

DEPRIVATION OF TRADE MARKS  
THROUGH STATE INTERFERENCE  
IN THEIR USAGE

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*DEPRIVATION OF TRADE MARKS THROUGH STATE INTERFERENCE IN THEIR USAGE*

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# ABOUT THE AUTHOR



Owen Dean holds the degrees BA (Law), LLB and LLD from Stellenbosch University, obtained in, respectively, 1964, 1966 and 1989. He is admitted to practice as an attorney in South Africa, Namibia and Botswana.

Dean is a previous Chairman, presently a consultant, of Spoor and Fisher, leading intellectual property attorneys. His personal fields of specialisation include trade mark and copyright law, with a special emphasis on litigation and opinion work. He served on the Government's Advisory Committee on Intellectual Property Law for 20 years and as Chairman of the Copyright Subcommittee of that committee. He is also a former President of the South African Institute of Intellectual Property Law. He conceived and chaired the Drafting Committee of the Counterfeit Goods Act and also conceived and drafted section 15A of the Merchandise Marks Act (ambush marketing).

Dean is the author of the *Handbook of South African Copyright Law*; the author of the chapter on "South Africa" in *International Privacy, Publicity and Personality Laws*, edited by Michael Henry; the author of the chapter on "South Africa" in *Copyright: World Law and Practice*, edited by Morag McDonald, Uma Suthersanen and Cristina Garrigues; and co-author of the title "Copyright" in *Butterworths Forms and Precedents*.

Dean has served as a member of the international editorial boards of *Copyright World* and *Entertainment Law Review*. He has published articles in, inter alia, the following journals: *Trademark World*, *Copyright World*, *Managing Intellectual Property*, *European Intellectual Property Review*

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Dean is a frequent speaker on intellectual property matters at seminars and conferences, including international meetings organised by the International Trademarks Association (INTA), the Institute of Trademark Agencies (ITMA) the World Intellectual Property Organisation (WIPO) and the International Association of Entertainment Lawyers (IAEL). He has lectured on intellectual property law at the University of the Witwatersrand, the University of Cape Town, Rhodes University, Stellