⁹¹² Van Heerden & Neethling 1995:334.

²⁹¹³ Van Heerden & Neethling 1995:335.

²⁹¹⁴ As Chaskalson *et al* 1999 point out: "Truthful comparative advertising ... is likely to enjoy constitutional protection." (At 20-53)

²⁹¹⁵ See in this regard, paragraphs 2.1.7.2, 4.5.2.1.5.2.2 & 4.5.2.3.6.1.2 of chapter four.

²⁹¹⁶ Van Heerden & Neethling 1995:210.

²⁹¹⁷ Van Heerden & Neethling 1995:210.

²⁹¹⁸ Van Heerden & Neethling 1995:217. See also Neethling 1993:310.

²⁹¹⁹ See also Neethling 1993:310.

²⁹²⁰ See also Neethling 1993:310.

good as Coca Cola's cool drinks. In such instances, virtually all members of the public will know that one manufacturer is comparing his products with the products of another manufacturer. They will know, it is submitted, that these two manufacturers are rival traders and that they are in no way connected. Moreover, Pepsi, in the postulated example, makes no misrepresentation as to origin, connection and/or association.

It is contended that the only requirements for leaning on, in accordance with the competition principle as well as the constitutional right to freedom of commercial speech, are that -

- (1) the defendant must employ the plaintiff's trade mark or business name to promote his business or performance, whilst still enabling the public to distinguish between their performances or businesses; and
- (2) the defendant lacks the plaintiff's consent to use the latter's mark or name for this particular purpose, namely comparative advertising; and
- (3) the defendant is likely to dilute or tarnish the plaintiff's trade mark reputation or distinctiveness, provided that *bona fide* and truthful comparative advertisements are permitted.

3.3.8.3.2. Specific application

The following two case studies deal with instances that were alleged to constitute the delict of unlawful competition. Even though neither the parties nor the courts labelled these instances as possible leaning on, it can be argued that they concerned this form of unlawful competition, as defined above.²⁹²¹

In *Willie Welgemoed Mini-Gym (Edms) Bpk v Kloppers Discount Houses (Pty) Ltd*²⁹²² the respondent advertised that it sold the applicant's products, whilst, in truth, it had no intent to sell these products. It was clear that the respondent merely advertised this fact in order to lure the public to its shops. The court merely stated that such conduct constituted unlawful competition.²⁹²³ Note that the parties were not competitors. The

²⁹²¹ See the previous paragraph.

²⁹²² 1978 4 SA 105 O.

²⁹²³ 1978 4 SA 105 O. At 109H-110A the court stated: "Waarom dan in hierdie omstandighede applikant se produk adverteer? Die afleiding is op waarskynlikhede aangewese dat hierdie advertensie wat kort tevore geplaas sou wees of verhoed sou kon word of gewysig sou kon word, geplaas was om vir sover dit die relevante gedeelte daarvan aangaan 'n aanknopingspunt te vind by persone wat ten gevolg van die bekendheid van applikant se produk-naam belangstel in die tipe produk, en wat met respondent

applicant was the manufacturer of certain fitness apparatus and the respondent a wholesaler. It would appear that because the respondent pretended to sell the applicant's products, its conduct fell within the parameters of unlawful competition.

In *Union Wine Ltd v E Snell & Co Ltd*²⁹²⁴ the applicant had sold the wine "Bellingham Johannisberger" for 32 years and consequently became "extremely well-known" in South Africa. This was, however, an unregistered trade mark. The respondent, a business rival, subsequently commenced selling similar wine under the mark "Edward Snell Johannisberger". The applicant contended that the respondent was guilty of unlawful competition in that (a) the respondent was capitalising on the reputation which applicant had, over the years, built up and maintained in respect of the Johannisberger name in South Africa and (b) that the applicant's sales would be adversely affected through loss of custom or goodwill. The applicant made it clear that it was not basing its claim on any misrepresentation, and therefore passing-off was not contended. The applicant simply relied on the delict of unlawful competition. One particular fact that should be mentioned here is that the word "Johannisberger" denotes worldwide, as well as in South Africa, to the general "wine lover" a particular wine, similar to Scotch whisky. However, the average purchaser is oblivious of this fact.

The court firstly held that the name "Johannisberger" had after 32 years become distinctive in the South African market of the applicant's wine and consequently attracted goodwill. The average purchaser, up to the moment when the defendant's competing product was launched, would therefore have associated the name "Johannisberger" exclusively with the applicant's wine.²⁹²⁵ Secondly, the court held the applicant would inevitably lose some custom to the respondent due to the fact that the latter was employing the name "Johannisberger" on the simple basis that some less knowledgeable or fastidious patrons would ask only for "Johannisberger" and be

kontak maak, om die nodige verkoopswerk te doen dat die Rowmaster of selfs algemene goedere verkoop kan word. Sulke optrede is op die terrein van mededinging onregmatig en die bevel moet gevolglik bekragtig word." [Freely translated: Why was the applicant's product advertised under these circumstances? On a balance of probabilities it can be inferred that the advertisement, which was placed [in the newspaper] recently or which could either have been amended or could have been prevented [from being published], was placed [in the newspaper] in order to ensure that people, familiar with the applicant's product name and who were interested in this type of product, contacted the respondent. Such conduct is unlawful in the context of competition and the order must consequently be affirmed.]

²⁹²⁴ 1990 2 SA 189 C.

²⁹²⁵ 1990 2 SA 189 C:198C-E.

offered the respondent's wine. Others, according to the court, would buy the respondent's wine in the belief that it was either a similar or a sufficiently similar wine for their purpose. Therefore, the average purchaser would expect the new wine to be as good as the old one and consequently he would try it at least once.²⁹²⁶ However, the court refused to grant an interdict in favour of the applicant, maintaining that:

"I have not been referred to any South African decision in which a plaintiff was afforded protection against the use of his unregistered trade mark in the absence of dishonest or wrongful conduct on the part of the defendant ... the applicant in this case has not proved that he has suffered loss in consequence of any form of unlawful competition falling outside the ambit of passing off ... I am unaware of any case in which it has been held that copying of an unregistered trade mark is unlawful in the absence of confusion ... However great a reputation and goodwill it may have built up and however much money and energy may have been expended to achieve its share of the market, an unregistered trade mark or name has no statutory or judicial protection and it may be appropriated by competitors provided they do not mislead the public by passing off or compete unlawfully in some other manner ... The principle of free and active competition in the market is public policy in South Africa and monopolies are regarded with disfavour ... My conclusion is that in the absence of dishonesty, unfairness *per se* cannot serve as a criterion for unlawfulness ... To the extent that the public policy and the interests of society may be relevant in this case, I do not think that the respondent's use of the name 'Johannisberger' could be seen to be *contra bonos mores* or against public policy."²⁹²⁷

3.4. Applying the South African law of unlawful competition to specific Internet related issues

Next certain issues and scenarios are addressed in order to ascertain how the South African common law will be applied to the Internet.

Whenever mentioned is made of "unlawful competition", it refers to the delict of unlawful competition. It is assumed, for the purpose of this study, that the plaintiff's trade mark and/or web site address enjoys a reputation, unless otherwise indicated. Finally, when mentioned is made of e.g. the plaintiff's trade mark, reference is made to either a South African registered trade mark or to a South African common law trade mark.

²⁹²⁶ 1990 2 SA 189 C:198E-H.

²⁹²⁷ 1990 2 SA 189 C:199I-203G.

3.4.1. General issues

Before moving on to specific Internet related conduct, specific issues surrounding the uniqueness of the Internet must first be addressed.

3.4.1.1. Who are competitors for the purpose of the Internet?

The term "competitor" is understood in common law proceedings to refer to the scenario where two or more parties are competing for the same customers or where they are striving towards the same goal or their performances serve the same need.²⁹²⁸

The question that must be answered here is: Who are competitors for the purpose of the Internet? The following example illustrates the difficulty surrounding this question. X is the owner of the trade mark "Toys R Us", registered and used for toys. Y is the owner of the pornography web site www.porno.co.za. Y uses X's trade mark name as a metatag for his pornography web site. Are X and Y competitors? Another example is where Y registers the domain name www.toysrus.co.za and establishes a pornography web site for this domain name. In both instances Y diverts Internet users, searching for X's online presence, to his pornography web site and in both instances X probably suffers loss of custom and income and Y's conduct is to the detriment of the trade mark's reputation and/or distinctiveness.

²⁹²⁸ In *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant* 1981 3 SA 1129 T the court stated (at 1141F-H) that "[i]n general terms competition involves the idea of a struggle between rivals endeavouring to obtain the same end. It may be said to exist whenever there is a potential diversion of trade from one to another. For competition to exist the articles or services of the competitors should be related to the same purpose or must satisfy the same need." See also *Van der Westhuizen v Scholtz* 1992 4 SA 866 O where the court (at 873E) held that "[i]n die algemeen gesproke dui die begrip 'mededinging' op die strewe van meerdere persone na dieselfde doel." [Own translation: Generally speaking, the concept 'competition' indicates the striving of many persons towards the same goal.] Finally, see *Payen Components SA Ltd v Bovis CC & Others* 1994 2 SA 464 W where the court remarked (at 473F-H) that "[t]he nature of the competition is that the [c]ompetitors have the same or similar goals, chief among which, at least in the field of trade and industry, is to attract the custom of the same clients or groups of clients". See also Van Heerden & Neethling 1995:17, 66-67 & 143; LAWSA 1993:vol 2, par 376. At 66-67 Van Heerden and Neethling state that there must be a "competitive act comprising the pursuit by two or more business entrepreneurs of the custom of the same clients. Actual competition should, however, not be required; potential competition ... should suffice if ... a particular business is about to enter the mark or will imminently become a competitor."

It submitted that a twofold answer adequately solves these types of Internet problems:

- a) Firstly, it must be ascertained whether the parties *normally* compete, online as well as off-line, for the same customers and/or Internet users.
- b) Secondly, it must be ascertained whether the defendant *does or did something male fide to either divert custom and/or Internet users to his business and/or web site or to benefit from the reputation of plaintiff's trade mark name or business name.*

If *either one* of these two questions is answered in the affirmative, it is submitted that the parties are competitors.

The solution advocated in (b) has to a certain extent been acceptance by the South African courts.²⁹²⁹ In *Abakor Ltd v Crafcor Farming (Pty) Ltd t/a Riversdale Feedlot and Another*²⁹³⁰ the applicant operated an abattoir. The respondent, in an attempt to commence a competing abattoir, wrote a letter to various neighbouring farmers stating that the applicant's closure of its abattoir was imminent and that the respondent required these farmers' consent to establish a new abattoir. This letter constituted an intentional misrepresentation. The applicant alleged that the respondent was guilty of unlawful competition.

The court firstly stated that "it is not possible to have unlawful competition unless a competitive situation exists."²⁹³¹ It would appear from the judgment that the court was of the opinion that this requirement was met because the aforementioned letter was "an endeavour to place the first respondent in a position to erect its own abattoir"²⁹³² and consequently in a position where it could compete with the applicant. The court added that the conduct of the respondent was unfair and unjust and therefore constituted unlawful competition.²⁹³³

To return to the above postulated question. It can added that normally pornography

²⁹²⁹ Some authority for this proposition can also be found in Van Heerden & Neethling 1995 where they state at p 143-144 that "if the concept of unlawful competition is to be accorded an own meaning, it is necessary that only *competitive relationships between persons in effective control* of not only *commercial undertakings* (entrepreneurs), but also *non-commercial undertakings* be brought under the *law of unlawful competition.*" See further Van der Merwe 2000:124; Parker 1996:116.

²⁹³⁰ 2000 1 SA 973 N.

²⁹³¹ 2000 1 SA 973 N:978F.

²⁹³² 2000 1 SA 973 N:978F.

²⁹³³ 2000 1 SA 973 N:978I-J.

web sites, on the one hand, and stores selling children's toys, on the other hand, do not compete for the same custom. However, in the above scenario X did something *male fide* to divert Internet users, searching for the toy store's online presence, to his pornography web site. Therefore, it is submitted that X and Y are competitors due to X's conduct.

However, the warning must be sounded that a court should not too easily find that parties to a dispute are competitors. This is illustrated by the UK case of *Avnet Incorporated v Isoact Ltd.*²⁹³⁴ The plaintiff's business consisted of the selling of goods by means of a physical catalogue. It was the owner of the registered trade mark "AVNET", registered and used for "advertising and promotional services". The defendant operated as an Internet service provider and used the words "Aviation Network" and "Avnet" as business names. Its domain name was www.avnet.co.uk. The plaintiff contended, for the purpose of trade mark infringement, that the defendant was offering competing services under an identical name. The plaintiff's argument went as follows: What the defendant was doing was providing a facility for its customers to advertise on their (i.e. the customers') own web pages and consequently the defendant provided "advertising and promotional services".

The Chancery Division responded by stating that because the definition of "service" is inherently less precise than specifications of goods in the UK trade mark regulations, specifications for services should be scrutinised carefully and should not be given a wide construction covering a vast range of activities. They should be confined to the substance.²⁹³⁵ The court consequently held that the defendants were not using the disputed mark for advertising and promotional services:

"Here, 'advertising and promotional services' requires one to look at the essence of what the defendant is doing. The essence of what these defendants are doing is not providing advertising and promotional services in the way that, for example, an advertising agent does. They do no more than provide a place where their customers can put up whatever they like. They are not assisting the customers to write their copy, they suggest their customers can write their own copy if they want to. But they are not in any way even requiring their customers or expecting their customers to put up advertisements. The customers can put up whatever they like. I do not think that in substance what these defendants are doing is providing 'advertising and promotional

²⁹³⁴ 1998 FSR 16 ChD. A copy of this judgment was obtained from Westlaw.

²⁹³⁵ 1998 FSR 16 ChD:19.

services'.²⁹³⁶

However, the court added that if the defendant rented out advertising space on a web site to customers, its services would fall within the scope of "advertising and promotional service".²⁹³⁷

3.4.1.2. Comparing a domain name with a trade mark

When a web site address is compared to a trade mark name in order to ascertain whether a likelihood of confusion or deception arises, the obligatory Top Level Domain and "www" can be omitted from the comparison. Support for this submission can be found in South African judgments:

- 1) The addition of the obligatory Top Level Domain can be compared to the addition of the obligatory company terms indicating that an entity is, for example, a private company. For example in *Link Estates (Pty) Ltd v Rink Estates (Pty) Ltd*²⁹³⁸ the parties' respective registered names were "Link Estates (Pty) Ltd" and "Rink Estates (Pty) Ltd". The court compared only the words "Link" and "Rink" because the word "estate" is a descriptive word and further because the "(Pty) Ltd" indication was obligatory in terms of the *Companies Act*.²⁹³⁹
- 2) The obligatory Top Level Domain can be compared to a descriptive word. In *Patlansky v Brown*²⁹⁴⁰ the question of law was whether the respondent's trading name "Dorikin Dancing Studio" was confusingly similar to the applicant's trading name "Doris Kinsman's Dancing Studio. The court held that because the phrase "dancing studio" was merely descriptive of the parties' class of business carried on, it could therefore be ignored,²⁹⁴¹ and consequently the court only compared the word "Dorikin" with the words "Doris Kinsman's".²⁹⁴²
- 3) South African courts have further maintained that where the shape and size of a specific product are common to a particular industry or trade it should be omitted

²⁹³⁶ 1998 FSR 16 ChD:19.

²⁹³⁷ 1998 FSR 16 ChD:19-20.

²⁹³⁸ 1979 2 SA 276 E.

²⁹³⁹ 1979 2 SA 276 E:281H-282C.

²⁹⁴⁰ 1931 NPD 147.

²⁹⁴¹ 1931 NPD 147:151.

²⁹⁴² 1931 NPD 147:151.

from the comparison.²⁹⁴³

3.4.1.3. Can a domain name constitute a common law trade mark?

As noted above,²⁹⁴⁴ any mark can qualify as a common law trade mark whenever it serves the function of a trade mark and when it has been used to such an extent that it acquired a reputation. Therefore where a web site address is actively promoted and used for commercial purposes it qualifies as a common law trade mark.

The case of *J.W. Jagger & Co Ltd v Furnishers Cape (Pty) Ltd*²⁹⁴⁵ supports this contention. The respondent carried on business as the "Invincible Furniture Factory". It used the term "Furncraft" as its telegraph address and this was well-known throughout the furniture trade in South Africa. In fact many retailers had made use of this telegraphic address to communicate with the respondent. The respondent also used this term on all its letterheads, invoices, advertisements, etc. The applicant, a trade rival, sought to register the mark "Furncraft" for its furniture business. The respondent contended that this would cause a likelihood of confusion. The court stated that through user the disputed term had acquired an association with the respondent's business and that if the applicant was to use this term it would cause a likelihood of confusion.²⁹⁴⁶

3.4.1.4. Can a common law trade mark lose its distinctiveness due to the advent of technology?

Similar to the question posed in paragraph 4.8.1.6 of the previous chapter, the question arises whether a *common* law trade mark, which was once distinctive, can lose its distinctiveness and become generic due to the advent of both computer technology as well as the Internet.

In *Rizla International BV and Another v L Suzman Distributors (Pty) Ltd*²⁹⁴⁷ the court, addressing this issue, held that "the test, must be, whether the use of [the disputed term, in which the plaintiff alleges that he enjoys common law trade mark rights] by

²⁹⁴³ See *Pasquali Cigarette Co Ltd v Diaconicolos & Capsopolus* 1905 TS 472:4775.

²⁹⁴⁴ See paragraph 3.1.2 of this chapter.

²⁹⁴⁵ 1948 3 SA 603 T.

²⁹⁴⁶ 1948 3 SA 603 T:612.

²⁹⁴⁷ 1996 2 ALL SA 414 C.

other persons is still calculated to deceive the public, whether it may still have the effect of inducing the public to buy goods not made by the original owner of the trade mark as if they were his goods. If the mark has come to be so public and in such universal use that nobody can be deceived by the use of it, and can be induced from the use of it to believe that he is buying the goods of the original trader, it appears to me, however hard to some extent it may appear on the trader, yet practically, as the right to a trade mark is simply to prevent the trader from being cheated by other persons' goods being sold as his goods through the fraudulent use of his trade mark, the right to the trade mark must be gone."²⁹⁴⁸

The Supreme Court of Appeal has added that the fact that another noun for the product in question is not readily apparent is a fair indication that the term, word or phrase, which is alleged to have lost its distinctiveness, does not perform any trade mark function.²⁹⁴⁹

Therefore, where someone enjoyed common law trade mark rights in words such as "CD", "e-mail" and "instant messenger", these words no longer qualify for common law protection in that they have lost their distinctiveness due to the emergence of the Internet. They are now everyday words.

3.4.1.5. Relevant evidential aspects

3.4.1.5.1. E-mail messages addressed to wrong trader and a likelihood of confusion or deception

The question arises whether the plaintiff can tender e-mail messages, meant for the defendant but forwarded to the plaintiff, as evidence that third parties have been confused or deceived by e.g. the defendant's alleged confusingly similar domain name.

In *Solmike (Pty) Ltd t/a Skipper's Cabin v West Street Trading Co (Pty) Ltd t/a Skipper Bar*²⁹⁵⁰ the applicant traded as men's outfitters under the name "Skipper's Cabin", which had acquired a secondary meaning through user. The respondent subsequently commenced trading as men's outfitters under the name "Skipper's Bar". The applicant

²⁹⁴⁸ 1996 2 ALL SA 414 C:420h-j.

²⁹⁴⁹ *Cadbury (Pty) Ltd v Beacon Sweets and Chocolates (Pty) Ltd and Another* 2000 2 SA 771 SCA:779A-B.

²⁹⁵⁰ 1981 4 SA 706 D.

alleged that the respondent was guilty of passing-off. The applicant provided evidence that delivery men who were searching for the respondent's business had mistakenly found the applicant's business. Counsel for the respondent argued that these instances "only proved that persons had mistaken the applicant's business for that of the respondent and did not establish that it was likely that the converse would occur." The court held that this argument was unsound: "[I]f the basis of that confusion was (as it must have been) the fact that the trading styles deceptively resembled one another, this resemblance would be equally likely to give rise to confusion whereby the respondent's business was mistaken for that of the applicant."²⁹⁵¹

The court went further to hold that such evidence concerning mistaken deliveries to the plaintiff's premises was admissible as evidence of actual confusion: "[W]hilst it is not as cogent as evidence relating to confusion of customers, it is indicative of the fact that ordinary people such as those making the delivery in question were confused as a result of the resemblance between the trading [names] and consequently it does have some probative value as to the fact that they deceptively resemble one another."²⁹⁵²

Recently, the Zimbabwean High Court held that "[t]he misdirection to the applicant of invoices pertaining to the first respondent does not weigh very heavily with me. All businesses are subject to this sort of mistake and such an error in the diversion of mail does not itself suggest the likelihood of business being diverted. This circumstance is rarely regarded as indicative of the probability of confusion amongst customers."²⁹⁵³

The US case of *NVST.com Inc v Nvest LLP et al*²⁹⁵⁴ is of relevance here. The appellant was the proprietor of the registered trade mark "NVST" and owner of the domain name *www.nvst.com*. The respondent registered two domain names namely *www.nvestlp.com* and *www.nvestfunds.com*. The appellant contended that the respondent's domain names were likely to cause confusion and submitted evidence of misdirected e-mails, addressed to it but meant for the respondent. The court was of the opinion that these misdirected e-mails constituted no evidence of prejudice: "[Appellant] does not, however, offer evidence that any confusion has harmed [it] ... To

²⁹⁵¹ 1981 4 SA 706 D:716G-H.

²⁹⁵² 1981 4 SA 706 D:716D-E.

²⁹⁵³ *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:903H-I.

²⁹⁵⁴ 2002 US App. LEXIS 2336 (9th Cir. 2002). A copy of this judgment was obtained from LEXIS.

the extent that [appellant] receives e-mail intended for [respondent], no harm befalls [appellant] or any of its customers.”

It is submitted that evidence tendered by the plaintiff of a few misdirected e-mail messages received by him, but intended for the defendant, will not further his case. Whether Internet users’ queries of whether the plaintiff is connected with the defendant or *vice versa* constitute compelling evidence or not, will depend upon the court’s own evaluation of the scenario. For example, where the court is of the opinion that no likelihood of confusion or deception will arise, such evidence will not advance the plaintiff’s case. The court might also be of the opinion that such evidence constitutes evidence of careless Internet users.

3.4.1.5.2. Repetitive infringements and cybersquatting

The law permits an applicant to lead evidence, in order to establish intent, to the effect that the respondent had done something similar previously which constituted e.g. passing-off. For example, in *Omega, Louis Brandt et Frere SA and Another v African Textile Distributors*²⁹⁵⁵ the applicant was the owner of the registered and well-known trade mark “Omega”, registered and used for watches. The respondent commenced selling watches with the mark “Homegas”. The applicant alleged that the respondent was guilty of passing-off. The applicant led evidence to the effect that the respondent had on two previous occasions similarly imitated well-known trade marks. The court held that such evidence was admissible: “In civil cases the Courts will admit so-called ‘similar fact’ evidence if it is logically probative, that is, if it is logically relevant in determining the matter which is in issue, provided that it is not oppressive or unfair to the other side, and that the other side had fair notice of it and is able to deal with it.”²⁹⁵⁶

The court continued to state that the evidence was relevant to the following effect: “The prior conduct diminishes the improbability of African Textile committing the wrong of passing-off, as it tends to show that African Textile is no respecter of trade marks, and does not scruple to infringe. It also shows that through its servants or members of the firm it has knowledge of the technique of deception alleged in this case.”²⁹⁵⁷

Therefore, where the plaintiff alleges that the defendant is guilty of e.g. cybersquatting, the former can tender evidence to the effect that the defendant had previously

²⁹⁵⁵ 1982 1 SA 951 T.

²⁹⁵⁶ 1982 1 SA 951 T:955H.

²⁹⁵⁷ 1982 1 SA 951 T:955H-956A.

engaged in similar conduct. Such evidence can assist in establishing that the defendant deliberately imitated the plaintiff's trade mark or business name or deliberately chose a confusingly similar mark or business name, which, in turn, will assist the plaintiff in proving that his trade mark or business name enjoys a reputation and further that a likelihood of confusion or deception will result.

3.4.1.5.3. Internet marketing and reputation

Although this study does not deal with the issue whether a particular web site has a reputation in South Africa, the following case is worth mentioning. In *Federation Internationale De Football and Others v Bartlett and Others*²⁹⁵⁸ the applicant (FIFA) is and was the worldwide organiser of international soccer tournaments. Due to the fact that millions of South Africans watched these World Cup soccer matches on TV, the court held that the applicant had a reputation and goodwill in South Africa. The applicant had never traded in South Africa, nor sold products here.²⁹⁵⁹

Therefore, establishing that domain names such as www.amazon.com, www.ebay.com, www.cnn.com and www.playboy.com enjoy a reputation in South Africa should not prove to be too difficult. Furthermore, proving that a web site, established for a particular domain name, receives e.g. 700 000 "hits" per month may also convince the court that the said domain name, which constitutes the plaintiff's trade mark, is well-known.²⁹⁶⁰

3.4.1.5.4. Taking the habits of Internet users into account

It is submitted that a court is permitted to take into account the habits of Internet surfers. One such habit is that when they search for a particular business' online presence, most Internet users will firstly add "www" and dot-com or dot-co.za to the business' name. Should this not work, they will go to a search engine and use the business name or trade mark name as a search query.²⁹⁶¹

²⁹⁵⁸ 1994 4 SA 722 T.

²⁹⁵⁹ 1994 4 SA 722 T:739I.

²⁹⁶⁰ See *Shields v Zuccarini* 254 F.3d 476 (3rd Cir. 2001) where the Third Circuit of Appeal held that due to the fact that the plaintiff's web site received approximately 700 000 "hits" per month, his web site address constituted a well-known trade mark. A copy of this judgment can be downloaded from <http://vls.law.vill.edu/locator/3d/Jun2001/002236.txt>.

²⁹⁶¹ See in this regard the US court's remarks in *SNA Inc v Array et al* 51 F.Supp.2d 542 (E.D. Pa. 1999): "Users searching for a specific Web site have two options. First, the users know or can deduce

Authority for this proposition is *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd*²⁹⁶² where the court noted that when determining whether a probability exists that custom had been or could be diverted by reason of the similarity in get-up, in the context of steakhouses, "some regard must be had to [the eating habits of] such steakhouse habitués as may find themselves living in the centre of Cape Town or present in the centre City either on business or entertainment and wishing to visit an eating establishment of this kind".²⁹⁶³

3.4.1.6. Comparing similar domain names and likelihood of confusion

The vexing question that arises is: Where the plaintiff is the proprietor of a well-known trade mark, for example "Spoor & Fischer", and the defendant registers a domain name which closely imitates this trade mark name, such as www.spoorandfisher.co.za (or dot-com) (1) does the defendant make a misrepresentation, and, if so, (2) does this domain name cause a likelihood of confusion or deception? Let's assume that Spoor & Fischer's domain name is www.spoor.co.za.

An Internet user finds the information, product or business which he is looking for on the Internet as follows:²⁹⁶⁴ Normally, he attempts to find the web site first by keying the particular trade mark name or business name plus dot-com, or, if it is specifically a South African entity or product that he is looking for, the trade mark name or business name plus dot-co.za. Should this prove to be unsuccessful, he will use a search engine (e.g. Google) to find the relevant web site(s).

It should be kept in mind that a search engine only includes a particular domain name in its hit list when either the text of the web site, established for that particular domain

the address of a Web site, they can type the address into a browser and connect directly to the Web site as if dialing a telephone number. More often, users do not know the exact address and must rely on 'search engines' available on the Web to search for key words and phrases associated with the desired Web site." (At 552, fn 9). A copy of this judgment was obtained from Westlaw. See also *Bihari v Gross et al* 119 F.Supp.2d 309 (S.D.N.Y. 2000) [a copy of this judgment can be downloaded from <http://lawschool.stanford.edu/faculty/radin/ecommerce/readings/trademarks/bihari.pdf>]; *Lockheed v Network Solutions Inc* 985 F.Supp. 949 (C.D. Cal 1997) [a copy of this judgment can be downloaded from www.loundy.com/CASES/Lockheed_v_NSI.html]; *Panavision International v Toeppen* 945 F.Supp. 1296 (C.D. Cal. 1996):1299 [a copy of this judgment was obtained from Westlaw].

²⁹⁶² 1975 2 SA 189 C.

²⁹⁶³ 1975 2 SA 189 C:201A-B.

²⁹⁶⁴ See also paragraph 3.4.1.5.3 of this chapter.

name, contains the search term or when the said web site uses the search term as a metatag or metatags or when the search term is included in the domain name.²⁹⁶⁵

Therefore, when an Internet user searches for Spoor & Fischer's online presence by means of the search term "Spoor and Fischer", the defendant's disputed domain name will not be listed unless the web site, established for that particular domain name, includes the search term as text or as metatags.

At first blush the answer appears to be that because the disputed domain name cannot *per se* be located, except by accident, no likelihood of confusion or deception arises. However, this would cause typosquatters to be immune from passing-off proceedings in that they could then argue that since their domain names cannot *per se* be located on the Internet, no likelihood of confusion or deception arises.

US courts as well as *UDRP* panels simply compare the defendant's domain name to the plaintiff's trade mark name and decide whether the former will likely cause a likelihood of confusion or deception. It is submitted that South African courts should follow a similar approach, otherwise technicalities will leave the trade mark proprietor without a remedy. This submission is also in line with the arguments advanced in paragraph 3.4.1.8.2 of this chapter.

Therefore, it is submitted that the defendant's domain name www.spoorandfisher.co.za so closely imitates the plaintiff's trade mark "Spoor & Fischer" that a likelihood of confusion or deception arises.

3.4.1.7. Hit list results, metatags and likelihood of confusion or deception

Assume that X uses his competitor Y's trade mark name or business name as a metatag for his own web site and that when an Internet user searches, by means of a search engine, for Y's performance or business, by using the said trade mark name or business name as a search term, the search engine returns a hit list listing (*inter alia*) X's web site address. The questions that must be addressed here are: (1) What constitutes the misrepresentation; (2) What does the misrepresentation state; and (3) When does the (likelihood of) confusion or deception commence? Stated differently, does the metatag-mark *per se* constitute the misrepresentation, bearing in mind that the metatag cannot be seen by the Internet user, or is such misrepresentation only

²⁹⁶⁵ See www.alphawebtech.com/domain.htm.

present once the search engine displays X's web site address as a relevant hit, keeping in mind that the average Internet user probably knows that not all web site addresses listed by the search engine are relevant to his enquiry? Secondly, does the hit result list, displaying X's web site address, cause a likelihood of confusion or deception or does such likelihood of confusion or deception only arise when the Internet user arrives at X's web site, after he clicks on the link provided by the search engine?

Turning to the first question of whether the metatag *per se* constitutes the misrepresentation, it is submitted that by using Y's trade mark as a metatag for his own web site, X makes an implied false statement (the content of which is explained below) which deceives the Internet user when he uses a search engine, as an electronic instrument, to search for relevant web sites.

It is submitted that the answer to the second question, namely what does the misrepresentation state, is that X's web site is (1) either connected to Y's business such as an affiliate business, or (2) that X sells Y performance, or (3) that X's web site contains *bona fide* information on Y's business and/or performance or web site - even negative comments on Y's business or performance falls within this category.

Turning to the third and final question of what causes the likelihood of confusion or deception, it is submitted that X's use of the "misrepresenting" metatag causes the likelihood of confusion or deception in that it instructs third parties' search engines to list his web site as a relevant web site to enquiries using specific search terms, when, in fact, his web site bears no relation to those search terms. Therefore, X uses third parties' search engines as instruments to convey his misrepresentation, and this, in turn, causes the likelihood of confusion or deception.²⁹⁶⁶ Therefore, it is submitted that the insertion of the metatag and employment of the search engine should be seen as one act in that the search engine acts as an instrument in the hands of X to convey his "false message". It follows that as soon as the search engine displays X's web site address as a relevant web site to the search enquiry, the misrepresentation is

²⁹⁶⁶ This contention is supported by the US commentator Loundy who argues that by using a third party's trade mark as a metatag for one's web site, one intends to mislead the search engines into identifying one's web site as if it was affiliated with the third party's web site in some way, which search engine can be seen as an instrument in the hands of Internet surfers. A, by employing B's trade mark as a metatag for his own web site, intends to draw traffic to his web site that may have been originally searching for B's web site. See Loundy 1997.

conveyed. This deceives the Internet user into thinking that X's web site is relevant to his enquiry. When the Internet user clicks on the link provided to X's web site and X's non-related web site is displayed, the confusion arises.

3.4.1.8. Initial confusion and extraneous factors

3.4.1.8.1. General

The question that has to be addressed here is whether initial confusion caused by a domain name can be dispelled by the content of the web site established for this particular domain name. It will be remembered that US courts reason that the law does not allow X to register a domain name incorporating his competitor's (Y's) trade mark name or to use such term as a metatag for this web site, in that such use causes initial interest confusion which may cause Internet users to fail to continue to search for Y's online presence due to anger, frustration or the belief that Y does not have an online web presence. This, in turn, causes the plaintiff to lose custom. They further maintain that such confusion cannot be dispelled by the web site established for the aforementioned domain name. Where the parties are not competitors, US courts have enunciated conflicting principles.²⁹⁶⁷

The following principles can be drawn from South African judgments dealing with initial confusion:

- (1) Where the defendant uses a virtually identical or confusingly similar mark on his product, he does not commit passing-off or unlawful competition where (a) his product's get-up differs from the plaintiff's get-up and (b) his own well-known trade mark appears on the product.²⁹⁶⁸ In such instances any possible initial confusion caused by the similar mark is *immediately* eliminated by other *prominent* factors appearing on the product itself.²⁹⁶⁹ Therefore the defendant's product itself distinguishes it from third parties' products and consequently no confusion arises.

²⁹⁶⁷ See paragraphs 2.3.1 & 2.3.3 of chapter four.

²⁹⁶⁸ See *Kellogg Co and Another v Bokomo Co-operative Ltd* 1997 2 SA 725 C:734G-735C; *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son (SA) (Pty) Ltd* 1995 1 SA 725 T: 729I-733H; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 4 SA 118 A:123I & 126D; *Sportshoe (Pty) Ltd v Pep Stores (SA) (Pty) Ltd* 1990 1 SA 722 A:735H-J.

²⁹⁶⁹ Where the defendant uses a confusingly similar get-up to the plaintiff's get-up and his own trade mark is not prominently displayed on the product or is not well-known, the initial confusion caused by the

(2) Where the defendant uses an identical or virtually identical or confusingly similar mark on his product, he is not allowed to aver that his sales consultants will inform the public, entering his store, that his product is not associated with the plaintiff's product.²⁹⁷⁰ In such instances the defendant draws custom *into* his store by means of a competitor's trade mark reputation. Therefore, because the product cannot distinguish itself from a third party's performance and therefore causes initial confusion, the courts do not permit the defendant to claim that extraneous factors distinguish his performance.²⁹⁷¹ However, one exception to this principle exists, namely where the defendant *bona fide* uses a virtually identical or confusingly similar business name but displays *disclaimers at the entrance of his store* as well as in his shop informing the public that his business is not connected with the plaintiff's business.²⁹⁷² In such instances it appears that the defendant is not guilty of passing-off in that he did not draw potential customers into his store by means of confusion or deception.

3.4.1.8.2. Applying these principles to the Internet

The next question is how the principles discussed in the previous paragraph should be applied to the Internet.

The first scenario is where A registers a domain name which is virtually identical to B's registered or common law trade mark name or business name. As US courts correctly point out, Internet users *first* search for a particular business or performance by keying in the business name or the trade mark name plus dot-com (or in a South African context dot-co.za) in the URL. Therefore, when Internet users search for B's

confusingly similar product is not eliminated and thus constitutes passing-off. See *Daimler Chrysler Aktiengesellschaft and Another v Afinta Motor Corporation (Pty) Ltd* 2001 2 ALL SA 219 T:229g-i.

²⁹⁷⁰ *Cambridge Plan AG and Another v Moore and Others* 1987 4 SA 821 D:841A-C.

²⁹⁷¹ See also *Softex Mattress (Pty) Ltd v Transvaal Mattress and Furnishing Co Ltd* 1979 1 SA 755 where the court stated (at 760H-761A) that "[t]he advertisement is obviously directed at attracting customers to buy mattresses; the mattresses they will be offered once they have been attracted will certainly not be respondent's Posturepedics but applicant's Ther-a-pedics. And the fact remains that they will be attracted by an advertisement which will in all likelihood (as I have found) be believed to be one advertising Posturepedics at much reduced prices. That, in my view, is clearly passing off, whatever happens inside the shop where the mattresses will be sold, and irrespective of whether the customer, once he is inside, discovers that he is not buying a Posturepedic."

²⁹⁷² See *F W Woolworth & Co (Zimbabwe) (Pvt) Ltd v Sunday Stores (Pct) Ltd t/a 'The W Store' and Another* 1999 2 SA 887 ZH:903C-904G.

performance or business by using its trade mark name or business name plus dot-com, they will find A's web site. This causes initial confusion.

Assuming that A has no legitimate rights in a trade mark which closely imitates B's trade mark name²⁹⁷³ and assuming further that A is not using this particular domain name in the exercise of his constitutional right to freedom of expression,²⁹⁷⁴ it is submitted that A is guilty of passing-off. Applying the principles enumerated in the previous paragraph, A should not be allowed to aver that extraneous factors such as the web site, established for the confusingly similar domain name, distinguishes his domain name from B's trade mark and/or performance. In this scenario A's *domain name* does not distinguish it from B's trade mark and/or performance. The web site can be compared to a physical store. Therefore, A lures or draws Internet users to his web site by using B's trade mark reputation.

The second scenario that has to be addressed is where A uses B's trade mark name as a metatag or metatags for his (A's) web site. Therefore, when an Internet user searches, by means of a search engine, for a web site containing information on B's performance or selling B's product, the search engine's hit result list displays A's web site address amongst the various relevant web site addresses. It is submitted that when the Internet user sees A's web site address he will either think that A's web site contains information about B's product, such as a review or criticism, or that A's web site sells B's product. When the Internet user clicks on A's web site address, A's web site is displayed. When A's web site *does not contain information on B's performance and/or does not sell B's performance*, initial confusion arises. Similar to above, it is submitted that A should not be permitted to aver that his web site or web site address adequately distinguishes his performance from B's performance, trade mark or business. In this instance he intentionally lures or draws Internet users to his web site by means of A's trade mark or business name reputation.²⁹⁷⁵ A's metatag does not

²⁹⁷³ This type of scenario is discussed in paragraphs 3.4.7.1, 3.4.7.2 & 3.4.7.3 of this chapter.

²⁹⁷⁴ This type of scenario is discussed in paragraphs 3.4.7.1, 3.4.7.2 & 3.4.7.3 of this chapter.

²⁹⁷⁵ Support for this submission can be found in the remarks of McAavity, a US commentator. He is of the opinion that courts should devote more attention to initial (interest) confusion. He motivates this as follows: Travelling in cyberspace, by means of search engines, "exacerbates the possibility of 'pre-sale' confusion [i.e. initial interest confusion]. Furthermore, due to the nature of commerce in cyberspace, the confusion produced in transit is not likely to dissipate once the traveler arrives at the wrong address ... the destinations in cyberspace provide for greater 'pre-sale' confusion as well. These features of cyberspace argue for greater consideration of 'pre-sale' confusion in the determination of whether a given metatag use infringes." He continues to note that "[a]t first glance, the relative physical

distinguish his performance or business from B's performance or business. Furthermore, where B can prove *male fide* intent on the part of A, the court will normally find that a likelihood of confusion and/or deception exists, namely that A is successful in his attempt to divert Internet users, looking for B's web site, to his web site.²⁹⁷⁶

The final scenario that has to be addressed is where A uses an identical or confusingly similar mark, to B's trade mark, on his web pages. It is submitted that the court must look at the web site or web page as a whole to determine whether A sufficiently distinguishes his web site from B's performance and/or business.

3.4.1.8.3. The exception: descriptive marks

It should always be borne in mind that the submissions in the previous paragraph are subject to, at least, one exception namely where the plaintiff's trade mark consists of descriptive words and the defendant *bona fide* uses the descriptive word in his domain name or as his metatag. In such instances, the defendant is neither guilty of passing-off nor unlawful competition in that he merely uses a descriptive word in order to allow Internet users to find his performance, business or online presence.

As South African courts have noted, where the plaintiff uses descriptive words as a trade mark or as a business name there is always a risk of confusion about which the

inconvenience of having to travel from a defendant's place of business to a mark owner's place of business does not seem as daunting in cyberspace. After all, the prospective customer need not even leave her home in order to go to the plaintiff's place of business in cyberspace. However, the perception of inconvenience is arguably far worse in cyberspace than it is in our more familiar world. When a prospective customer drives her car to the wrong store, she may lose faith in the plaintiff's mark as a source indicator. In contrast, when a prospective customer is driven by a search engine to the wrong site, she may lose faith not only in the plaintiff's mark but in her means of travel as well. Thus once 'pre-sale' confusion dissipates in cyberspace, the alternative of being driven further to the mark owner's place of business in cyberspace might seem even more inconvenient than leaving the home to drive to the mark owner's place of business in the 'real world.' So it would seem then that the consequences of initial 'pre-sale' confusion reach farther in cyberspace than they do in the 'real world.' " He is specifically in favour of extending passing-off actions to include instances of initial interest confusion: "Even if this confusion is dispelled by the time of the point of sale, the damage has already been done: The defendant has traded on the plaintiff's good will as a means of luring potential customers away from the plaintiff. Even though the confusion as to source dissipates by the time of the point of sale, some of those potential customers are going to buy the defendant's goods because it is now more convenient to do so than venturing to the plaintiff's place of business." See McAvity 1999.

²⁹⁷⁶ See paragraph 3.2.6.1 of this chapter.

plaintiff cannot complain.²⁹⁷⁷

3.4.1.8.4. Does passing-off only occur where the trade mark enjoys a reputation?

The following problematic scenario emerges when dealing with the Internet: A has a registered or common law trade mark ("TOYS R US") that is well-known in Gauteng. B, located in Cape Town, registers a domain name which incorporates A's trade mark name (www.toysrus.co.za). The South African courts maintain that the law only permits the plaintiff to institute passing-off proceedings where his trade mark enjoys a reputation.²⁹⁷⁸ The question is: How should this principle, which cannot simply be jettisoned, be applied to the Internet? In order to answer this question it is assumed that it is not possible for A to "block out" Internet users from Gauteng.

If B opened a store in Cape Town and traded as TOYS R US, A could not have instituted proceedings for passing-off in that A's trade mark and/or business name enjoys no reputation there, and consequently no likelihood of confusion or deception arises and therefore A suffers no prejudice. The problem with the Internet, and hypothetically limiting it to South Africa, is that anyone anywhere in South Africa can purchase goods from B's web site. Only those located in Gauteng and acquainted with A's trade marks and/or business name will be confused when they key in www.toysrus.co.za and find B's web site. The rest of South Africa will neither be confused nor deceived.

In layman's terms it can be said that B, by means of his web site, conducts business throughout South Africa. Therefore, it is submitted, one should ignore the fact that B's business is physically located in Cape Town. This fact is as irrelevant as the fact that a company's head office is e.g. located in Port Elizabeth.

Where A can prove that his trade mark or business name is an invented or fancy word or name and that the probabilities favour the view that B chose the aforementioned domain name to benefit from his (A's) trade mark or business name reputation, even where A's name or mark only enjoys a reputation in Gauteng, the scale tends to lean

²⁹⁷⁷ See paragraph 3.2.2 of this chapter.

²⁹⁷⁸ See paragraph 3.2.9.1 of this chapter. See also *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another* 1998 3 SA 938 SCA where the Supreme Court of Appeal stated (at 950B-C) that "[a]s far as the 'location' of reputation is concerned, it must subsist where the misrepresentation complained of causes actual or potential damage to the drawing power of the plaintiff's business".

heavily towards a finding that B should not be allowed to conduct business by means of the said domain name.

However, where A cannot prove such an intention, various considerations arise. On the one hand, it would be unfair towards B if a court would order him to cease operating his business by means of the said domain name merely because A's trade mark or business name enjoys a reputation in Gauteng. Even more problematic concerns arise where A's trade mark or business name enjoys a reputation in only one city, for example Johannesburg. Such a solution would in effect bestow a greater reputation of A's trade mark or business name than what which it enjoys. On the other hand, it seems unfair towards A that B should be allowed to cause confusion, by means of the said domain name, amongst his Gauteng patrons.²⁹⁷⁹

The question is whether it would be sufficient for the court to order B to indicate prominently on his web site that his business is in no way connected with A's business in Gauteng. This would still not solve A's problem in that B would still attract Gauteng Internet users towards his web site by means of confusion, namely using his (A's) trade mark name or business name.

It is submitted that in this instance, after balancing the competing interests of A and B, the only just and fair solution would be for a court to order B to display a prominent disclaimer on his web site, as indicated above.

²⁹⁷⁹ See e.g. *Union Steam Bakery (Pty) Ltd v Nichas* 1955 1 SA 25 T. The facts were that the applicant, a bakery business, had been trading for approximately 40 years under the name of "Union Bakery" in Middelburg. The respondent, also a bakery, had also been trading for approximately 40 years under the name "Union Bakery" in Bethal. The respondent subsequently extended his business and commenced selling his bread in Middelburg under the aforementioned name. The applicant alleged that the respondent was guilty of passing-off, to which the court responded in the affirmative: "It is irrelevant whether the intentions of the respondent are honest or fraudulent; it is irrelevant whether there is evidence or not to show that members of the public have actually been deceived; and it does not help the respondent to adduce evidence from retailers who purchase his bread for re-sale to the public; that they have themselves not been deceived. It is the bread-buying public of Middelburg which the Court must look to, a public, I must assume, of all races and colours, of all degrees of intelligence, well being and civilisation; and it is impossible not to think that the sale of the Bethal bread, impressed with the very name of the local firm, is calculated ... to mislead the bread-buying public of Middelburg into thinking that respondent's bread comes from the applicant's bakery." (At 27E-G)

3.4.1.9. A right to attract Internet users to one's web site?

As noted earlier,²⁹⁸⁰ the courts maintain that where the defendant acts unlawfully vis-à-vis the plaintiff, he infringes the latter's right to attract custom and to trade without unlawful interference.

However, many web sites on the Internet are not used for e-commerce. An example is fan club web sites, dedicated to a specific celebrity. In many instances, the "owners" of these web sites gain no income from their web sites. Likewise, a charity organisation which operates a web site where Internet users can donate funds to the organisation does not use the web site to attract "custom" or to "trade".

It would be an anomaly to contend that these web sites or web site operators are not protected from unlawful competition and passing-off. One can easily think of the scenario where X establishes a web site where he misrepresents that he is the SPCA or is connected to it and consequently requests donations.²⁹⁸¹

It is submitted that the courts should recognise a subjective right to attract Internet users to one's web site without unlawful interference. This right can form part of the

²⁹⁸⁰ See paragraphs 3.2.7 & 3.3.4.1 of this chapter.

²⁹⁸¹ See Marais JA's minority judgment in *Williams t/a Jenifer Williams & Associates & Another v Life Line Southern Transvaal* 1996 3 SA 408 A at 421G-422A: "In principle, I see no good reason why a charity, which resorts to commercial activity in order to raise funds with which to achieve its principle charitable object, should be defenceless against those who participate in the same kind of commercial activity and seek to profit by passing off themselves or the goods or services which they provide as being connected with the charity. The fact that the profit which charity may generate are to be devoted to charitable purposes is hardly an acceptable reason for depriving it of protection which is available to those whose profits are generated solely for their own personal enrichment ... Indeed, precisely because they are charities, there is an advantage to be gained by a third party who falsely represents, expressly or by implication, that what he offers will, if bought, benefit a charity. They are for that reason specifically vulnerable and there should be no hesitancy about acknowledging their entitlement to the protection which the remedy against passing-off provides." Furthermore in *Old Apostolic Church of Africa v Non-White Old Apostolic Church of Africa* 1975 2 SA 684 C the court protected a church's goodwill against passing-off. The court noted that "[f]rom the foregoing it will be seen that there is ample authority for applying the principles of a passing-off action to the case of a non-trader and, in principle, I can see no reason why that should not be so. Like the British Medical Association a church requires money to carry out its functions and this money is provided by way of voluntary contributions or donations, mostly from its members, and anyone may join it or leave it at will. Although it does not trade it has something akin to a business and if this business is likely to be adversely affected by the unlawful activities of another I can see no reason why the Court should not grant an order restraining those activities."

right to attract custom. Recognition of such a right would ensure that the common law affords adequate protection to web site operators.

3.4.2. Hyperlinking

Next this study determines whether certain aspects of hyperlinking constitute unlawful conduct, actionable in terms of the common law.

3.4.2.1. Does hyperlinking *per se* constitute unlawful competition?

The question that has to be answered here is whether hyperlinking²⁹⁸² to the home page of a third party's web site constitutes unlawful competition. An example is where X, a seller of computer software, links to Microsoft's web site. In order for an Internet user to be able to use X's software he must be in possession of DirectX, a computer program that can be downloaded for free from Microsoft's web site. X therefore posts a hyperlink on his web page to allow the Internet user, who wishes to make use of his (X's) software, easy access to the Microsoft's web site, where the user can search for the downloadable DirectX file.

It is clear from this scenario that no likelihood of confusion or deception arises: The Internet user will see, when he arrives at Microsoft's home page, that he is no longer at X's web site. Therefore passing-off does not arise. With regard to the delict of unlawful competition, the following is submitted:

- 1) It is fairly clear that the parties are not competitors.
- 2) X's conduct does not infringe the *boni mores* in that (a) he does not attempt to reap where he had not sown; and (b) he does not interfere with the linked-to party's (Microsoft's) right to attract custom – in fact, his hyperlink will bring more Internet users to Microsoft's web site; and (c) he does not impinge upon the competition principle in that he still bases his performance on its own merits. The court in *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd, Lorimar Productions Inc v OK Hyperama Ltd, Lorimar Productions Inc v Dallas Restaurant*²⁹⁸³ described the development of the *boni mores* as follows, which *dictum* applies with equal force to the Internet:

²⁹⁸² Hyperlinking was explained in paragraph 3.2.10.1 of chapter three.

²⁹⁸³ 1981 3 SA 1129 T.

"One must of course bear in mind that commercial enterprise develops and that, when competition becomes keen, competitors are forever seeking new and more attractive methods of presenting their goods to the public. Consequent upon the new and altered methods of advertising change may have taken place in the attitude of the community to new and altered standards of conduct which have developed. These new and altered standards of conduct must be accepted by the Courts once it is apparent that they have been accepted by the community."²⁹⁸⁴

It follows that the plaintiff must prove the business ethics concerning the Internet.

- 3) Hyperlinking is one of the cornerstones of the Internet and for this reason worldwide accepted as lawful conduct. As one South African court stated: "Een kardinale faset van die gemeenskapsbelang is dat die vrye handelsverkeer nie sonder goeie rede aan bande gelê moet word nie".²⁹⁸⁵

It should also be noted that under given circumstances the defendant can contend that his use of the hyperlink is protected by his constitutional right to freedom of expression, as enshrined in section 16 of the *Constitution*, especially where he uses his web site as a forum to express his views on a particular aspect and he includes a hyperlink on his web page to refer Internet users to web sites relevant to this discussion.

Consequently, it is submitted that hyperlinking *per se* does not constitute unlawful competition.

3.4.2.2. Using a third party's trade mark as a hyperlink

Using, once more, the scenario postulated in the previous paragraph, the question arises whether X is allowed to use either Microsoft's registered trade mark or a text-only version of Microsoft's trade mark name as his hyperlink.

It is fairly clear from the above scenario that no confusion or deception will be caused. The Internet user will obviously know that he is at X's web site. Moreover, the mere fact that X cuts and pasts Microsoft's registered trade mark onto his web site does not

²⁹⁸⁴ 1981 3 SA 1129 T:1154E-F. See also p 1155E where the court noted that one must always keep in mind that "the *mores* of an ever changing society are not static and the law may lag behind ... a court should in its finding merely mirror the general sense of justice of the community as manifested in public opinion".

²⁹⁸⁵ *Van der Westhuizen v Scholtz* 1992 4 SA 866 O:874F. [Own translation: One important aspect of the public interest is that the free trade should not be inhibited without a good reason.]

signify to the average intelligent Internet user that a connection exists between his web site and Microsoft. It is submitted that the Internet user will know that by clicking on the link he will be transported to Microsoft's web site. Furthermore, it can be stated that X uses Microsoft's trade mark to direct Internet users to Microsoft's web site. It can therefore be compared with the instance where a trader adds the mark Microsoft to a genuine Microsoft product. Therefore, X is not guilty of passing-off.

With regard to the question whether X is guilty of unlawful competition, it is submitted that X's conduct is not against the *boni mores* or the competition principle: It is general Internet practice that web site operators use third party's trade marks and trade mark names as part of their hyperlinks in order to indicate where the hyperlink will transport the Internet user. Furthermore, it cannot be argued that X's conduct is unfair and/or dishonest. In addition, the parties to this dispute are not competitors.

3.4.3. Deep-linking

The question that has to be answered next is whether a web site operator (X) who deep-links to an internal page of a third party's web site is guilty of unlawful competition and/or passing-off. Deep-linking, as noted above,²⁹⁸⁶ is the technique of linking from one's web page to a third party's internal web page. The third party's home page is thus skipped in the process.

The scenario that will be used to answer this question is the same one as used in paragraph 3.4.2.1 of this chapter. The only difference being that X now deep-links directly to a web page within Microsoft's web site where the relevant program (DirectX) can be downloaded.

It is submitted that in the case of deep-linking no likelihood of confusion or deception arises in that when the Internet user clicks on the deep-link on X's web site, his computer screen "changes": An entire new web page is displayed and X will immediately see that he is no longer at X's web site but at one of Microsoft's web pages. This is confirmed by the web browser which indicates, in this particular instance, www.microsoft.com/windows/directx/downloads/drx81.asp. It follows that X is not guilty of passing-off.

With regard to the question whether X is guilty of unlawful competition, it is submitted

²⁹⁸⁶ See paragraph 3.2.11.1 of chapter three.

that deep-linking is not contrary to the *boni mores*: In this scenario the deep-link assists Internet users, and specifically users or purchasers of X's product, in finding the computer program (DirectX) that they require for running X's program. Without this deep-link many Internet users may be unable to find the relevant program. Furthermore, it does not interfere with Microsoft's right to attract custom. In fact, it will lead to more Internet users finding Microsoft's program. Such conduct, it is contended, cannot be labelled as unfair and dishonest. Neither is it against business ethics and X does not prey upon Microsoft's labour or investments. It can further be noted that the parties to this dispute are not competitors.

A similar scenario arises where an auction seller simply creates a deep-link which transports the Internet user to a web page where the manufacturer's specifications to the product, which he is selling, are displayed. The above submitted answer equally applies to this scenario.

However, the scenario must also be scrutinised where X deep-links to one of Z's internal web pages, skipping Z's home page where various advertisement banners are displayed, from which Z derives an income. Let's take the scenario where X deep-links to one of the articles on Z's web site. Z operates an online newspaper, similar to www.iol.co.za. X can either be a competitor or a non-competitor.

First, the scenario is analysed where X, an online computer seller, lists the headings of various online articles relevant to the computer industry and probably to computer purchasers. When the Internet user clicks on this heading, he is transported, by means of a deep-link, to one of Z's internal web pages where the relevant article or information is displayed.²⁹⁸⁷ Therefore the parties are not competitors.

Similar to above, no likelihood of confusion or deception arises and consequently passing-off is not an issue. With regard to the question whether X is guilty of unlawful competition, the vexing question is whether the fact that Z allows third parties to display banners on his home page, from which he derives an income, makes any difference to the scenarios scrutinised above. At first blush, the answer appears to be that X interferes with Z's "right", not so much to attract custom, but to derive an income from Internet users visiting his web site and clicking on one of these banners. However, after careful consideration, one immediately realises that X is not interfering with Z's "rights". X is in no way diverting custom from Z's web site or web pages. Had

²⁹⁸⁷ This practice is followed at www.law.com.

X not included the said deep-link on his web pages, the above-mentioned Internet users might never have found the relevant article or information or would never, on their own, have searched for this information. Furthermore, X's conduct cannot be labelled as unfair and dishonest. In addition, he does not prey upon a third party's labour and investment to promote his own performance. It is, therefore, submitted that X is not guilty of unlawful competition.

Different considerations, however, play a role where X is a business rival of Z. X might, for example, list on a particular web page all the relevant information on a particular topic and state at the bottom of this page: "Other interesting stories". Below this the following appears: "The End of Napster ... IOL.co.za". When the Internet user clicks on the aforementioned he is directly transported to IOL's web page displaying the article with the heading "The End of Napster".

In this instance X is commercially exploiting information on web pages of his rivals. Furthermore, X clearly interferes with Z's right to attract custom by not only skipping the home page where possible advertisement banners are displayed, but also by the fact that X is reaping where he has not sown. The Internet user can easily click on the "back" button of his web browser to return to X's web site where he can continue to read relevant information. It submitted that such interference is unlawful in that it is against the competition principle: X is not basing his performance (his web site) solely on his performance but also on the performance of his competitors. In addition, such conduct appears to be unfair in that X uses Z's web content to add value to his own web site and thus preys on a third party's labour and investment. It is further contended that such conduct is against business ethics. Therefore X is guilty of unlawful competition.

Another scenario where competitors are involved is where Toyota Motors deep-links to one of Ford Motors' internal web pages to allow Internet users to compare the former's performance with the latter's performance. Again no confusion or deception arises in that Internet users will be fully aware after they clicked on the said deep-link that they are no longer at Toyota's web site but at Ford's Web site, a business rival. Therefore X is not guilty of unlawful competition. With regard to the question whether Toyota is liable for unlawful competition, the following considerations negate any possible liability: (1) Toyota does not infringe the competition principle in that it still bases its performance on its own merits; (2) It cannot be said that Toyota acts unfairly or dishonestly; (3) Toyota does not prey upon the labour and investment of Ford; and (4)

such deep-linking may possibly be protected by Toyota's constitutional right to freedom of expression in that it enables Toyota to engage in comparative advertisement, which constitutes protected commercial speech.²⁹⁸⁸ Therefore, it is submitted that Toyota is not liable in terms of the common law.

It can also be mentioned in passing that some lecturers use the technique of deep-linking to refer their students to relevant information on the Internet. Take for example the scenario where a lecturer wants to refer his students to a relevant article on a specific company law doctrine. For easy reference, he simply creates a deep-link to the relevant web page. Any student who then seeks additional information on that particular doctrine can simply click on the link to find the relevant information. In such instances, it can be argued that the lecturer uses the deep-link to exercise his right to academic freedom, as enshrined in section 16 of the *Constitution*.²⁹⁸⁹

It follows that the following conclusions can be made:

- (1) Where the defendant deep-links to one of the plaintiff's internal web pages and the parties are not competitors, the defendant is, under normal circumstances, not liable in terms of the common law.
- (2) Where the defendant deep-links to one of the plaintiff's internal web pages for the purpose of adding commercial value to his own web site, which constitutes his performance, he is guilty of unlawful competition.
- (3) The mere fact that the parties are competitors does not render the defendant's deep-linking actionable in terms of the common law.
- (4) Under given circumstances the defendant's deep-linking will be protected by his constitutional right to freedom of expression, especially where he uses this deep-link as part of his right to criticise, or to engage in comparative advertisement, or as part of his right to academic freedom.

The Dutch case of *Algemeen Dagblad BV et al v Eureka Internetdiensten et al*²⁹⁹⁰ is of some importance here. The plaintiffs were newspaper publishers who published some of their articles by means of their respective web pages. The defendants operated an

²⁹⁸⁸ See paragraphs 2.1.7.2, 4.5.2.1.5.2.2 & 4.5.2.3.6.1.2 of chapter four.

²⁹⁸⁹ S 16(1)(d) declares that "[e]veryone has the right to freedom of expression, which includes ... academic freedom and freedom of scientific research".

²⁹⁹⁰ District Court of Rotterdam 2000. A copy of this judgment can be downloaded from www.ivir.nl/rechtspraak/kranten.com-english.html. A copy of the Dutch version can be downloaded from www.ivir.nl/rechtspraak/kranten.com.

online newspaper at www.kranten.com where they displayed a list of the titles of the plaintiff's news articles. The source of the articles was also indicated. When an Internet user clicked on one of these titles, he was directly deep-linked to one of the plaintiff's web pages where the relevant article was displayed, skipping in the process the plaintiff's respective home page where various advertisements were displayed. The plaintiffs contended that the defendants were guilty of unlawful competition in that bypassing the defendants' home pages caused the plaintiffs financial prejudice by depriving them of income that they could have derived from the various advertisements displayed on their home pages. The respondents counter-argued by stating that the plaintiffs had the ability to prevent deep-linking to their web pages, which they failed to do.

The court maintained that Internet users, who were transferred to the plaintiffs' web pages by means of the defendants' deep-links, were still able to access the plaintiffs' home pages from the linked-to web pages. Furthermore, the court was of the opinion that defendants were in effect promoting the plaintiffs' web pages by transferring Internet users to these web pages by means of their deep-links. Finally the court noted that it was the plaintiffs' own choice to put all the advertisements on their home pages.²⁹⁹¹ Consequently, the court held that due to the fact that the element of damages was absent, the profit defendants made from the plaintiffs' investment could

²⁹⁹¹ The court stated that "[f]rom that page it is still possible to enter the homepage of that newspaper. Therefore, the homepages of the Newspapers' websites are by no means made inaccessible by deep linking from the website of kranten.com. For this reason alone it cannot be established that kranten.com takes over the function of the homepage of the Newspapers, nor that it prejudices the exploitation of the Newspapers' websites ... With regards to the advertising income it is likely that the existence of kranten.com at the same time has also a promotional effect drawing more visitors to the websites of the Newspapers. Therefore at present it is not likely that the Newspapers suffer real damage. As far as the Newspapers lack income because (most) advertisements have not been put on the most frequented pages such a consequence follows from their own choice. Damage resulting from it cannot be attributed to Eureka." The Dutch version reads: "Vanaf die pagina kan men alsnog de homepage van die krant bereiken. Met deeplinking vanaf de website van kranten.com wordt de toegang tot de homepage van de door de Dagbladen uitgegeven kranten dus geenszins onmogelijk gemaakt. Reeds om deze reden valt niet in te zien dat kranten.com de functie van de homepage van de Dagbladen overneemt, noch dat zij de exploitatie van de website van de Dagbladen belemmert ... Voor wat betreft de reclame-inkomsten is aannemelijk dat het bestaan van kranten.com tegelijkertijd ook een aanzuigende werking heeft en meer bezoekers naar de websites van die kranten zal trekken. Voorshands is derhalve niet aannemelijk dat de Dagbladen werkelijk schade lijden. Voor zover de Dagbladen inkomsten mislopen omdat de (meeste) advertenties niet staan op de pagina's die het meest worden bezocht is dat het gevolg van een zelf gemaakte keuze. De daardoor ontstane schade kan niet worden toegerekend aan Eureka."

not be considered unlawful.²⁹⁹²

3.4.4. Framing and IMG links

Framing occurs where X constructs his web site in such a way that it incorporates third parties' copyright protected content as part of his (X's) web pages. Furthermore, the web site address displayed by the web browser remains unaltered: It shows X's web site as the source of information.²⁹⁹³ X can frame a third party's content in one of two ways, namely (1) where e.g. only the online article is displayed and an Internet user reading this on X's web site is unaware of the fact that X is not the proprietor of the article; or (2) by framing Y's entire web page causing Y's online content to be displayed together with Y's trade marks as part of X's web site – consequently the Internet user knows immediately that this information or article does not belong to X. The question is whether framing renders the framer (X) liable to the framed party (Y) in terms of the common law. The scenario where X and Y are not competitors is first examined and thereafter the scenario where they are competitors.

3.4.4.1. Non-competitors

With regard to the first scenario, the following facts can be added: X operates an online computer store, where he sells computer equipment, etc. On his home page he maintains a section where the headlines of relevant computer-industry related articles as well as their Internet sources are displayed. Whenever an Internet user clicks on one of these headlines, the third party's online content with that particular heading is framed and displayed as part of X's web page.

It is submitted that where X frames the online content in such a way that Y's trade marks and logos are not displayed the question arises whether, for the purpose of passing-off, a likelihood of confusion or deception arises. In most instances, where one party frames the online content of another, the former indicates, on his own web page, the source of the content. Therefore, the Internet user knows that the online content

²⁹⁹² The court stated: "Therefore already in the absence of damage (that cannot be imputed to Eureka) the fact that Eureka profits from the investments of the papers in their websites cannot be considered to be wrong." The Dutch version reads: "Dat Eureka profiteert van de investering van de kranten in hun websites kan dus reeds bij gebreke van (aan haar toerekenbare) schade niet als onrechtmatig worden aangemerkt."

²⁹⁹³ See further paragraph 3.2.9.1 of this chapter.

does not belong to X, and, consequently, no likelihood of confusion arises, even if the framed web page or framed content does not display the framed-party's logos and/or business name. Of necessity, should X only list the heading of the article without referring to the true Internet source and further frame the online content in such a way that Y's logos and/or business name are not displayed, a likelihood of confusion arises: The Internet user will labour under the wrong impression that X is the author or proprietor of the online content. In such instances, provided that Y's business name and/or trade marks enjoy a reputation, prejudice will be present in the form of a diversion of custom (Internet users). X therefore commits passing-off. As noted earlier in this study,²⁹⁹⁴ the Supreme Court of Appeal recently defined passing-off in the *Premier Trading case*²⁹⁹⁵ as the misrepresentation made by a trader that the goods of another trader are his. When X frames the content in such a manner that Internet users labour under the impression that the content belongs to X, he therefore commits passing-off.

Furthermore, where X frames the online content or web page in such a manner that the framed party's trade marks are not displayed on X's web site, he is guilty of unlawful competition in the form of misrepresentation as to own performance in that he misrepresents that he is the author or proprietor of the online content. Such conduct is clearly against the *boni mores*. Furthermore X adds commercial value to his web site by framing Y's online content and consequently he preys upon Y's labour and investment. In addition, he violates the competition principle in that he bases his performance on the merits of a third party's performance.

However, the question remains whether X is guilty of unlawful competition, where he frames the online content in such a manner that Internet users are aware of the fact that he is not the proprietor of the content but Y. In such instances, misrepresentation as to own performance does not arise. However, the vexing question is whether X is guilty of misappropriation of a third party's (Y's) online content. It can be argued that by framing the online content, even though the Internet user knows that he is not the proprietor thereof, he, in fact, misappropriates Y's online content. By framing third parties' digital content, X adds commercial value to his own online content: Internet users who know of X's web site and who are interested in information on the computer industry will rather go to X's web site where they can find the relevant information and

²⁹⁹⁴ See paragraph 3.2.4.2 of this chapter.

²⁹⁹⁵ See paragraph 3.2.4.2 for a discussion of this case.

click on one of the headings provided by X in order to view the desired information. This differs from deep-linking in that in the case of deep-linking the Internet user is transported from X's web site to Y's web site where the relevant online content is. Where X frames a third party's online content the Internet user remains at X's web site.

It is further submitted that framing interferes with the Y's right to attract custom (Internet users): Some Internet users will, as explained above, rather visit X's web site to read the relevant information as part of X's web site, instead of going to third parties' separate web sites and search for the relevant information. Furthermore, by skipping the home page, where Y sells banner advertisement space, X affects Y's right to attract "advertisement custom" in that the visits (hits) of Internet users, using X's web site to gain access to relevant content on Y's web site, are not calculated as part of the visits to Y's home page and therefore it would appear to third parties that fewer Internet users are visiting Y's web site. It is further submitted that such conduct is unfair in that it preys upon Y's labour and investment. Clearly this infringes the competition principle and is therefore *contra bonos mores*. Hence, it is submitted that X is guilty of unlawful competition.

Of necessity, the above submission does not apply to all scenarios. One example is where a lecturer, who wishes to direct his students directly to particular online content, frames the said content. Even if it could be argued that the lecturer misappropriates the third party's online content, it is submitted that he does not act *contra bonos mores*: The lecturer uses the framed content not to promote or advance his own performance, but merely to advance academic teaching. In addition, lecturers will normally inform the students whose online content is being framed. It should further be kept in mind that such framing is probably protected by the lecturer's constitutional right to freedom of expression, as guaranteed by section 16 of the *Constitution*, especially in the form of the right to academic freedom.

Therefore, the law can be summarised as follows where the parties are not competitors:

- (1) Where the defendant frames the plaintiff's online content in such a way that Internet users labour under the wrong impression that the said content belongs to the former, the defendant is guilty of passing-off. In such instances, the defendant is also guilty of unlawful competition in the form of misrepresentation as to own performance as well as misappropriation of a third party's performance.

(2) Where the defendant frames the plaintiff's online content in such a way that Internet users are aware of the fact that the said content belongs to the latter, the defendant causes no confusion or deception and therefore does not commit passing-off. However, where such framing *adds commercial value* to the defendant's web site, he is guilty of unlawful competition in the form of misappropriation of a third party's performance.

3.4.4.2. Competitors

It is submitted that where X frames the online content of competitor Y's web site, he is guilty of unlawful competition, irrespective of the fact that no likelihood of confusion or deception arises, in that he misappropriates a third party's online content or performance to advance his own performance – i.e. to add commercial value to his own web site: The more Internet users that visit his web site the more money he can ask for third parties to place their banner advertisements on his web pages. Such conduct is clearly against the *boni mores* in that X does not base his performance on his own merits, but, in this case, partially on the performance of competitors and third parties. The scenario also lacks fairness. Furthermore, he preys upon Y's labour and investment in promoting his own web site.

Where X does not list the source of the information or online content and further frames Y's online content in such a way that the latter's trade mark logos are not displayed, he is further guilty of unlawful competition in the form of misrepresentation as to own performance. In addition, he commits passing-off.

3.4.4.3. IMG links

IMG links (also known as *IMaGe links*) function as follows: On A's web page, a text-link appears, referring e.g. to a picture. When the Internet user clicks on this link, the picture, referred to, is displayed below or above the text-link. This image may belong to A or to someone else. The Internet user is unaware of the fact to whom the image belongs.²⁹⁹⁶ IMG links therefore correspond to framing.²⁹⁹⁷

²⁹⁹⁶ See Bolin 2000: "To the end-user, the integration of the two pieces of content (text and graphic) is seamless, despite the fact that they were taken from two very different sources. The user would never know (though she might suspect) that the image was not created or stored locally."

²⁹⁹⁷ Discussed in paragraph 3.4.4 of this chapter.

It is submitted that where A uses IMG links he is guilty of reverse passing-off²⁹⁹⁸ in that he misrepresents that he is the owner of the photo, which misrepresentation deceives Internet users.²⁹⁹⁹ It is further submitted that A is guilty of unlawful competition, specifically in the form of misrepresentation as to own performance in that he misrepresents that he is the proprietor or author of the photo. Furthermore it constitutes misappropriation of a competitor's performance. A further impinges the proprietor's right to attract Internet users to his web site without unlawful interference. In addition, A's conduct clearly violates the competition principle in that he uses a third party's performance as his own. Furthermore, such conduct is unfair, dishonest and also *contra bonos mores*.

3.4.5. Using a third party's trade mark on one's web page

Next it must be assessed whether X is guilty of passing-off and/or unlawful competition where he uses a third party's registered or common law trade mark on his web pages.

3.4.5.1. Distributors, sellers and service providers employing third parties' trade marks on their web sites

The question that arises is whether a distributor or seller (X) of a specific product is allowed to use the manufacturer's (Toyota's) digital trade mark on his web site. Take the following scenario as an example: X sells, *inter alia*, Toyota spare parts by means of his web site www.speedy.co.za. On his home page, he lists the manufacturers' products that he sells, in which list the Toyota trade mark is displayed. When an Internet user clicks on this, he is transported to an internal web page of X's web site where all Toyota spare parts are listed as well as their respective prices. The question is whether X is guilty of passing-off and/or unlawful competition.

Under these circumstances, it is clear that X is not guilty of passing-off in that he makes no misrepresentation which is likely to cause confusion or deception. Internet users will be able to gauge from the web page that X is using the trade mark not to indicate an affiliation with Toyota but to indicate that he sells Toyota spare parts.

²⁹⁹⁸ Discussed in paragraph 3.2.4.2 of this chapter.

²⁹⁹⁹ The US commentator Bolin states that when the images are presented as the web site owner's own work, Internet users might be misled to believe that the images belong to this web site: "This is a classic example of 'reverse passing-off,' in which the work of someone else is passed off as one's own". See Bolin 2000.

With regard to the question whether X is guilty of unlawful competition, it submitted that X does not contravene the competition principle in that he does not attempt to base his performance on the performance of another and furthermore he does not interfere with the Toyota's right to attract custom. In addition, such conduct is neither unfair nor dishonest and X does not attempt to prey on Toyota's labour and investment. To the contrary, X uses the said trade mark to refer to genuine Toyota spare parts. Therefore, X is not guilty of unlawful competition.³⁰⁰⁰

3.4.5.2. Competitors and comparative advertising

The question that arises is whether A, a competitor of B, is allowed to use B's trade mark for the purpose of comparative advertisement.

Normally in such instances no likelihood of confusion or deception arises in that Internet users are aware of the fact that the one competitor is comparing his product to that of another competitor. Therefore passing-off does not arise.

Whether such comparison constitutes unlawful competition in terms of the common law is difficult to say. It can probably be argued that A infringes the competition principle in that he does not promote his performance solely on the merits of his own performance but uses B's trade mark reputation to advance his performance. However, it is submitted that in the case of comparative advertisement one should invariably keep the right to freedom of expression, as guaranteed by section 16 of the *Constitution* in mind, especially the right to freedom of commercial speech.³⁰⁰¹ It is submitted that the above-mentioned comparison is protected by A's constitutional right to freedom of expression in that he uses B's trade mark in the exercise of the aforementioned constitutional right, provided that he makes no misrepresentation as to his own or to B's performance.

³⁰⁰⁰ For the sake of interest, X's use of Toyota's mark is probably not protected by his constitutional right to freedom of expression in that he does not use the said mark as part of his communicative message but to indicate the source of the product he is selling on his web site. See in this regard paragraph 2.1.7.2 of chapter four.

³⁰⁰¹ See paragraphs 2.1.7.2, 4.5.2.1.5.2.2 & 4.5.2.3.6.1.2 of chapter four.

3.4.5.3. Competitor A using competitor B's trade mark or business name to indicate a business connection

According to the South African law, a businessman is allowed to state on his leaflets that he was e.g. the founder or owner of a particular business, which is now his business competitor,³⁰⁰² provided that he does not mislead the public into thinking that he is carrying on the original business.³⁰⁰³

On the basis of this authority it can be contended that where A is a former Playboy "Playmate of the Year" and subsequently establishes her own web site where she sells or promotes her own photos, she may refer to the fact that she was a former Playboy® Playmate of the Year®. In such instances she merely uses Playboy's two trade marks to *bona fide* describe herself (i.e. her performance).

In this instance A is not guilty of passing-off in that no likelihood of confusion or deception arises. Furthermore, even though A and Playboy are competitors, it is submitted that she is not guilty of unlawful competition in that (1) she does not interfere with Playboy's right to attract custom and to trade without unlawful interference; (2) her act is neither unfair nor dishonest; and (3) although it can be contended that A leans on the reputation of Playboy's trade marks to promote herself, she merely describes, in this instance, one of her characteristics. It is submitted that such use is probably not protected by her constitutional right to freedom of expression in that although she uses these trade marks to express herself and to inform the Internet community that she was connected to Playboy, specifically as a former "Playmate of the Year", she does not use the said marks as part of her communicative message but rather to indicate the source and connection of her performance.

3.4.5.4. As background ("wallpaper")

Next it is assessed whether X is guilty of either passing-off or unlawful competition where he uses a third party's registered or common law trade mark as electronic wallpaper for his computer or web site.

³⁰⁰² Normally, these instances arise where A was a founder or owner or one of the founders or owners of a particular business, which he subsequently sold to a third party, or to one of the other co-founders or co-owners.

³⁰⁰³ See *L.C. Welding Works (Pty) Ltd v Carey and Another* 1932 CPD 256:261.

3.4.5.4.1. Commercial use

A few scenarios have to be scrutinised in order to ascertain whether someone is allowed to use a third party's trade mark as wallpaper for his commercial web site.

The first scenario is where X sells Microsoft products by means of his web site. The background of his web site consists of multiple Microsoft trade marks. With regard to the question whether X is guilty of passing-off, it is submitted that no likelihood of confusion or deception arises. The average Internet user who sees the background of X's web site knows that X does not attempt to indicate any business connection between himself and Microsoft other than that he uses this particular web site to sell Microsoft products. With regard to the question whether X is guilty of unlawful competition, X and Microsoft are not competitors. Furthermore, X does not contravene the competition principle in that he bases his performance on his own merits and not on a third party's merits or reputation. Such conduct is not against the *boni mores* where X sells genuine Microsoft products. Finally Microsoft does not suffer any prejudice and X does not interfere with Microsoft's right to attract custom.³⁰⁰⁴

The second scenario is taken from the *Welles* case, discussed earlier in this study.³⁰⁰⁵ X is a former Playboy "Playmate of the Year". She establishes her own web site (at e.g. www.terriwelles.com) where she sells nude pictures of herself. The background of her home page (or any web page for that matter) consists of a reproduction of the Playboy trade mark. The first question that arises is whether X is guilty of passing-off. It is submitted that an average Internet user will be able to gauge from the entire web site that X uses this web site to boost herself and to sell her pictures. It is submitted that if one looks at the web site as a whole the Internet user will not labour under any wrong impression that X is either attempting to sell her photos as Playboy's pictures or that she is attempting to misrepresent that she is connected to Playboy. However, much will depend upon the lay-out of the web site as well as the content thereof.

With regard to the question whether X is guilty of unlawful competition, the following can be submitted: (1) X and Playboy are competitors in that both parties employ the

³⁰⁰⁴ For the sake of interest it can be mentioned here that X's use of the Microsoft trade mark is probably not protected by his constitutional right to freedom of expression in that he uses the said mark to indicate source and not as part of a communicative message such as parody, criticism and comparison. See paragraph 2.1.7.2 of chapter four and paragraph 3.4.5.3 of this chapter.

³⁰⁰⁵ See paragraph 2.2.10.2 of chapter four.

Internet to sell nude photos; (2) X does not interfere with Playboy's right to attract custom in that she does not represent to the public that she is connected to Playboy otherwise than that she was a former Playmate of the Year; (3) X does not violate the competition principle in that she bases her performance on its own merits; and lastly X does not misrepresent her own performance to be of a different character or origin.

Furthermore, it can be argued that X uses the Playboy trade marks as part of her right to freedom of expression, as enshrined in the *Constitution*: She indicates, by means of the Playboy trade marks, one of her characteristics namely that she was a Playboy Playmate of the Year.

3.4.5.4.2. Personal use

It is fairly clear that where someone makes personal use of a third party's trade mark, such as saving it as wallpaper for his computer, no question of passing-off or unlawful competition arises.

3.4.5.4.3. Dedicated fan web sites

The final scenario that calls for attention is where X establishes a dedicated Ferrari fan web site and uses the Ferrari trade mark as background for his web pages. It is submitted that X makes no misrepresentations as any reasonable Internet user will be able to glean from the web site that this is a fan web site and not an official Ferrari web site.³⁰⁰⁶

Furthermore, it is submitted that X is not guilty of unlawful competition in that (1) these parties are not competitors; (2) X does not interfere with Ferrari's right to attract custom; (3) X does not contravene the competition principle in that he does not attempt to base his performance on the reputation or merits of a third party's performance; (4) such conduct is not *contra bonos mores* in that X uses the mark *bona fide* for his fan web site; (5) X's conduct cannot be labelled as unfair or dishonest; and (6) it can be

³⁰⁰⁶ See e.g. *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers* 1980 2 SA 254 W where the court stated (at 264H) that "it is conceivable that in proceedings founded solely upon 'passing off', the identical reproduction of the trade mark of another may be so overshadowed by other distinguishing features of the whole get-up that the plaintiff could not prove that there is any likelihood of an ordinary person being deceived into thinking that the defendant's goods are in fact those of the plaintiff, and for this reason fails to prove a 'passing off'."

argued that X's conduct is protected by his constitutional right to freedom of expression in that he uses the trade mark as part of his communicative message.³⁰⁰⁷

3.4.5.5. As a folder or index name on a commercial web site

Next it must be ascertained whether Z, a web site operator, is liable in terms of the common law where he uses a third party's trade mark as an index term on his commercial web site.

It is submitted that where a distributor uses the manufacturer's trade marks as index terms, identical considerations to those enunciated in paragraph 3.4.5.1 of this chapter apply.

However, the specific scenario that has to be addressed here is where Z operates a pornography subscription service and displays third parties' digital photographs on his web site, without the necessary authorisation. In order to indicate to his subscribers where particular photos are located on his web site, Z uses the proprietors' trade mark names as indexes on his home page. For example the following trade marks appear in scroll: "Playboy", "Hustler" and "Loslyf". When the subscriber clicks e.g. on the Hustler trade mark he is transported to one of Z's internal web pages where reproduced Hustler photographs appear. The question arises whether X is guilty of passing-off and/or unlawful competition.

It is submitted that Z is guilty of unlawful competition. It is clear from the aforementioned facts that Z and all the proprietors of the above-mentioned trade marks are competitors in that they all sell subscription services and nude photos. It is submitted that Z competes unlawfully with these proprietors in that it is *contra bonos mores* that Z should use e.g. the Playboy trade mark to indicate counterfeit (reproduced) photographs. In theory there should be no difference between A who sells counterfeit Nike shoes and Z who sells unauthorised reproduced photos. These unauthorised reproduced photos simply are not the trade mark proprietors' photos.³⁰⁰⁸ Therefore, Z contravenes the competition principle in that he uses the proprietors' trade marks to promote his performance, which consists of unauthorised reproductions of the former's photographs.

³⁰⁰⁷ See paragraphs 2.1.7.2, 4.5.2.1.5.2.2 & 4.5.2.3.6.1.2 of chapter four.

³⁰⁰⁸ For more detail on this aspect see paragraph 3.4.11.1 of this chapter.

It can further be argued that Z makes a misrepresentation in that by using these proprietors' trade marks he tacitly signifies that the photographs to which these trade marks point are authorised reproductions. For this reason, it is submitted that Z is guilty of misrepresentation as to own performance as well as passing-off in that such a misrepresentation is likely to deceive Internet users into thinking that these photographs are authorised reproductions and that the trade mark proprietors either sponsor or are in some way connected with Z's web site.

The final question posed here is: What is the legal position where Z does not use the aforementioned trade marks as such, but employs a text-only version of these trade mark names as indexes for his web site? It is submitted that no distinction should be made between the scenario where Z uses the trade marks as such and where he uses a text-only version of these trade mark. The misrepresentation remains the same as well as the other considerations.³⁰⁰⁹

3.4.5.6. For auction purposes

The question arises whether X, selling e.g. Microsoft products by means of an auction web site and using the Microsoft registered trade mark next to his product, is guilty of passing-off and/or unlawful competition.

It is submitted that passing-off does not arise in that X uses the said trade mark in relation to genuine Microsoft products and this is how Internet users will understand it. It is further contended that X is not guilty of unlawful competition in that (1) he does not interfere with Microsoft's right to attract custom and to trade without unlawful interference; (2) he does not prejudice Microsoft nor does he dilute or tarnish the reputation of Microsoft's trade mark or business name in that he uses the said trade mark in relation to genuine Microsoft products – for this reason, he also adheres to the competition principle; (3) his conduct cannot be labelled as unfair and/or dishonest; and (4) he does not attempt to prey upon a third party's labour and investment.

³⁰⁰⁹ For the sake of interest, it can be noted here that Z's use of third parties' trade marks or trade mark names is not protected by his constitutional right to freedom of expression in that he does not use the mark as part of his communicative message, but instead to indicate the source of the reproduced photos. See paragraph 2.1.7.2 of chapter four.

3.4.6. Criticism

Next the scenario must be addressed where A uses a third party's registered or common law trade mark to voice criticism against that particular party and/or his performance.

3.4.6.1. Using a third party's trade mark name as part of one's domain name

The following scenario serves as an illustration of the issues discussed under this heading. X registers the domain name www.mnetsucks.com (or www.mnet-sucks.co.za). He establishes a web site for this particular domain name which he uses as a forum to criticise the company MNET and/or its performance. The question is whether X is guilty of passing-off and/or unlawful competition.

The first question that arises, with regard to the question of unlawful competition, is whether X interferes with MNET's right to attract custom. It is submitted that neither MNET nor any other company desires to attract custom to its online presence by means of a domain name incorporating the word "sucks". Stated differently, MNET does not require the domain name www.mnetsucks.com to present itself to the online (South African) community. Therefore, X does not interfere with the right to attract custom. Furthermore X and MNET are not competitors. The next question that must be answered is whether X leans on the reputation of MNET's trade mark name (M-NET) in promoting or advancing his web site and/or web site address. It is submitted that his question must be answered in the affirmative in that X clearly leans on the M-NET reputation to enable Internet users to find his web site. Therefore, the remaining question is whether X's conduct is *contra bonos mores*. This is where the constitutional right to freedom of expression, as enshrined in section 16 of the *Constitution*, again plays a role. This constitutional right includes the right to criticise.³⁰¹⁰ It is clear that X uses the M-NET trade mark in addition with the suffix "sucks" to enable Internet users to find his web site and/or to signify that his web site criticises MNET. For this reason it is submitted that X's conduct is constitutionally protected: He uses the said trade mark as part of his communicative message. The remaining question is whether the common law's limitation upon X's conduct is reasonable and just in terms of section 36 of the *Constitution*. It is submitted that this question must be answered in the negative in that the common law must allow X to voice his criticism by means of the above-

³⁰¹⁰ See paragraph 5.3 of chapter three.

mentioned web site address. Therefore it is submitted that X is not guilty of unlawful competition.

Passing-off does not arise in this scenario in that no likelihood of confusion or deception arises. The average Internet user will immediately be alert when seeing the domain name www.mnetsucks.com that this web site is not affiliated with MNET but is used to raise criticism against the latter.

Of necessity, a completely different scenario arises where X registers the domain name www.mnet.co.za to voice his criticism against MNET. In such instances X clearly interferes with MNET's right to attract custom in that it is obvious that MNET, as well as any entrepreneur, wants a dot-co.za (or for that matter a dot-com) domain name that reflects its or his trade mark or business name. Furthermore, the said domain name causes confusion or deception in that Internet users keying www.mnet.co.za into their web browsers are expecting to find MNET's online presence and not a web site criticising MNET. Therefore, according to the common law, X commits passing-off as well as misrepresentation as to own performance. It is submitted that X's constitutional right to freedom of expression does not protect his domain name in that it causes confusion and deception.

The final scenario that requires consideration is where MNET is the proprietor of the domain name www.mnet.co.za (or dot-com) and X registers the domain name www.mnet.org to voice criticism against MNET. It is assumed that it is not normal business practice for entities such as MNET to register domain names ending with the Top Level Domain dot-org.

With regard to the question whether X is guilty of passing-off, the difficult question arises whether X causes a likelihood of confusion and/or deception. On the one hand, it can be argued that X's domain name does not distinguish itself (i.e. X's performance) from MNET's performance – it misrepresents that it is MNET's web site address. However, on the other hand, it can be contended that Internet users do not search for commercial entities by means of dot-org domain names. The only way that Internet users will reach X's domain name is if they use a search engine to locate MNET's online presence, and X employs the word "MNET" as a metatag or metatags for the web site he established for the aforementioned domain name.³⁰¹¹

³⁰¹¹ Note that some search engines might also list X's domain name as a relevant hit because the word "Mnet" appears within X's domain name.

It is submitted that due to the reasons advanced in paragraph 3.4.1.6 of this chapter only X's domain name should be compared to the trade mark "MNET". It follows that X's domain name causes initial confusion and therefore X is guilty of passing-off.³⁰¹²

Likewise, it is submitted that X is also guilty of unlawful competition in the form of misrepresentation as to own performance in that by using the above-mentioned domain name he misrepresents that he is MNET and therefore causes initial confusion. His domain name does not distinguish itself from MNET's performance. It is further submitted that X's constitutional right to freedom of expression does not protect X from liability in that even though he uses this particular domain name as part of his communicative message, his domain name causes a likelihood of confusion and/or deception.

3.4.6.2. Registering a competitor's trade mark name as part of one's domain name

The first question that must be addressed here is whether A is guilty of either unlawful competition or passing-off whenever he registers a domain name consisting of his competitor's trade mark name plus the suffix "sucks". For example, A registers the domain name www.mnet-sucks.co.za and establishes a web site for this particular domain name which he uses to criticise MNET.

It can firstly be stated that A is not guilty of passing-off in that his domain name clearly indicates that it is not sponsored by or connected with MNET. With regard to the question whether A is guilty of unlawful competition, it is submitted that:

- (1) A does not commit misrepresentation as to own performance in that his domain name clearly indicates that it is not sponsored by or affiliated with A.
- (2) A does not act dishonestly and does not contravene the competition principle in that he does not attempt to base his performance on his competitor's performance and/or reputation. Furthermore, he does not prey upon the labour and investment of his competitor MNET. Therefore, it is submitted that A does not act *contra bonos mores*. There is no reason why A should not be allowed to *bona fide* register such a domain name when third parties enjoy the right to register such a domain name in order to criticise MNET.³⁰¹³

³⁰¹² Note that some US courts maintain that trade mark proprietors' do not have a right to all corresponding domain names. See paragraph 2.3.1 of chapter four.

³⁰¹³ See paragraph 3.4.6.1 of this chapter.

(3) A's domain name is protected by his constitutional right to freedom of expression: A uses this domain name to voice his criticism against B and therefore he uses this domain name as part of his communicative message.³⁰¹⁴

By necessary inference, should A register his competitor's trade mark name plus dot-com or dot-co.za for the purpose of criticism, he is guilty of both passing-off as well as unlawful competition in the form of misrepresentation as to own performance in that his domain name causes initial confusion. See in this regard the arguments advanced in paragraph 3.4.6.1 of this chapter.

3.4.6.3. Using a third party's trade mark on one's web page

The final scenario that has to be addressed with regard to the right to criticise is where X, an opponent of Y, uses Y's trade mark on his web site, established for a domain name that does not incorporate Y's trade mark name, together with the word "sucks" so that it reads e.g. "Playboy sucks". The question is whether X is guilty of passing-off and/or unlawful competition.

With regard to the issue of passing-off, it is submitted that X makes no misrepresentation and causes no likelihood of confusion or deception in that any Internet user who reads "Playboy sucks" will immediately know that this web site is not affiliated with Playboy, but is rather a forum for expressing criticism against Playboy.

With regard to the question whether X commits unlawful competition, the first question is whether X interferes with Y's right to attract custom. It submitted that X does interfere with this right in that by using Y's trade mark to raise criticism against Y or Y's products, X tarnishes the reputation of Y's trade mark. The next question is whether X's conduct is unlawful. The following considerations point towards the conclusion that his conduct is not unlawful: (1) X and Y are not competitors; (2) X does not prey upon Y's labour and investment; (3) X causes no likelihood of confusion or deception; (4) His conduct cannot be labelled as unfair and/or dishonest; (5) He does not violate the competition principle in that he does not attempt to base his performance on the merits of a third party's performance; and (6) His use of Y's trade mark, as described above, is protected by his constitutional right to freedom of expression in that he uses the trade mark in exercising his right to criticise Y. Stated differently, he uses the mark as

³⁰¹⁴ See paragraph 2.1.7.2 of this chapter.

part of his communicative message.³⁰¹⁵

Therefore, it is submitted that X is not guilty of unlawful competition.

3.4.7. Registering a domain name that is identical or confusingly similar to the plaintiff's trade mark

3.4.7.1. Entrepreneurs with identical trade marks want the same domain name

The scenario that must be addressed here is where two entrepreneurs, A and B, who operate their businesses respectively in Cape Town and Johannesburg and have both been using an identical trade mark (e.g. CARS-R-US) for the last 5 years for their businesses, seek to register the same domain name namely www.carsrus.co.za. Neither A nor B has a registered trade mark. It is assumed that both A and B's trade mark constitute common law trade marks. A applied first to register the above-mentioned domain name.

According to the domain name registration process A should be awarded the domain name in that he was first to apply therefor. It is submitted that trade mark law does not assist B in this instance since they both have, according to the common law, equal rights to this domain name and A happened to apply first for this domain name. This domain name does not prevent B from having an online presence by using his trade mark name. B can still register, for example, the following domain names: www.carsrus.org, www.cars-r-us.co.za and www.cars_r_us.com.

3.4.7.2. Entrepreneurs with similar trade marks want the same domain name

Similar questions arise here as those discussed in the previous paragraph, namely where A is the owner of the trade mark "United Bank" and B is the owner of the trade mark "United Airlines". Neither one of their trade marks is registered. A then registers the domain name www.united.co.za which he uses as a forum to promote his business online. The question is whether B can allege that A is guilty of passing-off. Seeing that the word "united" forms part of both parties' trade mark names (or trading names, for that matter), B has no stronger right to the said domain name than A and accordingly A, who first applied for the said domain name, enjoys priority.

³⁰¹⁵ See paragraph 2.1.7.2 of chapter four.

The UK case of *Pitman Training Ltd and another v Nominet UK and another*³⁰¹⁶ is highly relevant in this context. The facts were, simplified, that both the plaintiff's name, "Pitman Training", and the second defendant's name, "Pitman Publishing", included the work "Pitman". Both were *bona fide*, non-competing well-known businesses. The second defendant then registered the domain name www.pitman.co.uk. The plaintiff alleged that the second defendant was guilty of passing-off. The Chancery Division rejected this contention out of hand, maintaining that the second defendant was entitled to use the domain name seeing that the word "Pitman" was part of its well-established name.³⁰¹⁷ With regard to the plaintiff's contention that Internet users, looking for it, would be confused when they reached the second defendant's web site, the court held that -

"there may be some confusion experienced by some members of the public is undoubtedly so. But that confusion results from the use by both companies, PTC and Pitman Publishing, of the style Pitman for their respective trading purposes. No viable passing off claim against Pitman Publishing arising out of the future or past use by Pitman Publishing of the 'pitman.co.uk' domain name has, in my judgment, been shown."

3.4.7.3. Where only one entrepreneur has a registered or common law trade mark

X is the proprietor of the trade mark "Grand Prix", used for Formula One (hereafter "F1") motor vehicles and spare parts. X's trade mark can either be a registered or a common law trade mark. Z registers the domain name www.grandprix.co.za where he sells "Grandprix" shoes, not affiliated in any way with X or with the F1 motor sport. The question is whether Z is guilty of passing-off and/or unlawful competition.

With regard to the question whether Z commits passing-off, it is submitted that whenever F1 patrons, and in particular X's customers or potential customers, key in www.grandprix.co.za in the hope of finding relevant information on X's performance or business, they will be confused when they reach Z's web site as to whether this web site is connected with X and/or F1. Therefore, Z's domain name causes initial confusion.³⁰¹⁸ The next question is: How well-known is X's trade mark? Where it is

³⁰¹⁶ 1997 FSR 797 ChD. A copy of this judgment can be downloaded from www.jmls.edu/cyber/cases/pitman1.html.

³⁰¹⁷ In fact, the second defendant has traded for 150 years under that name.

³⁰¹⁸ See the submissions made in par 3.4.1.8.2.

well-known to a substantial number of people throughout the entire South Africa, it is submitted that Z should be prohibited from using the above-mentioned domain name for selling his shoes. However, as contended in paragraph 3.4.1.8.4 of this chapter, where X's trade mark is only well-known within a small particular area in South Africa, such as a specific town, Z should be allowed to keep the domain name, provided that he displays a prominent disclaimer on his web site, stating that his web site is not connected with X.

With regard to the question whether Z commits unlawful competition it is submitted that similar considerations arise: Z, by means of the above-mentioned domain name, makes a misrepresentation as to own performance, namely that his domain name or web site is connected to X or to the latter's performance. Whether Z should be prohibited from using the said domain name also depends on the question of how well-known X's trade mark is.

Where Z's *bona fides* cannot be proved or where X's trade mark is well-known to a substantial number of South Africans, it is submitted that he is guilty of leaning on in that he leans on the reputation of X's well-known trade mark to promote and sell his own performance or web site. Such conduct is against the competition principle in that Z does not sell his performance on its own merits but on the reputation of A's trade mark. Therefore such conduct is *contra bonos mores*. It can further be argued that Z interferes with X's right to attract custom and to trade without unlawful interference in that Z prevents X from reflecting his trade mark in the most logically, corresponding domain name.

3.4.7.4. Where entrepreneurs register similar domain names

The scenario that has to be addressed here is where both A, B and C commence, more or less, simultaneously online competing businesses. A registers and uses the domain name www.woolworths.co.za; B registers and uses the domain name www.woolworth.co.za and C registers and uses the domain name www.woolworths.com. These parties were, when they registered the said domain names and commenced conducting business, unaware of each other's existence. The question is whether A can institute proceedings in terms of the common law. It is assumed that none of the parties has a common law or registered trade mark.

Seeing that none of the party's domain names and trade marks enjoys a reputation,

passing-off does not arise. Likewise, it is submitted that neither B nor C is guilty of unlawful competition in that both can raise the defence of concurrent use. None of the parties has stronger rights than the others.

The final scenario that must be addressed here is where X has, for some time, carried on e-business by means of his web site www.supershop.co.za. Y then commences a direct competing business by means of the domain name www.supershops.co.za (or dot-com). Y launches a country wide campaign and within a few weeks Y's e-business is a commercial success. The question is whether X can institute proceedings in terms of the common law against Y. The appearance (get-up) of the parties' respective web sites differs completely.

With regard to the question whether Y is guilty of passing-off, it is submitted, assuming that X can prove that his domain name enjoys a reputation, that initial confusion is present in that Y's domain name is virtually identical to his domain name. As submitted in paragraphs 3.4.1.2 and 3.4.1.6 of this chapter, Y should not be permitted to aver that his web site distinguishes his confusingly similar domain name. Consequently Y is guilty of passing-off. It is also submitted that Y is guilty of unlawful competition in that his domain name causes the possibility of confusion, which, it is contended, is against the *boni mores*.

Note should be taken here of the UK case of *Efax.com Inc v Oglesby*.³⁰¹⁹ The facts were, extremely simplified, that the plaintiff (a US company) commenced its free Internet service of converting faxes into e-mail messages and *vice versa* by means of the domain name www.efax.com in February 1998. More or less at the same time, the defendant also commenced his efax business in the UK by means of the domain name www.efax.co.uk. In November 1999, the plaintiff commenced an extensive advertising campaign in the UK, also offering its services to UK residents by means of its web site. Due to a lack of financial resources, the defendant never engaged in advertising. The plaintiff then discovered that the domain name www.efax.co.uk was already registered. The plaintiff alleged that the defendant was guilty of passing-off. The judgment mainly concerned the question whether the word "efax" could constitute a protected trade mark and, if so, whether a likelihood of confusion existed. The parties' respective web sites had completely different lay-outs. The court answered these questions as follows:

³⁰¹⁹ 2000 WL 191200 ChD. A copy of this judgment was obtained from Westlaw.

"On the evidence before the court on this application there is in my judgment considerable force in the submission that the word 'efax' is essentially descriptive in its nature, and that it is already used widely on the internet to denote a 'unified messaging service', to use the jargon, combining fax with e-mail. The word 'fax' is now a word in everyday use as referring to a message received in what is now termed hard copy by means of transmission down a telephone line. Similarly, to anyone remotely familiar with the internet and with e-mail the prefix 'e' is shorthand for electronic, and refers to the internet. What might be described as an 'e-language' is rapidly growing ... The relevant language for the purposes of passing off must, as I see it, be that which is in common use in the relevant market, and the relevant market in the instant case is the internet. Further, the evidence provides examples of cases in which the use of the word 'efax' in a generic sense to describe a unified messaging service combining fax and e-mail predates the commencement of the claimant's service in February 1999 ... these considerations lead to the conclusion that on the evidence presently available (and to put it at its lowest) the claimant may well have a difficult task at trial in establishing a distinctive goodwill in the word 'efax' sufficient to support a case in passing off."

With regard to the issue of likelihood of confusion the court stated that "any confusion which may hereafter result from the fact that both claimant and defendant are offering similar services in the United Kingdom under the name 'efax' will in all likelihood be attributable to the descriptive nature of that name rather than to any 'misrepresentation' by the defendant to the effect that he is carrying on the claimant's business." The court also noted that because the web sites differed in appearance as well as the fact that the one was a free subscription service and the other one a paying service, any possible likelihood of confusion was marginal.³⁰²⁰

3.4.7.5. Registering a descriptive domain name

³⁰²⁰ Note should also be taken of the UK case of *EasyJET Airline Co Ltd and others v Dainty (t/a easyRealestate)* 2001 WL 2772885 ChD. The plaintiffs were the owners of various trade marks incorporating the word "easy", such as "easyJet", "easyEverything" and "easyRentacar". These companies mainly conducted business by means of the Internet. The defendant registered the domain name www.easyrealestate.co.uk and stated that he had no interest in real estate. According to him, he only sought to use the aforementioned domain name to sell his own home. The plaintiffs alleged that the defendant was guilty of passing-off. The defendant contended that the plaintiffs were not involved in the real estate industry and consequently no likelihood of confusion could arise. With regard to question whether a likelihood of confusion was proved, the court stated that: "I agree with the defendant that the claimants are not entitled to appropriate the word 'easy' and prevent any businessman from using any name which includes the word 'easy' ... the [domain] name is not inherently one leading to passing off." A copy of this judgment was obtained from Westlaw.

The question arises how the following scenario should be solved. A carries on business as "Radio Taxis", seeing that one of its main characteristics is that its taxis use two way radios to communicate. However, the term "radio taxi" has, over time, come to denote all taxis using the aforementioned radios. B, a business rival who also uses the above-mentioned radios for its taxis but conducts business under a completely different name, then registers the domain names www.radiotaxis.co.za and www.radoraxis.com. The question of law is whether B is guilty of passing-off and/or unlawful competition.

Highly instructive in this regard is the UK case of *Radio Taxicabs (London) Ltd (t/a Radio Taxis) v Owner Drivers Radio Taxi Services Ltd (t/a Dial-a-Cab)*.³⁰²¹ The plaintiff registered business name was "Radio Taxicab"s but traded as "Radio Taxis". The defendant's registered business name was "Owner Drivers Radio Taxi Services Limited" but traded as "Dial-a-Cab". Both the parties to the dispute were involved in the radio taxi industry.³⁰²² Many taxi businesses in the UK used the phrase "Radio Taxis" as their business names or as part of their business names. The defendant registered two domain names namely www.dailacab.co.uk and www.radiotaxis.com. The web sites established for these domain names where linked, with the result that when an Internet user keyed in www.radiotaxis.com the web site established for the domain name www.dailacab.co.uk was displayed. The plaintiff was the owner of the domain name www.radiotaxis.co.uk. The plaintiff alleged that the defendant was guilty of passing-off.

The Chancery Division was firstly of the opinion that the plaintiff failed to establish that the words "radio taxi" had acquired a secondary meaning.³⁰²³ Furthermore, the court held that the plaintiff failed to prove that the defendant, by using the descriptive domain name, made a misrepresentation. The court came to this conclusion on the following basis:

"(i) I must not readily assume that use by the Defendant as an Internet domain name of descriptive words already used by another trader as his trade name is likely to cause confusion, and

³⁰²¹ 2001 WL 1135216 ChD. A copy of this judgment was obtained from Westlaw.

³⁰²² The Court noted that the term radio taxi is a generic or descriptive term used to describe taxis which are equipped with radios for receiving calls.

³⁰²³ 2001 WL 1135216 ChD:par 96.

(ii) I should be ready to accept small differences as adequate to avoid such confusion.³⁰²⁴

Furthermore, the court held that the plaintiff failed to establish that the defendant intended to take advantage of the former's name and/or reputation or intended to divert business to it.³⁰²⁵ The court accepted the defendant's evidence that it intended to use the said domain name to promote its services as a supplier of radio taxis.³⁰²⁶ In addition, the plaintiff failed to prove that the defendant's use of the said domain name would cause Internet users to associate the defendant with the plaintiff's business.³⁰²⁷ By using the said domain name, the defendant merely represented that it was a business which operated a radio taxi service.³⁰²⁸ Finally, the court noted that due to the absence of a misrepresentation, the plaintiff failed to establish a likelihood of prejudice to its goodwill.³⁰²⁹

It is submitted that the question whether B is guilty of passing-off can be answered as follows. Firstly, the court must ascertain whether B's trading name or trade mark has acquired a strong reputation. If not, B fails in his passing-off action. If such a reputation is established, the court must next ascertain whether the web site, established for the said domain name, misrepresents any trade or business connection. Of particular relevance is B's motive in registering the said domain names. South African courts have, as pointed out earlier, noted that where the plaintiff's trade mark consists of one or more descriptive words, there will always be some risk of confusion where another trader uses the same descriptive word or words for his business or performance, about which he cannot complain.

It is further submitted that where A fails to prove passing-off, his action for unlawful competition will also fail in that: (1) B does not act dishonestly and unfairly in that he does not attempt to divert custom to his web site by using A's trading name, but merely uses descriptive words describing his own business; and (2) he does not violate the competition principle, thus acting reasonably according to the *boni mores*.

³⁰²⁴ 2001 WL 1135216 ChD:par 99. Earlier in this judgment, the court noted that "those who promote their businesses under an entirely descriptive name do so at the risk of having greater difficulty in protecting the exclusivity of that name, should it become necessary so to do". (At par 22)

³⁰²⁵ 2001 WL 1135216 ChD:par 76.

³⁰²⁶ 2001 WL 1135216 ChD:par 76.

³⁰²⁷ 2001 WL 1135216 ChD:par 102.

³⁰²⁸ 2001 WL 1135216 ChD:par 104.

³⁰²⁹ 2001 WL 1135216 ChD:par 107.

3.4.7.6. Cybersquatters registering trade mark names as domain names

Next this study turns to the phenomenon of cybersquatting. Various instances in this regard are scrutinised in order to determine whether the proprietor of a trade mark can institute proceedings in terms of the common law against a cybersquatter.

3.4.7.6.1. No web site created for domain name or web site contains only hyperlinks and banners

The following scenario must be scrutinised. Playboy Enterprises (PE) is the proprietor of the well-known trade mark "Playboy" used for pornography. X, a cybersquatter, registers the domain name www.playboy.co.za but establishes no web site for it. The question is whether X is guilty of passing-off and/or unlawful competition.

Assuming that PE's trade mark enjoys the required reputation for a passing-off action, it is clear from the above that X's web site causes initial confusion. Furthermore, since there is no web site which can distinguish X's performance from PE's performance, a likelihood of confusion or deception is present. X's misrepresentation is that his domain name is connected with PE's performance. The only remaining question is whether the fact that no web site is maintained affects PE's passing-off action.

It will be remembered that South African courts have defined passing-off as a misrepresentation in the course of trade. Therefore, the vexing question is whether the confusion that X causes is in the course of trade. As contended in paragraph 4.8.6.3.1 of the previous chapter, X causes a misrepresentation in the course of trade in that his trade, even if this is a single cybersquatting attempt, is to sell this domain name to PE or to other parties who may be interested in owning this domain name. Therefore it is submitted that X makes his misrepresentation in his course of trade which is likely to cause confusion and/or deception. Consequently, he is guilty of passing-off.

Similar considerations apply to the scenario where X maintains a web site for the said domain name, which consists only of advertisement banners and hyperlinks to third parties' web sites. X makes a misrepresentation, as explained above, which is likely to cause confusion or deception, in the course of trade. X's trade is twofold: (a) To sell this domain name at a profit to PE or to any other interested third party and (b) to

derive an income from the banners on this web site.³⁰³⁰

The final question is whether X is guilty of unlawful competition where he maintains no web site for the said domain name. Firstly, X interferes with PE's right to attract custom and to trade without unlawful interference in that he prevents PE from using a "South African domain name" that most logically reflects its trade mark name. With regard to the question whether X's conduct is unlawful, it can be stated that (1) he preys upon the labour and investment of a third party in deriving an income – i.e. he uses the said domain name to derive a potential profit from PE's well-known trade mark reputation; (2) the advantage X attempts to take of PE's well-known trade mark reputation can definitely be labelled as unfair and dishonest; (3) furthermore, X does not base his performance upon its own merits; instead he seeks to take advantage of both the Playboy trade mark reputation as well as the advent of the Internet; and (4) malice is present in that he solely registered the domain name with the expectation to profit from his unlawful activities. Consequently, it is submitted that X is guilty of unlawful competition.

Similar considerations apply where X maintains a web site, for the said domain name, consisting only of hyperlinks and advertisement banners. In such an instance, it can further be argued that X commits unlawful competition in the form of leaning on in that he leans on the reputation of PE's trade mark reputation to attract custom to his web site.

The case of *Horseshoe Caterers (Greenpoint) (Pty) Ltd v Burnkloof Caterers (Pty) Ltd*³⁰³¹ is authority for the submission that where A uses B's trade mark as his domain name, he diverts custom to his web site. The facts were that the appellant used an identical sign, to the respondent's sign, for his competing business. The court held that this would likely cause confusion. The court further noted that "the use of the same

³⁰³⁰ Note can be taken here of the 1999 UK case of *Bikemart v Gallagher & Williams*. The facts were that the plaintiff was the proprietor of the registered trade mark "Bikemart", registered and used for a magazine. The defendant registered the domain name www.bikemark.net and established a web site for the domain name advertising *space* for motorcycle accessories. The site also contained derogatory comments about the plaintiff. The plaintiff instituted trade mark infringement and passing off proceedings. The court was of the opinion that the defendant was guilty of trade mark infringement and ordered him to transfer the domain name to the plaintiff. Unfortunately this judgment was not made available to me. The information was gained from the following sources: www.kaltons.co.uk/DNdisputes.htm and www.brandslaw.com/download/Domainnamescases.pdf.

³⁰³¹ 1975 2 SA 189 C.

sign and appurtenances will have the effect of diverting customers to appellant's steakhouse especially in those instances where customers are nearer to appellant's than respondent's steakhouse; why travel further to dine at the same undertaking."³⁰³²

Finally, it can be mentioned here that it has never been the policy of the law to protect fraudulent marks.³⁰³³

3.4.7.6.2. UK jurisprudence

Next, the UK approach with regard to the question whether cybersquatting constitutes passing-off is discussed.

3.4.7.6.2.1. Male fide registration of domain names

When this thesis was written only a few reported UK cases had emerged where the defendants had engaged in cybersquatting activities. Seeing that the South African and UK trade mark law closely correspond, the following judgments are instructive.

In *British Telecommunications plc and another v One In A Million Ltd and others*³⁰³⁴ the respondents were the owners of various registered and well-known trade marks, including "Marks & Spencer". The appellants, cybersquatters, registered various domain names consisting of the respondents' trade mark names, such as www.marksandspencer.com, which they subsequently sought to sell to the respondents. The respondents established no web site for these domain names. The respondents contended that the appellants were guilty of passing-off. The Court of Appeal firstly set out the relevant principles:

- If it is the intention of the defendant to either appropriate the goodwill of a third party or to enable others to do so, there is no reason why the court should not infer that it will happen, even if there is a possibility that such appropriation will not take place. If, taking all the circumstances into account, the court concludes that the name was produced to enable passing-off or was adapted to be used for passing

³⁰³² 1975 2 SA 189 C:197H-198A. See also 222F-G where the court noted: "The proximity of the two businesses can be of great importance, particularly when one comes to consider whether it is probable that a new trader will divert some of the established traders' business by virtue of a similarity in get-up."

³⁰³³ *Glenton & Mitchell v Ceylon Tea Co* 1918 WLD 118:127.

³⁰³⁴ 1998 4 ALL ER 476 CA. A copy of this judgment can be downloaded from www.lawcampus.butterworths.com/student/Lev3/weblinked_books/lloyd/dataitem.asp?ID=12522&tid=7.

off and, if used, is likely to be fraudulently used, an interdict is appropriate.³⁰³⁵

- A dealer in Internet domain names can use a particular domain name for four purposes: "The first and most obvious is that it may be sold to the enterprise whose name or trade mark has been used, which may be prepared to pay a high price to avoid the inconvenience of there being a domain name comprising its own name or trade mark which is not under its control. Secondly, it may be sold to a third party unconnected with the name, so that he may try to sell it to the company whose name is being used, or else use it for purposes of deception. Thirdly, it may be sold to someone with a distinct interest of his own in the name ... Fourthly, it may be retained by the dealer unused and unsold, in which case it serves only to block the use of that name as a registered domain name by others, including those whose name or trade mark it comprises."³⁰³⁶

The court thereafter stated that the registration of the disputed domain names was unlawful. It argued as follows:

- The primary purpose of domain name registration was to block registration by the owner of the goodwill.
- The purpose of the so-called blocking registration was to extract money from the owners of the goodwill in the name chosen.
- The appellants' ability to do so was in the main dependant upon the threat, expressed or implied, that they would exploit the goodwill by either trading under the name or equipping another with the name so he could do so.³⁰³⁷

The court continued to hold that:

"It is accepted that the name Marks & Spencer denotes Marks & Spencer plc and nobody else. Thus anybody seeing or hearing the name realises that what is being referred to is the business of Marks & Spencer plc. It follows that registration by the appellants of a domain name including the name Marks & Spencer makes a false representation that they are associated or connected with Marks & Spencer plc. This can be demonstrated by considering the reaction of a person who taps into his computer the domain name marksandspencer.co.uk and presses a button to execute a 'whois' search. He will be told that the registrant is One In A Million Ltd. A substantial

³⁰³⁵ 1998 4 ALL ER 476 CA:493c-d.

³⁰³⁶ 1998 4 ALL ER 476 CA:496f-j.

³⁰³⁷ 1998 4 ALL ER 476 CA:496d-f.

number of persons will conclude that One In A Million Ltd must be connected or associated with Marks &, Spencer plc. That amounts to a false representation which constitutes passing off."³⁰³⁸

The appellants submitted that mere registration did not constitute passing-off and further that respondents failed to prove any damage or likelihood of damage. The court rejected these submissions, maintaining that -

"[t]he placing on a register of a distinctive name such as marksandspencer makes a representation to persons who consult the register that the registrant is connected or associated with the name registered and thus the owner of the goodwill in the name. Such persons would not know of One In A Million Ltd and would believe that they were connected or associated with the owner of the goodwill in the domain name they had registered. Further, registration of the domain name including the words Marks & Spencer is an erosion of the exclusive goodwill in the name which damages or is likely to damage Marks & Spencer plc ... [The appellants'] purpose was to threaten use and disposal sometimes explicitly and on other occasions implicitly. The judge [in the first instance] was right to grant *quia timet* relief to prevent the threat becoming reality. I also believe that domain names comprising the name Marks & Spencer are instruments of fraud. Any realistic use of them as domain names would result in passing off and there was ample evidence to justify the injunctive relief granted by the judge to prevent them being used for a fraudulent purpose and to prevent them being transferred to others."³⁰³⁹

The remaining respondents were well-known UK companies such as Virgin Enterprises and British Telecommunications. The appellants had also registered domain names consisting of their names and trade marks, e.g. www.virgin.co.uk, www.virgin.org, www.bt.org and www.britishtelecom.net. The appellants argued that these domain names were not inherently deceptive and further that the word "Virgin" also formed part of other companies' names. They also argued that the letters "BT" constituted other people's and firms' initials. The court rejected this contention, noting that the court *a quo* was justified to conclude that "[t]he history of the [appellants'] activities shows a deliberate practice followed over a substantial period of time of registering domain names which are chosen to resemble the names and marks of other people and are plainly intended to deceive. The threat of passing off and trade mark infringement, and the likelihood of confusion arising from the infringement of the

³⁰³⁸ 1998 4 ALL ER 476 CA:497a-c.

³⁰³⁹ 1998 4 ALL ER 476 CA:497c-g.

mark are made out beyond argument in this case, even in which (sic) it is possible to imagine other cases in which the issue would be more nicely balanced.”³⁰⁴⁰ The court went on to note that -

“the names registered by the appellants were instruments of fraud and that injunctive relief was appropriate upon this basis as well. The trade names were well-known ‘household names’ denoting in ordinary usage the respective [respondents]. The [appellants] registered them without any distinguishing word because of the goodwill attaching to those names. It was the value of that goodwill, not the fact that they could perhaps be used in some way by a third party without deception, which caused them to register the names. The motive of the [appellants was] to use that goodwill and threaten to sell it to another who might use it for passing off to obtain money from the [respondents]. The value of the names lay in the threat that they would be used in a fraudulent way. The registrations were made with the purpose of appropriating the [appellants’] property, their goodwill, and with an intention of threatening dishonest use by them or another. The registrations were instruments of fraud and injunctive relief was appropriate just as much as it was in those cases where persons registered company names for a similar purpose.”³⁰⁴¹

The concept of “instrument of fraud” is the South African equivalent of contributory infringement. For example, where A is the proprietor of the well-known trade mark “Omega”, used for watches, and B manufactures watches under the name “Homegas”, knowing that third parties will erase the letters “H” and “s” and sell these watches as “omega” watches, UK courts maintain that B produces “instruments of fraud” and is consequently guilty of passing-off, although B *himself* never passed these watches off as A’s watches.

The judgment of the court *a quo* in *Marks & Spencer plc and others v One in a Million and others*³⁰⁴² is also noteworthy. After stating the facts, the court stated that “[t]he mere creation of an ‘instrument of deception’, without either using it for deception or putting it into the hands of someone else to do so, is not passing off. There is no such tort as going equipped for passing off. It follows that the mere registration of a deceptive company name or a deceptive Internet domain name is not passing off.” The court, however, stated that the defendants’ conduct constituted a “threatening tort” in that their conduct was calculated to infringe the plaintiff’s “rights in future”:

³⁰⁴⁰ 1998 4 ALL ER 476 CA:498a-b.

³⁰⁴¹ 1998 4 ALL ER 476 CA:498b-e.

³⁰⁴² 1998 FSR 265 ChD. A copy of this judgment can be downloaded from www.io.io/news281197.html.

"The name *marksandspencer* could not have been chosen for any other reason than that it was associated with the well-known retailing group. There is only one possible reason why anyone who was not part of the Marks & Spencer plc group should wish to use such a domain address, and that is to pass himself off as part of that group or his products off as their. Where the value of the name consists solely in its resemblance to the name or trade mark of another enterprise, the court will normally assume that the public is likely to be deceived, for why else would the defendants choose it? In the present case, the assumption is plainly justified. As a matter of common sense, these names were registered and are available for sale for eventual use. Someone seeking or coming upon a website called <http://marksandspencer.co.uk> would naturally assume that it was that of the Plaintiffs."

The defendants contended that there were uses to which they could put the domain name which would not have constituted passing-off by them or third parties such as (1) selling the domain names to the plaintiffs or (ii) retaining the domain names with a view to blocking the use of the same domain names by the plaintiffs in order to induce them to pay. The court accepted that neither of these activities *per se* constituted passing off. However, the court proceeded to state that the real -

"point is that the names are only saleable to Marks & Spencer and blocking their use by Marks & Spencer is only a useful negotiating tactic on the footing that they are names which it is dangerous for Marks & Spencer to allow to remain out of their control. The danger arises from the risk of deception which their existence necessarily presents ... Any person who deliberately registers a domain name on account of its similarity to the name, brand name or trade mark of an unconnected commercial organisation must expect to find himself on the receiving end of an injunction to restrain the threat of passing off, and the injunction will be in terms which will make the name commercially useless to the dealer."

Other UK courts have also maintained that where a cybersquatter registered a domain name incorporating the plaintiff's trade mark name he was guilty of passing-off, even though he did not establish a web site for that particular domain name.³⁰⁴³

³⁰⁴³ In *Harrods Ltd v UK Network Services Ltd and others* 9/12/1996 ChD the plaintiff was a well-known UK store. It was the proprietor of the registered trade mark "Harrods" and also the owner of the domain name www.harrods.co.uk. The defendants subsequently registered the domain name www.harrods.com as their domain name along with some 50 other domain name names incorporating the names of well-known companies. The defendants did not establish a web site for this domain name but offered it for sale to the plaintiff. The plaintiff instituted action for both trade mark infringement as well as passing-off. The defendant did not file a defence and the court subsequently granted an interdict, restraining the

3.4.7.6.2.2. Male fide registration of company names

In the *British Telecommunications* case discussed above,³⁰⁴⁴ the Court of Appeal was of the opinion that judgments, dealing with the scenario where a company name had been registered that infringed the plaintiff's goodwill, were pertinent to cybersquatting cases.³⁰⁴⁵ The following two judgments illustrate how UK courts resolved issues surrounding the *male fide* registration of company names for the purpose of making a profit.

In *Glaxo Plc and others v Glaxowellcome Ltd and others*³⁰⁴⁶ plaintiffs A and B were companies "Glaxo" and "Wellcome" respectively. In January 1995 a press release stated that plaintiff A would merge with plaintiff B and that the new company would be called "Glaxowellcome". When plaintiff A subsequently sought to register the company "Glaxowellcome", it discovered that the third defendant, a company registration agent,

defendant from infringing the plaintiff's registered trade marks and passing themselves off as being connected with the plaintiff by use of the mark Harrods. The Chancery Division merely stated that the acts complained of "clearly constituted infringement of Harrods' registered trade marks and passing off" and thereafter directed the defendant to "take all available steps to hand the domain name over to Harrods". Therefore, the court was willing to protect the registered trade mark without evidence of actual use of the domain name. The aforementioned was compiled from information gained from the following sources: www.apnic.net/mailling-lists/apple/archive/1997/07/msg00015.html; Buys 2000:79. See also *Britannia Building Society v Prangley & others* 2000 ChD where the applicant was well-known under the name "Britannia Building Society. The respondent, not connected in any way with the applicant, registered the domain name www.britanniabuildingsociety.com, but created no web site for this domain name. The applicant alleged that the respondent was guilty of passing-off. The Chancery Division firstly held that the defendant's explanation for registering the said domain name was incredible and consequently held that he registered the domain name in order to extract money from the applicant. The court was of the opinion that the respondent's domain name caused a likelihood of confusion or deception: "In any event, it seems to me quite plain that any use in this country of the domain name britanniabuildingsociety.com will lead to a serious risk, if not certainty, of confusion in the mind of anybody who sees its use as to whether or not the user is connected with the claimant. What other purpose could there have been, one might ask rhetorically, for having a domain name incorporating the name of the claimant, if it was not to be used for the purpose of indicating that it was somehow connected with the claimant? In my judgment it is perfectly plain from the evidence that is now before the court that the domain name in issue is indeed to be regarded as an instrument of fraud in the same sense that Aldous LJ described the domain names in the *One in a Million Ltd* and other cases that were before the Court of Appeal." A copy of this judgment can be downloaded from [www.newLawonline.com/cgi-bin/nlo.dll/p.7mxmmDDKo/600094601_j.htm](http://www.newlawonline.com/cgi-bin/nlo.dll/p.7mxmmDDKo/600094601_j.htm).

³⁰⁴⁴ See the previous paragraph.

³⁰⁴⁵ See *British Telecommunications plc and another v One In A Million Ltd and others* 1998 4 ALL ER 476 CA:491c.

³⁰⁴⁶ 1996 FSR 388 ChD. A copy of this judgment was obtained from Westlaw.

had incorporated and registered the company "Glaxowellcome" (the first defendant), after the issue of the above-mentioned press release. Plaintiff A subsequently contacted the third defendant and offered £1 000 for purchasing the first defendant. The third defendant, however, demanded £100 000. The plaintiffs contended that the defendants were guilty of passing-off.

The Chancery Division stated that defendants had engaged in a dishonest scheme to appropriate the goodwill of the two plaintiffs and to extort from them a substantial sum as the price for not damaging the plaintiffs' goodwill in the names "Glaxo" and "Wellcome".³⁰⁴⁷ The court continued to state that it would "not countenance any such pre-emptive strike of registering companies with names where others have the goodwill in those names, and the registering party then demanding a price for changing the names. It is an abuse of the system of registration of companies' names. The right to choose the name with which a company is registered is not given for that purpose."³⁰⁴⁸ Finally, the court stated that in these circumstances, which constituted passing-off, it will grant an interdict requiring the registered name of the first defendant to be changed: "This course will be adopted irrespective of whether the registered company has traded or not."³⁰⁴⁹

In *Direct Line Group Ltd & Others v Direct Line Estate Agency Ltd & Others*³⁰⁵⁰ the facts were that the plaintiffs were all members of a group of companies of which the company "Direct Line Insurance plc" was the best known member. The names of all six plaintiffs shared the words "Direct line". The defendants registered and incorporated three companies namely "Direct Line Estate Agency Ltd", "Direct Line Will's Ltd", and "Direct Line Estates Ltd". The defendants had a record of taking, and/or being associated with the taking, of famous trade mark names belonging to third parties either for the purpose of siphoning off the goodwill belonging to other traders or for the purpose of offering the marks back to their original proprietors for profit.³⁰⁵¹ The plaintiffs submitted that the defendants were guilty of passing-off in that they must have intended to cause confusion and to trade on plaintiffs' reputation by using the

³⁰⁴⁷ 1996 FSR 388 ChD:390.

³⁰⁴⁸ 1996 FSR 388 ChD:391.

³⁰⁴⁹ 1996 FSR 388 ChD:391.

³⁰⁵⁰ 1997 FSR 374 ChD. A copy of this judgment was obtained from Westlaw.

³⁰⁵¹ E.g. the defendants had also registered the following companies: "Nike Clothing Company Limited", "Reebok Clothing Company Limited", etc.

words "Direct Line" as part of the names of their three companies and this would lead to public confusion.

The Chancery Division remarked that "this court will view with extreme displeasure any attempt by traders to embark upon a scam designed to make illegitimate use of other companies' trade marks. No attempt has been made ... [by the defendants] to explain why the names Virgin, Nike, Reebok, Armani, Hugo Boss and the like were being registered for companies which had nothing to do with the authentic proprietors of those names. At least at this stage, I am left with the overwhelming impression that these defendants are engaged in just the sort of scam referred to above ... the plaintiffs have made out a very strong case at this stage that the defendants not only have set up these companies for the purpose of trading off the plaintiffs' reputation but that confusion is likely to occur."³⁰⁵²

With regard to the fact that the defendants' companies had not commenced trading, the court stated that "[t]hese are factors which, in my view, indicate that there will be no great hardship suffered by the defendants if an injunction is granted against them. On the other hand, it seems to me that the illegitimate use by the defendants of a name which will be associated closely with the plaintiffs' business might well cause significant damage to the plaintiffs pending trial in this case, if such a trial takes place."³⁰⁵³

3.4.7.7. Cybersquatters and typosquatters registering confusingly similar domain names

3.4.7.7.1. Typosquatting

Next, this study addresses the scenario where the defendant, engaging in typosquatting, registers and uses a confusingly similar domain name such as www.playboys.co.za (or dot-com).

Two South African judgments are relevant to this study. In *Roamer Watch Co SA and Another v African Textile Distributors also t/a M K Patel Wholesale Merchants and Direct Importers*³⁰⁵⁴ the applicants were the proprietors of the well-known and

³⁰⁵² 1997 FSR 374 ChD:375-376.

³⁰⁵³ 1997 FSR 374 ChD:377.

³⁰⁵⁴ 1980 2 SA 254 W.

registered trade mark "Roamer", registered and used for their watches. The respondents commenced selling watches with the marks "Roma" and "Roamex". The applicants alleged that the respondents caused a likelihood of confusion or deception. The court held that "the virtual identicalness in pronunciation of the words 'Roamer' and 'Roma', and the similarity of sound and appearance of the words 'Roamer' and 'Roamex' are such as to meet the requirement of likelihood of deception or confusion".³⁰⁵⁵ Furthermore, the get-up the respondents used for their watches did not distinguish their products from the applicants' products.³⁰⁵⁶ Consequently, the court held that the respondents were guilty of passing-off.

The second relevant case is *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd*³⁰⁵⁷ where the plaintiff was the owner of the registered and well-known trade mark "Ghwamis", registered and used for manure. The defendant commenced using the marks "Ghwamix" and "Gwamix" for its competing product. The plaintiff contended that the defendant was guilty of passing-off. The court agreed, stating that these marks were calculated to deceive and to cause a loss to the plaintiff.³⁰⁵⁸

To return to the postulated scenario and following the argument advanced in paragraph 3.4.1.6 of this chapter, it is submitted that if one compares the defendant's domain name with the plaintiff's trade mark a likelihood of confusion or deception is likely to arise and consequently the typosquatter is guilty of passing-off.

It is further submitted that X is guilty of unlawful competition: The defendant leans on the reputation of Playboy's trade mark to attract custom to his web site, by hoping that Internet users will misspell "Playboy" and key in www.playboys.com (or dot-co.za). This is against the competition principle and therefore *contra bonos mores*. Furthermore, it can be stated that his conduct is unfair in that he preys upon a third party's trade mark reputation to promote his own performance. It is also submitted that the defendant is guilty of misrepresentation as to own performance in that Internet users might think that his domain name is in some way connected with the entity Playboy Enterprises.

³⁰⁵⁵ 1980 2 SA 254 W:265H-266A.

³⁰⁵⁶ 1980 2 SA 254 W:266A-B.

³⁰⁵⁷ 1981 2 SA 173 T.

³⁰⁵⁸ 1981 2 SA 173 T:202C-D.

3.4.7.7.2. Confusingly similar domain name and series marks

It should always be kept in mind that where the plaintiff is the owner of a series of marks, using a common or common words, and the defendant subsequently registers a domain name which incorporates one of these words, a court is more likely to find that a likelihood of confusion or deception is present. For example, where the plaintiff uses the word "super" for all its well-known businesses such as "Superstore", "Supershop" and "Supermarket" and the defendant registers the domain name www.supercafe.co.za, the court will hold that Internet users are likely to be confused or deceived seeing that the plaintiff is the owner of a series of well-known marks incorporating the same word.

Authority for this submission is *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1)*.³⁰⁵⁹ The respondent used the well-known mark "Hollywood 7 Days", and various other marks consisting of the word "Hollywood", for its skin products. The appellant commenced using the mark "Hollywood Curl" for its hair products. The respondent alleged that the appellant was guilty of passing-off, contending that "inasmuch as the word 'Hollywood', either *simpliciter* or in one or other of the various combinations used by it, has come to be distinctive of its products, there is a likelihood that the purchasing public, familiar with the Hollywood range, would on encountering a Hollywood Curl product in the market-place conclude that it was ... 'another horse out of the same stable' ".³⁰⁶⁰

The Supreme Court of Appeal held that there was substance in this argument: "The fact that in the past respondent has used the word in combination with other words, eg 'Hollywood 7 Day', 'Mister Hollywood' and 'Hollywood Lucky Seven', renders plausible the idea that respondent might market a new product under the name 'Hollywood Curl'. It is true that the Hollywood Curl range of products relates to various types of hair preparation and that respondent does not market hair preparations as such under its 'Hollywood' marks, but in my view cosmetics and hair preparations are sufficiently closely related for an extension of the Hollywood range into hair preparations to be equally plausible."³⁰⁶¹ Consequently, the court held that a real likelihood of deception or confusion existed.³⁰⁶² The Court was further of the opinion that the appellant was

³⁰⁵⁹ 1989 1 SA 236 A.

³⁰⁶⁰ 1989 1 SA 236 A:251F-H.

³⁰⁶¹ 1989 1 SA 236 A:251H-I.

³⁰⁶² 1989 1 SA 236 A:253B.

infringing and trading on the respondent's goodwill³⁰⁶³ and that the respondent was specifically diluting the respondent's goodwill.³⁰⁶⁴

Likewise, it can be argued that Internet users will labour under the impression that the disputed domain name is another horse from the same stable.

3.4.7.8. Competitors registering identical or confusingly similar domain names

The scenario where A registers a domain name which is identical or confusingly similar to his competitor's (B's) trade mark name or business can be compared with the scenario where A causes his telephone number to appear in a telephone book next to B's business name.

In *Truth Verification Testing Centre v PSE Truth Detection CC & Others*³⁰⁶⁵ the first respondent instructed Z, the entity responsible for compiling the Johannesburg telephone directory, to insert its telephone number next to the applicant's business name. This was done without the latter's authorisation. Consequently, whenever a third party sought the applicant's business, he would reach the respondent's answering service. The applicant contended that "the existence of the entry was and is a serious instance of passing-off as the Johannesburg Telephone Directory is the most important telephone reference in South Africa."³⁰⁶⁶

The court firstly stated that the wrongful entry constituted an unlawful representation to members of the public to the effect that the respondent's business was connected to or was part of the applicant. The prejudice suffered, according to the court, was that such entry enabled and facilitated the respondent in diverting the applicant's existing or potential clients to it.³⁰⁶⁷ The court was further of the opinion that because the representation was unauthorised and false it constituted actionable passing-off.³⁰⁶⁸

It can likewise be contended that where A registers and uses a domain name incorporating B's trade mark name or business name to promote his business, performance or web site, A misrepresents that he is connected with B and causes

³⁰⁶³ 1989 1 SA 236 A:253C.

³⁰⁶⁴ 1989 1 SA 236 A:253E-F.

³⁰⁶⁵ 1998 2 SA 689 T.

³⁰⁶⁶ 1998 2 SA 689 T:695H-I.

³⁰⁶⁷ 1998 2 SA 689 T:699E-F.

³⁰⁶⁸ 1998 2 SA 689 T:699G-H.

prejudice in that he diverts custom from B's web site and/or business to himself. Therefore he is guilty of passing-off.

Such conduct also constitutes unlawful competition in that A violates the competition principle because he does not base his performance on its own merits but uses his competitor's trade mark name or business name to divert Internet users to his web site. Such conduct is clearly unfair and dishonest in that he preys upon a third party's trade mark reputation, as indicated above. It is submitted that A specifically commits leaning on in that he leans on the reputation of competitor B's trade mark name or business name. Finally, such conduct clearly interferes with B's right to attract custom and to trade without unlawful interference.

The UK case of *The Law Society of England and Wales v Griffiths and Another*³⁰⁶⁹ is instructive in this regard. The facts were that the plaintiff launched a scheme called the "Accident Line" whereby members of the public could telephone the number 0500 192939 for general advice in respect of accidents and personal injuries. The defendants, who did not qualify for membership of this scheme, already owned the telephone number 0800 318635 which they used for their accident service. After the plaintiff commenced advertising its new accident service, the defendants subsequently obtained the telephone number 0800 192939 which they used for their own accident advice service called "The Griffiths and Thomas Accident Helpline". The plaintiff alleged that the defendants were guilty of passing-off. When the plaintiff sought injunctive relief, the defendant had not drawn the public's attention to their new telephone number. The Chancery Division firstly stated that it was -

"quite clear that the defendants expected to receive telephone calls from the public upon their 0800 192939 number, even though they had not drawn that number to the attention of the public ... That conclusion stems in part from the way that the number was selected, and from the fact that it is being used at the moment. However, it is also clear from the recording which was placed upon the answering machine. I have read that recording, and it is clear from the recorded message that the defendants expected that calls would be made by members of the public who had had accidents. It is therefore reasonable to assume that they anticipated and expected that by using the number 0800 192939 they would receive calls that were intended for the plaintiffs on 0500 192939."³⁰⁷⁰

³⁰⁶⁹ 1995 RPC 16 ChD. A copy of this judgment was obtained from Westlaw.

³⁰⁷⁰ 1995 RPC 16 ChD:20.

The court further held that the defendants chose the name intending to divert clients to them. The court concluded that the defendants made a tacit misrepresentation by means of their telephone number: "A person who adopts the mantle of another can by his silence misrepresent that he is that other. Thus a person who selects a confusingly similar telephone number or a similar name may well represent that he is that other by either saying so or by failing to take steps when telephoned or called to disabuse the person who is making the telephone call. A person who takes steps which will lead a person who acts in a particular way to conclude that his business is that of another is guilty of passing off just as much as a person who states that his business is that of another."³⁰⁷¹

The court was further of the opinion that prejudice was present in the form of diversion of custom.³⁰⁷² Finally, the court held that it was neither in the public interest, nor in the interest of solicitors as a whole, that two similar numbers should be used for two similar activities and consequently granted an interdict.³⁰⁷³

3.4.7.9. Dedicated fan web sites

Next this study turns to the question whether a fan or patron who registers a domain name incorporating a third party's trade mark name or business name is guilty of unlawful competition and/or passing-off.

3.4.7.9.1. Celebrity name plus dot-com or dot-co.za

As was pointed out above,³⁰⁷⁴ the sole requirement for a mark to constitute a common law trade mark is that the distinctive mark must have acquired a reputation by user. Therefore celebrities' names qualify for common law trade mark rights and protection.

The question that must be answered here is whether a fan of a particular celebrity is allowed to register a domain name consisting of that celebrity's name plus the TLD dot-com (or dot-co.za), seeing that this prevents the celebrity or his/her agents from

³⁰⁷¹ 1995 RPC 16 ChD:21.

³⁰⁷² 1995 RPC 16 ChD:21.

³⁰⁷³ 1995 RPC 16 ChD:23. The court prohibited the defendants from answering "telephone line numbered 0800 192939 other than by a recorded message clearly stating: This is 0800 192939. If you wish to call the Law Society's Accident Line, the correct telephone number is 0500 192939, I repeat, 0500 192939. Thank you for calling." (p 17 read with p23)

³⁰⁷⁴ See paragraph 3.1.2 of this chapter.

establishing an online presence by means of his/her own name. Let's assume that X registers the domain name www.kevinspacey.com and establishes a *bona fide* web site which he dedicates to the US actor Kevin Spacey. It is further assumed that the name Kevin Spacey is entitled to common law protection in South Africa.³⁰⁷⁵

With regard to the question whether X is guilty of unlawful competition, it can immediately be pointed out that X does not interfere with any right to attract custom or to trade without unlawful interference. However, it was contended above that courts should recognise trade mark proprietors' right to attract Internet users by means of their trade marks. Assuming that X infringes this right, the next question is whether his conduct is unlawful. Clearly A's conduct cannot be labelled as unfair and dishonest. Furthermore, it is cannot be said that A preys upon a third party's labour, investment or trade mark reputation to promote his own performance. In this instance, A uses the said domain name for his fan dedicated web site. Even if this contention should be wrong, A's domain name is protected by his constitutional right to freedom of expression, in that he uses this domain name as part of his communicative message.³⁰⁷⁶

The second question that requires attention is whether A is guilty of passing-off. It is difficult to say whether A, by using the celebrity's name plus dot-com, misrepresents that he or his web site is connected with the celebrity. It is also difficult to say whether Internet users, looking for information on a particular celebrity, expect to find a sort of official and authorised web site when they use the celebrity's name plus dot-com as a domain name,³⁰⁷⁷ or are they simply looking for information on the particular celebrity irrespective of who owns or controls the web site. Hence, it is uncertain whether A causes a likelihood of confusion or deception. However, it is submitted that one

³⁰⁷⁵ See the arguments advanced in paragraph 3.4.1.5.3 of this chapter.

³⁰⁷⁶ See paragraph 2.1.7.2 of this chapter.

³⁰⁷⁷ See the dissenting panellist's comment in *Bruce Springsteen v Jeff Burgar et al* WIPO case no D2000-1532: "The Dissenting Panelist concludes that the average internet user would not sift through thousands of hits searching for information on Bruce Springsteen. Instead, the internet user would devise shortcuts. One obvious shortcut is to go directly to bruce.springsteen.com with the expectation that it would lead to the official website ... The dominance of the '.com' name space is reflected in the common usage of the phrase '.com' as being synonymous with commercial activity on the Internet. Given a vast array of information on the performer Bruce Springsteen, the internet user is more likely than not to associate bruce.springsteen.com with commercial activity and with an official domain name, resolving to an official website." A copy of this judgment can be downloaded from <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1532.html>.

particular requirement of passing-off is lacking namely the requirement that the defendant must make the misrepresentation in the course of trade.³⁰⁷⁸ Seeing that A does not use his fan web site in the course of trade, he is not guilty of passing-off. Of necessity, different considerations apply, as explained below, where A uses this domain name to derive an income.

What should further be kept in mind is that A's celebrity-fan-web site is probably protected by his constitutional right to freedom of expression, as enshrined in section 16 of the *Constitution*. It is submitted that A's domain name is protected by this right in that he uses the domain name in combination with the corresponding web site to express his views on the celebrity, provided that he uses this domain name *bona fide* and for non-commercial purposes.³⁰⁷⁹ Stated differently, he uses the domain name as part of his communicative message.³⁰⁸⁰

However, where A sells advertisement banner spaces on his web site from which he derives an income, the scenario changes. In this instance he uses the celebrity's trade mark to attract custom and this can be argued to constitute unlawful competition in the form of leaning on, which will not be protected by A's constitutional right to freedom of expression in that it is not just and reasonable that A should use a third party's trade mark to derive an income, without paying royalties.

Finally, it can be mentioned that if South African courts were to maintain that Internet users perceive domain names consisting of celebrities' names plus dot-com (or dot-co.za) as officially sponsored web sites, such dot-com or dot-co.za domain names can be compared to character merchandising. In *Federation Internationale De Football and Others v Bartlett and Others*³⁰⁸¹ the court stated that the concept of character merchandising is well-known to the South African public. This refers to the scenario where an entity, for example Walt Disney, makes a particular name, character or symbol famous, such as the character Mickey Mouse, and then licenses other entities to use that name or symbol on their own products. The court was of the opinion that the consuming public will consequently be aware of the fact that a link exists between the merchandise property and the name, character or symbol and will further be aware

³⁰⁷⁸ See paragraph 3.2.1 of this chapter.

³⁰⁷⁹ Squyres 2001 contends that it would be fair for the trade mark proprietor, whose trade mark is employed as a domain name, to request both a disclaimer and a link to his official web site.

³⁰⁸⁰ See paragraph 2.1.7.2 of chapter four.

³⁰⁸¹ 1994 4 SA 722 T.

of the fact that the name or symbol in question is used, with permission, by the licensee.³⁰⁸²

Similarly, it can be argued that when an Internet user sees a dot-com or dot-co.za domain name, he will immediately associate that particular domain name with the official web presence of the celebrity in question.

3.4.7.9.2. Trade mark name or business name plus dot-com or dot-co.za

Similar questions, as those raised in the previous paragraph, arise where a Ferrari patron registers the domain name www.ferrari.co.za, for which he establishes a fan club-forum. This domain name prevents Ferrari or its South African affiliates from using a domain name incorporating Ferrari's trade mark name and/or business name which it could have use to sell Ferraris to South Africans or, at least, to provide information on Ferraris to South African citizens. Ferrari will either have a South African registered trade mark or a common law trade mark.

The first question is whether A is guilty of passing-off. It can be argued that where A uses the domain name www.ferrari.co.za (or dot-com) he causes a likelihood of confusion or deception in the form of initial confusion in that Internet users will expect to find Ferrari's business web site at this particular domain name.³⁰⁸³ However, it is submitted that one particular requirement of passing-off is lacking namely that the misrepresentation must be made in the course of trade:³⁰⁸⁴ A merely uses this domain name, together with the web site established therefor, as a fan dedicated forum. Therefore A is not guilty of passing-off. Of necessity, where A uses this domain name to derive an income, different considerations apply.

It is doubtful whether A is guilty of unlawful competition in that (1) the parties are not competitors; (2) A does not derive an income from this domain name, provided of course that he does not use the said domain name for commercial purposes; (3) he probably does not contravene the competition principle in that he does not attempt to base his performance on a third party's performance or on the reputation of that party's

³⁰⁸² See p 738B-C: "In view of the evidence that has been placed before me, I find that the concept of character merchandising has taken hold in South Africa. The man in the street would have knowledge thereof. He would make the link between the merchandising property and the events or circumstances which made it famous. He would be aware that the link is established by licensing or a licence."

³⁰⁸³ See the submissions in paragraph 3.4.1.8.2 of this chapter.

³⁰⁸⁴ See paragraph 3.2.1 of this chapter.

trade mark; (4) he does not act dishonestly; and (5) he does not attempt to prey upon a third party's trade mark reputation and/or performance. However, as noted above, A prevents Ferrari from using its trade mark name as its corresponding "South African" domain name. Furthermore, it is submitted that because this domain name prevents Ferrari from commercially exploiting its trade mark name and/or business name online and further probably causes initial confusion, it is not protected by A's constitutional right to freedom of expression. Should A register a domain name with another Top Level Domain, such as www.ferrari.info, A's constitutional right to freedom of commercial speech might protect the said domain name.

3.4.7.9.3. Male fide fan web sites (cybersquatting)

It follows, of necessity, that where someone uses a celebrity's name (which constitutes a common law trade mark) or a third party's registered or common law trade mark name as a domain name for his "fan-club web site", but in reality uses this domain name for his cybersquatting activities, such domain name is not protected by his constitutional right to freedom of expression. He would be guilty of unlawful competition in that he leans on the reputation of the said trade mark to derive a possible income. His conduct is against the competition principle in that he does not base his performance (i.e. web site) on its own merits but on the reputation of a third party. Such conduct can also be labelled as unfair and dishonest.

Furthermore, he would be guilty of passing-off in that by means of this domain name he makes a misrepresentation that his web site offers information on the proprietor of the said domain name, which misrepresentation is likely to cause confusion amongst Internet users. In addition, such misrepresentation is made in the course of trade, namely A's cybersquatting activities. Such use of the confusingly similar domain name is also likely to harm A's trade mark reputation or distinctiveness in the form of either dilution or tarnishment, especially where A establishes a pornography web site for this domain name.

3.4.8. Using a third party's trade mark as a metatag

Next this study observes how the South African common law applies to instances where someone employs a third party's trade mark name or business name as a metatag for his own web site.

3.4.8.1. Distributors, sellers and service providers using third parties' trade mark names as metatags

The question of law arises whether the common law allows, for example, distributors to use the manufacturers' trade mark names or business names as metatags for their own web sites, or for particular web pages, where they sell or promote that particular manufacturer's performance. Take the example where X sells Microsoft products (e.g. "Microsoft Windows XP", "Microsoft Office XP" and "Microsoft SideWinder Force Feedback 2" joysticks) by means of his web site, located at www.tsm.co.za. A uses the following words and phrases as metatags for his web site: "Microsoft", "Microsoft Windows", "Microsoft Windows XP", "Microsoft Office", "Microsoft Office XP", "Microsoft joysticks" and "Microsoft SideWinder Force Feedback 2". Consequently whenever an Internet user, situated anywhere in the world, searches for information on anyone of these products by means of a search engine (e.g. Google), X's domain name is displayed amongst the "hits" (domain names) listed by the search engine. The question is whether X commits either passing-off and/or unlawful competition.

X and Microsoft, in this instance, are competitors in that these products can directly be bought from Microsoft's web site located at www.microsoft.com. It is submitted that X is neither guilty of unlawful competition nor of passing-off in that he uses these Microsoft trade mark names to refer to Microsoft's products. He does not attempt to sell his own performances under the Microsoft trade mark. When the search engine lists X's web site as a relevant hit to the search term "Microsoft Windows XP" and the Internet user clicks on A's domain name, he will find the product. It is submitted that an Internet user will not search for the company Microsoft by using the search term "Microsoft": He will simply enter www.microsoft.com or dot-co.za. Therefore, no likelihood of confusion or deception arises. With regard to the delict of unlawful competition, it can be added that A's conduct cannot be labelled as either unfair or dishonest, nor does he contravene the competition principle, and he does not attempt to prey upon a third party's labour, investment and/or trade mark reputation to promote or sell his own performance. He simply uses the words and phrases to describe the products he sells at that particular web site or web page.

Note, however, that different considerations may arise where X engages in cyberstuffing, which refers to the scenario where X uses the above-mentioned trade mark names multiple times as metatags for his web page, with the result that when an Internet user, for example, searches either for information on the company Microsoft or

for information on any of the above products, X's domain name appears at the top of the "hit" list. Although X is still not guilty of passing-off in that he uses these trade mark names to refer to Microsoft's own products, it can be contended that A engages in unlawful competition in that (1) he abuses Microsoft's trade mark name - his web site will be listed higher than Microsoft's own domain name; and (2) this, in turn, can amount to unfair competition: In this instance, it can be argued that he attempts to take unfair advantage of Microsoft's trade marks.

3.4.8.2. Other third parties who have a legitimate interest

In many instances web site operators use third parties' business names or trade mark names as metatags for their web pages in order to allow Internet users to find their web sites. One immediately thinks of the scenario where an online newspaper (e.g. www.iol.co.za) displays an article concerning the entity Microsoft. Normally, the online newspaper will use the word "Microsoft" as a metatag for the web page where the aforementioned article is displayed. Likewise, where a computer game reviewing web site (such as www.gamespot.com) reviews a particular game or a particular hardware device, it normally uses the game's or device's trade mark name as a metatag. Otherwise Internet users will never be able to find the review or article.

It is submitted that these instances do not constitute passing-off in that the defendants use the trade mark names or business names to refer to the entity or product itself. Furthermore, when an Internet user employs the game's or device's trade mark name as a search query and the search engine displays a list of web sites addresses, it is submitted that the Internet user knows that not all the web site addresses displayed belong to the producer.³⁰⁸⁵ Some of them belong to third party sellers, others to game reviewers. Therefore, the defendant causes no likelihood of confusion or deception in that his web site is relevant to the Internet user's query.

Secondly, it is submitted that these defendants are not guilty of unlawful competition in that (1) these parties are not competitors; (2) they use the trade mark names to refer to the genuine products; and (3) the metatags ought to be protected by the defendants'

³⁰⁸⁵ See e.g. *Euromarket Designs Incorporated v Peters & another* 2001 FSR 20 ChD where the Chancery Division observed that "almost any search on the net almost always throws up a host of irrelevant 'hits.' You expect a lot of irrelevant sites. Moreover you expect a lot of those sites to be foreign." (At par 23). A copy of this judgment can be downloaded from www.bailii.org/ew/cases/EWHC/Ch/2000/179.html.

constitutional right to freedom of expression in that they use the plaintiffs' trade mark names as part of their communicative message.³⁰⁸⁶ Furthermore, it cannot be argued that the defendants' conduct is unfair or dishonest and neither do they attempt to prey upon a third party's labour, investment or trade mark reputation.

3.4.8.3. Cybersquatters using third parties' trade mark names as metatags

It is submitted that where a cybersquatter (hereafter referred to as "C") uses A's trade mark name or business name as a metatag for the web site he established for the domain name which he is attempting to sell to A or to A's competitors, he is guilty of -

- unlawful competition in that (1) his conduct violates the competition principle because he does not base his performance on its own merits but on the reputation of a third party's trade mark or business name; (2) such conduct is clearly *contra bonos mores* in that the Internet community is against cybersquatters using third parties' trade mark names and business names to make a quick profit; (3) such conduct can be labelled as unfair and dishonest; (4) where the web site does not contain any relevant information on the trade mark proprietor's performance or business, C is specifically guilty of misrepresentation as to own performance;³⁰⁸⁷ and (5) where X uses this metatag in combination with the domain name which he is attempting to sell to the trade mark proprietor (Microsoft), he infringes the proprietor's right to trade and to attract customers without unlawful interference.
- passing-off in that the metatag causes the search engine to display C's domain name as a relevant hit. Consequently when the Internet user clicks on the domain name link, expecting to find relevant information on the performance or business whose trade mark name or business name he used as a search query, he will find a web site that does not bear any relation to the former. This causes confusion and consequently the trade mark proprietor suffers prejudice.³⁰⁸⁸

3.4.8.4. Competitors using third parties' trade mark names as metatags

Where X uses the trade mark name or business name of Y, his competitor, as a metatag for his own web site which does not contain any information on Y or Y's

³⁰⁸⁶ See paragraph 2.1.7.2 of chapter four.

³⁰⁸⁷ See paragraph 3.4.1.7 of this chapter.

³⁰⁸⁸ See paragraph 3.4.1.7 of this chapter.

performances, X is guilty of both unlawful competition as well as of passing-off. X is guilty of unlawful competition because (1) he violates the competition principle in that he does not promote his performance on its own merits but rely on B's trade mark name or business reputation; (2) such conduct is clearly unfair and, therefore, against the *boni mores*; and (3) such conduct constitutes misrepresentation as to own performance³⁰⁸⁹ as well as leaning on.

X is also guilty of passing-off in that when an Internet user searches for Y's performance or business, by using A's trade mark name or business name as a search term, the search engine returns a hit list listing X's competing web site address as a relevant web site.³⁰⁹⁰ This causes, at least, initial confusion.³⁰⁹¹

It should also be mentioned that when X *bona fide* uses a descriptive word, which forms part of his business rival's trade mark name or business name, the common law protects X's metatag in that he uses this word to describe his performance and/or business.³⁰⁹²

Note should be taken of the scenario where X uses Y's trade mark name or business name as a metatag for one of his web pages where he compares his performance to Y's performance. Therefore he uses his competitor's trade mark name or business name for the purpose of comparative advertisement. It is submitted that X is not guilty of passing-off in that he does not make a misrepresentation: All that A states by using Y's trade mark name or business name as a metatag is that his web site contains information on Y's performance or business, which it does – it *bona fide* compares the latter's performance or business to his own business. It is also submitted that A is not

³⁰⁸⁹ See paragraph 3.4.1.7 of this chapter.

³⁰⁹⁰ See paragraph 3.4.1.7 of this chapter.

³⁰⁹¹ In this regard note can be taken of the UK case of *Road Tech Computers Systems Ltd v Mandata (Management and data Services) Ltd* 2000 ChD. The plaintiff was the owner of the registered and well-known trade marks "Road Tech" and "Roadrunner". The defendant, a business competitor, then used these trade mark terms as metatags for his direct competing business web site. The plaintiff instituted proceedings alleging passing-off. The court held that the defendant was guilty of passing-off in that all the elements of a passing-off action were present. In particular the court held that the misrepresentation was the use of metatags which represented to users looking for the plaintiff's products, by means of search engines, that the defendant's web site, and hence the products and services there advertised, were in some way connected with the plaintiff. Unfortunately, this case was not made available to me, so I had to rely on McILwaine 2000:35-37. Loundy 1997, a US commentator, argues that such use misrepresents, under given circumstances, "the nature, characteristics or qualities of the defendants' services - at least to the search engines."

guilty of unlawful competition in that such *bona fide* and reasonably correct comparison does not constitute leaning-on³⁰⁹³ and further it cannot be said that such comparison is *contra bonos mores*.³⁰⁹⁴ Even if the above submissions with regard to passing-off as well as unlawful competition are wrong, it is submitted that such comparative advertisements are protected by X's constitutional right to freedom of commercial expression.³⁰⁹⁵

3.4.8.5. Competitors using false descriptive words as metatags

Even though not directly relevant to this study, it should be mentioned here that whenever a competitor uses false descriptive words as metatags for his web pages, he is guilty of unlawful competition, specifically misrepresentation as to own performance, and any business rival can institute common law proceedings to obtain an interdict against the first-mentioned trader prohibiting him from using such false descriptions as metatags. A classic example is where A sells *wine* by means of his web site, but uses the word "whisky" as metatags for this particular web site.

3.4.8.6. Fan web sites

It was submitted earlier³⁰⁹⁶ that the common law allows a third party to establish a fan web site using the celebrity's name as a domain name. The question that needs to be addressed here is whether the creator (Z) of a fan club web site, irrespective of the web site address, is permitted to use the celebrity's name, which constitutes a common law trade mark, as a metatag for his fan web site.

It is submitted that where X uses the celebrity's name *bona fide* he is neither guilty of unlawful competition nor passing-off. Unlawful competition simply does not arise in that

³⁰⁹² See paragraph 3.2.2 of this chapter.

³⁰⁹³ See paragraph 3.3.8.3.1 of this chapter.

³⁰⁹⁴ The US commentator Gaffney is of the opinion that where B is the owner of the trade mark "X" and A includes the phrases "competitor X" or "competitor of X" or "compare X" as metatags in his web site, such conduct should not constitute trade mark infringement nor unlawful competition: "The use of the terms 'competitor and compare' preceding the trademark are not indicative of bad faith intent to capitalize on the trademark owner's reputation or to divert potential customers. This use is a good faith attempt by [A] to recreate the competitive marketplace through the Internet." See Gaffney 2000.

³⁰⁹⁵ See paragraphs 2.1.7.2, 4.5.2.1.5.2.2 & 4.5.2.3.6.1.2 of chapter four as well as paragraph 3.4.5.2 of this chapter.

³⁰⁹⁶ See paragraph 3.4.7.9.1 of this chapter.

(1) the parties are not competitors; (2) X does not interfere with any right to trade without unlawful interference; (3) X does not act *contra bonos mores* in that he uses the trade mark name for his *bona fide* dedicated fan web site; (4) his conduct cannot be labelled as unfair and dishonest; (5) X causes no confusion or deception,³⁰⁹⁷ and (6) his metatag is most probably protected by his constitutional right to freedom of expression in that he uses this metatag as part of his communicative message,³⁰⁹⁸ without causing any likelihood of confusion or deception.

The reason why it is submitted that no likelihood of confusion or deception arises in this instance is that Internet users know that not all web site addresses listed by a search engine are "official" web sites approved by the celebrity and/or his or her agents. See for example *Bruce Springsteen v Jeff Burgar et al*³⁰⁹⁹ where the WIPO panel noted that "[a]n internet search using the words 'Bruce Springsteen' gives rise to literally thousands of hits. It is perfectly apparent to any internet user that not all of those hits are 'official' or 'authorised' sites. The user will browse from one search result to another to find the information and material which he or she is looking for in relation to a search item, in this case the celebrity singer Bruce Springsteen."

X is also not guilty of passing-off because (1) his metatag-mark does not cause confusion or deception, as explained above, and (2) he does not use the mark in the course of trade, which is one of the requirements for a successful passing-off action.³¹⁰⁰

It is submitted that similar considerations, to those enunciated above, apply to the scenario where a Ferrari patron uses the "Ferrari" trade mark for his Ferrari dedicated web site.

3.4.8.7. Using a third party's trade mark name for the purpose of criticism

The question arises whether A is allowed to use B's trade mark name or business name as a metatag or metatags for the web site which he uses to criticise B or B's performance.

³⁰⁹⁷ See the submissions made in paragraph 3.4.1.7 of this chapter.

³⁰⁹⁸ See paragraph 2.1.7.2 of chapter four.

³⁰⁹⁹ WIPO case no D2000-1532. A copy of this judgment can be downloaded from <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1532.html>.

³¹⁰⁰ See paragraph 3.2.2 of this chapter.

It is submitted that A does not commit passing-off in that no likelihood of confusion or deception arises. When the Internet user searches for information on B's performance, by using B's trade mark name or business name as a search query, and the search engine subsequently displays A's web site address, the Internet user knows that not all the web site addresses belong to or are affiliated with B. Some of them will transport the Internet user to a web site that contains a review of B's product or perhaps negative comments about B or B's performance. Seeing that A's web site contains information on B or B's performance, he makes no misrepresentation and therefore no likelihood of confusion or deception arises. Furthermore, the requirement that A must use his offending mark in the course of trade³¹⁰¹ is lacking.

With regard to unlawful competition, it can be argued that (1) A does not contravene the competition principle in that he does not attempt to base his performance on the merits of a third party's performance; (2) he does not attempt to prey upon a third party's labour, investment or trade mark reputation; (3) A's use of the said metatag cannot be labelled as unfair and/or dishonest; and (4) A's use of the said metatag is protected by his constitutional right to freedom of expression, in that he uses the metatag as part of his communicative message, without causing confusion or deception.³¹⁰²

3.4.9. Keyword banner advertisements

3.4.9.1. Using a third party's trade mark name for keyword banner advertisements

Next the following question must be addressed: Where A uses B's trade mark name or business name for his *keyword banner advertisement*, is the former guilty of either passing-off and/or unlawful competition? Two scenarios come to mind:

- a) Where A pays the entity responsible for the particular search engine (e.g. Google) to display his banner, which includes his trade mark or business name, when an Internet user employs another entity's (B's) trade mark name or business name as a search phrase. For instance, when an Internet surfer uses "nike" as a search term, a "Reebok" advertisement is displayed.
- b) Where A pays the entity responsible for the particular search engine (Google) to

³¹⁰¹ See paragraph 3.2.2 of this chapter.

³¹⁰² See paragraph 2.1.7.2 of chapter four.

display his banner, which does not include his business' name or trade mark name, when an Internet user employs another entity (B's) trade mark name or business name as a search enquiry. For instance, when an Internet user uses "nike" as a search term, a banner is displayed, stating: "For the cheapest running shoes, click here!" When the user clicks on this banner, he is transported to Reebok's web site.

Both scenarios are dealt with together. It is submitted that in both instances A is guilty of unlawful competition: A infringes the trade mark proprietor's (B's) right to trade and attract custom without unlawful competition in that he uses B's trade mark or business name reputation to draw Internet users to his competing web site.³¹⁰³ It also clearly transpires from the aforementioned that A contravenes the competition principle and acts unfair vis-à-vis B. Consequently such conduct is *contra bonos mores* and unlawful. In both instances A commits unlawful competition in the form of leaning on in that he leans on B's trade mark or business name reputation to promote his own performance, whilst clearly distinguishing his own performance or business.

Note, however, that the above-submissions are not limited to competitors. Where anyone uses a third party's trade mark name or business name as a search enquiry for his banner, the parties become competitors in the sense that they are "looking" for the same Internet users.³¹⁰⁴

It is submitted that A is not guilty of passing-off in that Internet users will not automatically link the banner to the search enquiry. It would be careless of the Internet user to assume that the displayed banner relates to the search enquiry. In this regard see *S.A. Metal & Machinery Co (Pty) Ltd v Metal Salvage Co (Pty) Ltd*.³¹⁰⁵ The respondent put up his sign opposite the applicant's business and one customer subsequently assumed that the respondent's business was a branch of the applicant's business. The court held that this was an example of carelessness and thoughtlessness.³¹⁰⁶ The court further stated that "[o]ne must examine what the respondent had done, and if what he did was allowable in law applicant cannot claim to

³¹⁰³ This is supported by Polak *et al* 2000: "[A] shopper who originally intended specifically to access [Nike's] website is now browsing the website of [its] competitor, drawn away unwittingly by the unauthorized use of [the former's] own trademarks or company name."

³¹⁰⁴ For more detail on this aspect see paragraph 3.4.1.1 of this chapter.

³¹⁰⁵ 1952 4 SA 302 C.

³¹⁰⁶ 1952 4 SA 302 C:311E.

interdict it, even if the result of the respondent's actions be a loss of business to the applicant. The very object of putting up a signboard is to attract those persons who might otherwise resort to the applicant. This the respondent was entitled to do provided it did not hold out that there was a connection between its business and that of the applicant."³¹⁰⁷

3.4.9.2. Is the search engine operator liable in terms of the common law?

As stated above,³¹⁰⁸ where A uses B's trade mark name or business name as a search term for his banner advertisement, he is guilty of unlawful competition. The question that arises is whether the search engine operator (SEO) is also liable in terms of the common law.

It is submitted that this question must be answered in the negative in that his search engine merely acts as an instrument in the hands of A. Therefore, he does not directly commit unlawful competition. Furthermore contributory liability will only arise where the SEO assists or aids A, knowing that the latter infringes upon B's trade mark rights or, negligently in the sense of a reasonable man would have known that such a search term infringes upon a third party's trade mark rights.

3.4.10. Specific issues pertaining to trade mark names consisting of surnames

This study now turns to questions surrounding the use of domain names and metatags consisting of the defendant's surname, which surname also constitutes the plaintiff's registered or common law trade mark. The issues pertaining to the use of celebrities' names as domain names and metatags were addressed earlier in this study and are therefore not repeated here.³¹⁰⁹

3.4.10.1. Registering and using a domain name which incorporates the plaintiff's surname-trade mark

The scenario that must be addressed here is where A is the proprietor of a common law or a registered trade mark, consisting of his surname, and B, who has the same surname, registers a domain name incorporating his surname, which he uses for

³¹⁰⁷ 1952 4 SA 302 C:311H-312A.

³¹⁰⁸ See the previous paragraph.

³¹⁰⁹ See paragraphs 3.4.7.9.1 & 3.4.8.6 of this chapter.

business purposes. One immediately thinks of the common surname "Ford". The question is whether B is guilty of passing-off and/or unlawful competition.

With regard to the issue of passing-off, it will be remembered that South African courts maintain that the same common law principles apply to a trade mark consisting of a surname than to other trade marks.³¹¹⁰ Therefore, the only question that arises is whether B makes a misrepresentation by means of his domain name which causes a likelihood of confusion or deception. A domain name such as www.ford.co.za will constitute an implied misrepresentation that it is in some way connected with the well-known entity Ford Motor Company. Therefore, initial confusion is present. Seeing that a court cannot prevent a defendant from using his own surname as part of his domain name, the question arises whether the web site established for B's domain name adequately distinguishes his business, web site or performance from the business or performance of the well-known trade mark proprietor. Where B can prove *male fide* intent on the part of B, the court will presume that a likelihood of confusion or deception is present.³¹¹¹ It is further submitted that where B uses his surname to sell goods that compete with A's goods, the court will not allow B to keep this domain name in that it enables him to draw custom to his web site by means of a third party's trade mark reputation.

Similar considerations arise in connection with the common surname "Venter", which is probably well-known because of the product "Venter trailers". However, the fact that an individual or company made a specific surname famous does not mean that the particular company or individual enjoys an exclusive right to all domain names incorporating that particular surname. Any other person with the surname Venter is permitted to register the domain name www.venter.co.za, provided that (1) he acts *bona fide* and (2) he sufficiently distinguishes his business or performance by means of the web site established for that domain name. Of course, where the third party does not use the said domain name in the course of trade, a passing-off action cannot be instituted against him.³¹¹²

With regard to the question whether A is guilty of unlawful competition, it is submitted that A infringes B's right to attract custom and to trade without unlawful interference seeing that he prevents B from registering a domain name that most logically reflects

³¹¹⁰ See paragraph 3.2.6.4 of this chapter.

³¹¹¹ See paragraph 3.2.6.5 of this chapter.

³¹¹² See paragraph 3.2.2 of this chapter.

his surname. It follows that the sole question left is whether such interference with B's right is unlawful. This question involves a weighing up and balancing of the parties' competing interests as well as taking B's motive for registering this particular domain name into consideration. It is submitted that the considerations enumerated above apply equally here.

The interesting question is whether a third party, whose surname is not Venter or Ford, is entitled to register the domain name www.venter.co.za or www.ford.co.za. It is submitted that in most instances the owner of such a domain name will not be able to provide a sufficient reason why he chose that particular domain name to promote his business, whatever it may be, leaving aside the scenario where distributors register these domain names. In most instances, the defendant will be engaged in cybersquatting and consequently the principles discussed in paragraph 3.4.7.6.1 of this chapter apply equally.

3.4.10.2. Using a third party's surname-trade mark as a metatag

The next question arises whether A is allowed to use his surname (either Venter or Ford) as a metatag for his own web site, where such surname constitutes a third party's (B's) common law or registered trade mark.

It is submitted that the answer to this question depends on whether A's business or product uses the word "Venter" or whether A's business or product has come to be known as "Venter" or e.g. "Venter's Panel beaters". In such an instance it is submitted that A should be allowed to use his own surname as a metatag for his web site. Of necessity, where the surname in question is extremely well-known, such as the surname "Ford", A is still allowed to use his surname (Ford) as a metatag for his web site, provided that his web site clearly distinguishes his business and/or performance from the internationally well-known entity Ford Motor Company.

Where A's surname is not Ford and where his business or performance is not known as "Ford" or "Ford's", and A uses this surname as a metatag for his web site, he is guilty of unlawful competition in that he uses the reputation of a third party's trade mark to promote his own web site and therefore violates the competition principle. In particular, he is guilty of leaning on. His conduct can also be labelled as unfair and dishonest. He is also guilty of passing-off in that he misrepresents, by using this metatag, that his web site is connected with the entity Ford Motor Company or (at

least) contains information about Ford Motor Company or the latter's performances, which misrepresentation is likely to cause prejudice to the proprietor of the trade mark or business name in the form of dilution of his trade mark or business name.

3.4.11. Copyright issues

The study next turns to certain copyright abuses and addresses the question how the common law applies to these instances.

3.4.11.1. Unauthorised reproductions of copyrighted photos

3.4.11.1.1. Using copyrighted photos for auction web sites

The following scenario occurs everyday on auction web sites around the world and in South Africa and must therefore be addressed: X wants to sell a laser printer by means of an auction web site, such as www.bidorbuy.co.za. Auctions sellers can post digital photographs next to their auctions in order to enable Internet users to see what their products look like. In most instances, the auction seller simply goes to the manufacturer's web site where he will find a picture of all the printers manufactured by that particular manufacturer. X subsequently copies the relevant picture corresponding to the printer he intends to sell and posts this picture on his auction web page. The question is whether such unauthorised reproduction of a copyright protected work constitutes either passing-off or unlawful competition. X can either be an individual who wishes to sell his home printer as a second hand product or he can be a distributor who sells new products by means of the Internet.

It is submitted that in such instances, X does not commit passing-off in that he uses the manufacturer's copyrighted work (the photo) to show Internet users what the latter's product looks like. Therefore no likelihood of confusion or deception arises. For the same reason, it is contended that X is not guilty of unlawful competition. It can be added that X's conduct cannot be labelled as unfair and/or dishonest. Furthermore, he does not make a misrepresentation as to own performance and he does not attempt to prey upon a third party's labour and/or investment.

It should be noted that where A uses an incorrect digital photograph next to his product on the auction web page, he commits unlawful competition in the form of misrepresentation as to own performance in that he misleads Internet users as to the

appearance and/or characteristics of his performance.

3.4.11.1.2. Distributors using manufacturer's copyrighted photo(s)

Next it must be ascertained whether a distributor who e.g. sells or promotes motor vehicles by means of his web site and uses one or more of the manufacturer's copyrighted photos for his web site, is guilty of passing-off and/or unlawful competition.

It is submitted that passing-off does not arise in that no likelihood of confusion arises: The distributor uses the photograph in connection with the genuine product. Likewise it is submitted that the distributor is not guilty of unlawful competition: (1) The parties, namely the distributor and the manufacturer, are normally not competitors; (2) The distributor does not infringe the manufacturer's right to attract to custom or Internet users without unlawful competition; and (3) The distributor uses the photo in relation to genuine products. Although it can be argued that the distributor misappropriates a third party's property (the digital photo), such misappropriation is *de minimis*.

3.4.11.1.3. Competitors using copyrighted photos for competing businesses

It is submitted that where an online pornography web site operator (X) copies or digitises e.g. Playboy photographs and displays them on his subscription web site, he commits unlawful competition in that he interferes with Playboy's right to trade and attract custom without unlawful interference seeing that he derives an income from Playboy's photos without paying royalties to the latter. Such interference is unlawful in that it impinges upon the competition principle: X does not base his performance on its own merits but on his competitor Playboy's photos. Such conduct is clearly unfair and dishonest and further against the *boni mores*. In particular such conduct constitutes misappropriation of a competitor's performance.

It is further submitted that where X copies Playboy's photos to his subscription web site, he passes such photos off as his own: By posting the photos on his web site, he misrepresents, tacitly, that he is the proprietor or author of the photos or that he is authorised to sell or display these photographs, which misrepresentation is likely to cause confusion or deception and further prejudices the copyright proprietor, as explained above.

3.4.11.1.4. Using copyrighted photos for comparative advertisements

The question that arises is whether the following conduct constitutes either passing-off and/or unlawful competition: Hewlett Packard (hereafter "HP") and Canon are competitors. Both manufacture printers. On one of HP's web pages it compares one of its top-selling printers to a particular Canon printer. In order to allow the Internet user to fully compare their products, HP goes to Canon's web site, copies the relevant photo of the printer and pasts it on its web page, next to a photo of its (HP's) printer.

It is clear from the above scenario that passing-off does not arise in that the Internet user will be fully aware that HP is comparing its printer with a competitor's printer. With regard to the question whether X is guilty of unlawful competition, it was pointed out above that one competitor is allowed to compare his performance with another competitor's performance. Such comparative advertisement is constitutionally protected by the right to freedom of commercial expression.³¹¹³ Likewise, it is submitted that X should be allowed to use these photos in order to allow the Internet user to fully compare their respective performances, provided that X makes no misleading statements and that he gives recognition to the source of the photo.

3.4.11.1.5. Using copyrighted photos for a fan web site

The question arises whether X commits passing-off and/or unlawful competition in the following scenario: X operates a fan web site dedicated to a specific celebrity. Subsequently, he copies third parties' copyrighted photos of this particular celebrity to his web site, without the third parties' authorisation. Copyright infringement was discussed earlier in this study.³¹¹⁴

It is submitted that X is not guilty of passing-off in that he does not make a misrepresentation *in the course of trade*,³¹¹⁵ where he uses the above-mentioned web site as a *bona fide* non-commercial dedicated fan forum. Furthermore, where he clearly states on his web site or web page that these photos do not belong to him, no likelihood of confusion or deception can arise. However, in practice, most fan web sites display third party banner advertisements from which they derive an income. The question is whether this fact causes X to use the said photographs in the course of

³¹¹³ See paragraph 3.4.5.2 of this chapter.

³¹¹⁴ See chapter three.

³¹¹⁵ See paragraph 3.2.2 of this chapter.

trade. It is submitted that this question must be answered in the affirmative in that then X uses these photographs to enhance his web site from which he derives an income. Should X fail to include such a disclaimer in such an instance, the difficult question arises whether X makes a misrepresentation by posting these photographs on his web site or web page, and, if so, whether it causes a likelihood of confusion or deception. It is submitted that where such a disclaimer is lacking, the average Internet user will assume that X is either the proprietor of the said photographs or that he has a licence to display these photos. Stated differently, by displaying these photos without the above-mentioned disclaimer, X misrepresents that he is the proprietor thereof or that he has a licence to display them. Prejudice is present in that copyright proprietors lose fees whenever third parties copy their work without paying the applicable royalties.

The question regarding unlawful competition is more difficult. As was submitted in paragraph 5.5.3.1.12 of chapter three, where X only copies one copyrighted photo his conduct will probably be protected by his constitutional right to freedom of expression, as guaranteed by section 16 of the *Constitution*. Furthermore, such copying may also constitute *de minimis* copyright infringement. However, where X copies numerous photos from one or many web sites, his right to freedom of expression will not protect his copying. In such instances, his unlawful interference with the proprietor's right to attract custom and/or internet users overshadows his constitutional right. Furthermore, his conduct will be unlawful in that he misappropriates a third party's performance. Such conduct can further be labelled as unfair vis-à-vis the copyright proprietors and X also contravenes the competition principle in that he bases his competing performance (i.e. his web site) on third parties' performances (photos).

3.4.11.2. Other online misappropriations

Take the following as an example. A, an Internet news-distributor, daily publishes the news it gathers by means of skill and labour on the Internet. B, a competitor, copies such information, immediately after A releases such information on the Internet, and displays it as his own on his web site. It is clear that B is guilty of unlawful competition, specifically in the form of misappropriation of his competitor's performance. B infringes A's right to trade and attract custom without unlawful interference. Such interference is clearly unlawful in that B acts in conflict with the competition principle: He bases his performance entirely on the merit of his competitor's performance and consequently acts *contra bonos mores*. His conduct is also extremely unfair. As the Supreme Court

of Appeal put it in *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd*:³¹¹⁶ A is "selling [B]'s product as if it were its own product. Because this [amounts] to the filching of the fruits of another's skill, labour, etc, it [constitutes] unlawful competition."³¹¹⁷ Furthermore, A's conduct constitutes a misrepresentation as to own performance in that he misrepresents that the performance is his. Consequently, such conduct also constitutes passing-off.

It is further submitted that where A copies B's news article, as explained above, A will still be guilty of unlawful competition even where he gives recognition to the source of the information. Such conduct still constitutes a misappropriation of a third party's performance, as explained above.

It can further be mentioned that the Supreme Court of Appeal in *Schultz v Butt*³¹¹⁸ approved the judgment of the US Supreme Court in *International News Service v The Associated Press*³¹¹⁹ dealing with the copying of a rival's newly released news articles.³¹²⁰

3.4.11.3. Removing or adding digital rights information and trade marks

It is submitted that where X removes the digital rights information³¹²¹ from B's electronic photos and subsequently either sells these photos to third parties or uses them for his own subscription service, without informing the subscribers that they belong to someone else, X is guilty of unlawful competition in that he infringes the copyright proprietor's right to attract custom and to trade without unlawful interference: He sells those photos as his own, thereby depriving the proprietor of income. It is further clear that X's conduct is unlawful in that he contravenes the competition principle by selling a competitor's performance as his own. Furthermore, such conduct is clearly dishonest and unfair. X's unlawful conduct therefore constitutes both misappropriation of a competitor's performance as well as misrepresentation as to own performance in that he misrepresents that these photos belong to him.

³¹¹⁶ 1991 1 SA 412 A.

³¹¹⁷ 1991 1 SA 412 A:421C-G.

³¹¹⁸ 1986 3 SA 678 A.

³¹¹⁹ 1918 248 US 215.

³¹²⁰ Discussed in paragraph 2.2.1.1 of this chapter.

³¹²¹ Digital rights information was explained in paragraph 2.2 of chapter three.

It is further submitted that X is guilty of passing-off in that by removing the digital rights information he deceives third parties as to the origin of his performance: He misrepresents that he is the copyright proprietor thereof. See e.g. *Kops & Rawlings (S.A.) Ltd and Others v Greenberg Brothers*³¹²² where the court maintained that when the defendant uses the plaintiff's bottle, with the latter's label, to sell his (the defendant's) liquor, the defendant commits passing-off.³¹²³

Likewise, it is submitted that where A takes B's digital photo, digitises it and adds false rights management information to the effect that the photo purportedly belongs to him (A), and subsequently posts this photo onto his web site, he commits both passing-off as well as unlawful competition. See the above submissions.

It is further submitted that where Z displays photographs on his web site and falsely states that these photos belong to e.g. Playboy, he is guilty of both passing-off, in that he causes confusion and deception amongst Internet users in the course of trade as to the source of his performance, as well as unlawful competition in the form of misrepresentation as to own performance. In particular, he acts *contra bonos mores* in that his conduct is both dishonest and unfair and, further, he violates the competition principle by basing his performance on the reputation of a third party's well-known trade mark reputation. Authority for this proposition can be found in the UK case of *Clark v Associated Newspapers Ltd*.³¹²⁴ The facts were that X was a famous author who wrote articles for certain newspapers. Y, a newspaper publisher, misrepresented to the public that X had written certain articles for it. X alleged that Y was guilty of passing-off. The Chancery Division set out the following principles:

1. A substantial (or larger) number of readers have to be misled or are likely to be misled.³¹²⁵
2. The protection afforded by the law is against deception of readers of a literary work as to its authorship:³¹²⁶ "The plaintiff is entitled to protection from false attribution of authorship made to readers of a newspaper put into circulation by the defendant."³¹²⁷

³¹²² 1910 WLD 1.

³¹²³ 1910 WLD 1:2-3.

³¹²⁴ 1998 1 ALL ER 959 ChD.

³¹²⁵ 1998 1 ALL ER 959 ChD:966g.

³¹²⁶ 1998 1 ALL ER 959 ChD:966h.

³¹²⁷ 1998 1 ALL ER 959 ChD:966h-j.

3. Members of the public must be taken as they are found, and should not be assumed to know certain facts.³¹²⁸
4. False attribution of authorship is calculated to place his reputation and goodwill at risk of substantial damage and indeed to cause damage.³¹²⁹

3.4.12. Possible court orders

The question that must be addressed under this heading is: When the defendant is guilty of either unlawful competition and/or passing-off what is a court empowered to order in terms of the common law?

Of necessity, the court can order the defendant to pay damages to the plaintiff, where the latter suffered damages as a result of the defendant's unlawful conduct. Furthermore, the court can interdict the defendant from registering any further domain names or using any further metatags that would cause passing-off or unlawful competition. It is further submitted that the court can order the defendant to remove the infringing mark(s) from his web pages.

However, the cardinal question is whether the court enjoys the inherent jurisdiction to order the defendant to transfer the infringing domain name to the plaintiff. It is submitted that this question can be answered in the affirmative. Authority for this submission is *Truth Verification Testing Centre v PSE Truth Detection CC & Others*.³¹³⁰ The respondent instructed the company responsible for compiling the Johannesburg telephone directory to insert its telephone number next to the applicant's business name. This was done without the applicant's authorisation. Consequently, whenever a third party sought the applicant's business, he would reach the respondent's answering service. The applicant contended that the existence of that particular entry was a serious instance of passing-off seeing that the Johannesburg Telephone Directory is an important telephone reference.³¹³¹ The court held that the respondent was guilty of passing-off. The court subsequently ordered that:

"The only effective form of protection that can therefore be granted to the applicant is to compel the first and second respondents to stop making use of the second respondent's said home telephone number. Whilst there does not seem to be any

³¹²⁸ 1998 1 ALL ER 959 ChD:966j.

³¹²⁹ 1998 1 ALL ER 959 ChD:968c.

³¹³⁰ 1998 2 SA 689 T.

³¹³¹ 1998 2 SA 689 T:695H-I.

precedent for such an order, there is no other adequate remedy available to the applicant ... I do not believe that an action for damages will constitute an adequate remedy in this instance. It will be very difficult (if not impossible) for the applicant to prove the *quantum* thereof. Applying the principle *ibi ius ibi remedium* the applicant should be allowed adequate protection against the harm described above. There ought to be no difficulty in changing the second respondent's home number or having a new number allocated to the second respondent. The second respondent's only complaint to the suggestion that the said number should no longer be used is that she and the first respondent will suffer inconvenience, were such number to be changed or cancelled. It is significant to note that, in the answering affidavit, the second respondent undertakes to furnish any person attempting to make contact with the applicant in consequence of the entry in the Johannesburg Telephone Directory with the applicant's correct telephone number. This attitude signifies, in my view, an acceptance of the likely consequence of the present entry as contained in the Johannesburg Telephone Directory, namely that it will lead a person seeking to make contact with the applicant to the first and second respondents and lead him to believe that their business is part of or connected with that of the applicant. No doubt, the telephone of the first and second respondents will be answered by a person who will quote the name of the first respondent's business. This is likely to result in the caller being misled or substantially confused."³¹³²

It is submitted that on the basis of this judgment, the court enjoys, at least, the power to order the defendant to cease using the infringing domain name and to instruct the relevant domain name registration entity³¹³³ to cancel the domain name registration. However, as US courts indicated,³¹³⁴ merely ordering the defendant to instruct the entity, responsible for registering domain names, to cancel the domain name registration, leaves the plaintiff vulnerable to further cybersquatting and unlawful activities. Furthermore, as numerous South Africa courts indicated, courts enjoy the inherent power to make their judgments effective.³¹³⁵ In addition, a court should never adopt a *non possumus* attitude.³¹³⁶ It is, therefore, submitted that the court should order the defendant to directly transfer the infringing domain name to the plaintiff.

The question remains whether the court should order the plaintiff to reimburse the

³¹³² 1998 2 SA 689 T:700H-701D.

³¹³³ Namely the registrar.

³¹³⁴ See paragraph 2.2.10.1 of chapter four.

³¹³⁵ See paragraph 3.2.9.2 of this chapter.

³¹³⁶ *Lenco Holdings Ltd and Others v Eckstein and Others* 1996 2 SA 693 N:705A.

defendant's for the costs incurred in registering the said domain name. One should keep in mind that even where A steals B's motor vehicle, A is, after the motor vehicle is returned to B, entitled to compensation for necessary and useful expenses incurred.³¹³⁷ Therefore, it can be argued that even though the community is against cybersquatting, the plaintiff should not be enriched at the expense of the cybersquatter, which will be the case where the court orders the defendant (the cybersquatter) to transfer the domain name to the plaintiff, without simultaneously ordering the latter to reimburse the defendant. A fair and just amount would be the registration fee paid by the defendant for registering the disputed domain name(s).³¹³⁸ Where the defendant developed a *bona fide* "valuable" web site and he is then ordered to transfer the domain name to the trade mark proprietor, another basis for calculating the "reimbursement" will have to be found.³¹³⁹

4. DATABASE PROTECTION

A particular arrangement or compilation ought to be protected by the law of unlawful competition in that even though the materials utilised are available to the use of anybody, "the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process."³¹⁴⁰

However, it should be kept in mind that the principles of unlawful competition provide no protection against private unauthorised use of databases.³¹⁴¹

5. CONCLUSION

The common law, as applied to the Internet, can be summarised as follows:

1) A domain name can constitute a common law trade mark whenever the domain

³¹³⁷ Eiselen & Pienaar 1999:283.

³¹³⁸ Note that in *Reed Publishing (Nederland) B.V. et al v Execulink Inc et al* 1998 WL 812246 (D.N.J. 1998) the US court ordered the cybersquatter to transfer the disputed confusingly similar domain name to the trade mark proprietor "at no cost". A copy of this judgment was obtained from Westlaw.

³¹³⁹ An example is where A developed a *bona fide* fan web site and the court then orders him to transfer the corresponding domain name to the trade mark proprietor.

³¹⁴⁰ *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* 1948 65 RPC 203 CA:215. In *Feist Publications Inc v Rural Telephone Service Co Inc* 499 US 340 (1991) the Supreme Court stated (on 354) that protection for the investment of labour and capital in non-creative databases "may in certain circumstances be available under a theory of unfair competition."

³¹⁴¹ Pistorius 2000:189.

name functions as a trade mark, i.e. when it can distinguish the performance to which it relates from third parties' competing performances.

- 2) A common law trade mark can lose its distinctiveness due to the advent of technology.
- 3) The term "competitors" should not be limited to those entrepreneurs or entities selling or promoting competing performance or whose performances serve the same group of customers, but should be extended to include instances where the one party does something *male fide* to benefit from his competitor's reputation or to divert the latter's customers to his business and/or online presence.
- 4) Where the plaintiff's trade mark or business name only enjoys reputation in a particular city and the defendant *bona fide* registers an infringing domain name by means of which he conducts business online, the plaintiff is not entitled to prohibit the latter from conducting business by means of the said domain name. The court should only compel the defendant to post prominent disclaimers on his web site.
- 5) Whenever someone uses a third party's trade mark name or business name as a metatag for his competing or non-competing web site, he makes an implied representation that his web site is affiliated or connected with the third party or that it contains information on the third party or his business or performance. Where this representation is false, it causes a likelihood of confusion or deception.
- 6) The technique of hyperlinking and deep-linking is lawful. Furthermore, the linking party is allowed to use the "linked to" party's registered or common law trade mark as such for his hyperlink or deep-link.
- 7) The technique of framing is unlawful in that it constitutes unlawful competition: The framing party misappropriates the performance of the framed party. Where the framing party frames the third party's content in such a way that Internet users will labour under this wrong impression that the content belongs to the framing party, the latter is also guilty of passing-off.
- 8) When competitor A uses competitor B's trade mark for the purpose of comparative advertisement A does not commit unlawful competition in that his comparison is protected by his constitutional right to freedom of expression.
- 9) The law allows A to register a domain name consisting of B's trade mark name or business name plus a "negative" prefix or suffix such as "anti" or "sucks" when A wants to use this domain name as a forum to voice criticism against B or his products. Such conduct is protected by A's constitutional right to freedom of expression. Furthermore, A is allowed to use B's registered or common law trade

mark together with the word "sucks" for his web site. Such use is also protected by his constitutional right to freedom of expression.

- 10) Where a cybersquatter registers a domain name which incorporates a third party's trade mark name or business name he is guilty of both passing-off and unlawful competition.
- 11) Where a typosquatter registers a domain name which closely imitates a third party's trade mark name or business name, he is guilty of both passing-off as well as unlawful competition.
- 12) Although celebrities' names constitute common law trade marks, A is allowed to register a domain name consisting of the celebrity's name plus any Top Level Domain, which he uses *bona fide* as a fan club forum. Such conduct is protected by A's constitutional right to freedom of expression. However, where the defendant uses the web site established for the said domain name to derive an income, he is guilty of unlawful competition, specifically in the form of leaning on.
- 13) Where the defendant instructs and/or pays a search engine operator to display his banner when an Internet user searches for the plaintiff's online business or for information on the latter's products, the defendant is guilty of unlawful competition in the form of leaning on.
- 14) Where the defendant registers a domain name incorporating his own surname, but such surname also constitutes the common law or registered trade mark of a third party, the defendant is allowed to use his surname *bona fide* as his domain name provided that he clearly distinguishes his performance, business or web site either by means of the domain name or by means of the web site established for that domain name. The more well-known the plaintiff's trade mark, the more distinguishing the defendant's web site and/or disclaimers will have to be. However, the courts should not allow a defendant to register a domain name, consisting of his surname, when he uses that domain name to sell or promote direct competing performances or when he registered it *male fide* with the intent to benefit from the well-known trade mark's reputation.
- 15) Where A uses the manufacturer's copyrighted photo for this auction web page, he commits neither passing-off nor unlawful competition.
- 16) Where A uses his competitor's copyrighted photos for commercial exploitation, A is guilty of passing-off in that he misrepresents that he is the owner of the photos, which misrepresentation is likely to cause confusion or deception. He is also guilty of unlawful competition, specifically in the form of misappropriation of a competitor's

performance and as well as misrepresentation as to origin of his performance.

17) South African courts enjoy the power to order the defendant to transfer his infringing domain name to the plaintiff, provided the latter reimburses him by paying the registration fee.

SUMMARY

The purpose of this study was to ascertain whether (1) *the Copyright Act 98 of 1978*, (2) *the Trade Marks Act 194 of 1993* and (3) the South African common law provide adequate protection to copyright and trade mark proprietors against Internet infringements. Specifically, the study observed when copyright and trade mark protection is violated by Internet conduct. Furthermore, the study observed the influence of both the constitutional right to freedom of speech as well as the constitutional right to privacy on possible copyright and trade mark infringements. The study also made certain recommendations to bring the above-mentioned legislation in line with the aforementioned constitutional rights as well as the Internet. In addition, the study also observed how local courts will apply the common law principles, with specific reference to passing-off and unlawful competition, to specific Internet scenarios. The interaction between the common law and the constitutional right to freedom of speech was also studied.

The study specifically observed how American courts applied and extended their own principles to the Internet in order to meet the demands of the twenty-first century. The study made generous use of the vast American jurisprudence to observe how Internet and computer users employ the Internet to infringe third parties' copyright, trade mark and common law rights. Where the relevant American principles correspond with the South African principles, the study made use of these principles to propose how the South African principles should be applied to the Internet, in order to reach an answer which not only balances the parties' respective right or interests, but also advances the interests of the South African community.

In addition, the study observed relevant international developments such as the *European Convention on Cybercrime*, the *European Copyright Directive*, and the *WIPO Copyright Treaty*. Specific note was also taken of the international *Universal Dispute Resolution Procedure* as well as panel judgments resolving trade mark infringements in terms thereof.

It should also be mentioned that the various technology used by copyright proprietors to protect their rights from electronic infringement, such as digital watermarks, digital rights management and audio fingerprinting, was also studied.

OPSOMMING

Die doel van hierdie studie was om vas te stel of (1) die *Wet op Outeursreg* 98 van 1978, (2) die *Wet op Handelsmerke* 194 van 1993 so wel as (3) die Suid-Afrikaanse gemene reg voldoende beskerming verleen aan die houers van outeursreg en handelsmerke teen Internet skendings. Die studie het spesifiek vasgestel watter elektroniese handelinge outeursregte en handelsmerkregte skend. Die studie het verder die invloed van beide die grondwetlike reg op vryheid van spraak sowel as die grondwetlike reg op privaatheid op moontlike outeursreg- en handelmerk skendings vasgestel. Met betrekking tot bogenoemde wetgewing was sekere aanbevelings ook gemaak ten einde dié wetgewing in lyn te bring met bogenoemde konstitusionele regte sowel as die Internet. Die studie het ook bepaal hoe die howe die gemene reg, spesifiek ten opsigte van aanklamping en onregmatige mededinging, sal toepas op spesifieke Internet scenario's. Die interaksie tussen die gemene reg en die grondwetlike reg op vryheid van spraak was ook bestudeer.

Die studie het spesifiek gelet op hoe die Amerikaanse howe hul eie beginsels toegepas en uitgebrei het ten opsigte van die Internet ten einde aan die vereistes van die een-en-twintigste eeu te voldoen. Die studie het gebruik gemaak van die Amerikaanse regsleer ten einde vas te stel hoe Internet en rekenaar gebruikers die Internet misbruik om derde partye se outeursreg, handelmerk regte en regte in terme van die gemene reg te skend. Waar die relevante Amerikaanse beginsels ooreengestem het met die toepaslike Suid-Afrikaanse beginsels, het die studie gebruik gemaak van eersgenoemde beginsels ten einde voor te stel hoe die Suid-Afrikaanse beginsels toegepas behoort te word op die Internet, ten einde 'n oplossing te bereik wat nie net die party se onderskeie regte balanseer nie, maar wat ook die belange van die Suid-Afrikaanse gemeenskap bevorder.

Verskeie internasionale verwickelinge was ook bestudeer, soos die Europese *Konvensie oor Internet Misdade* ("*Convention on Cybercrime*"), die Europese *Kopiereg Direktief* ("*Copyright Directive*") en die *WIPO Kopiereg Verdrag* ("*WIPO Copyright Treaty*"). Die studie het spesifiek ook gelet op die internasionale *Universele Dispuut Resolusie Prosedure* ("*Universal Dispute Resolution Procedure*") en paneel beslissings wat handelsmerk skendings in terme daarvan opgelos het.

Verder het die studie ook kennis geneem van tegnologie wat outeursreghouers gebruik

ten einde hul regte te beskerm, soos byvoorbeeld digitale watermerke, digital regte bestuur ("*digital rights management*"), en klank afdrucke ("*audio fingerprinting*").

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KEY TERMS

Internet, trade marks, copyright, unlawful competition, passing-off, Universal Dispute Resolution Procedure, Internet related crimes, Internet risks, domain names, e-commerce.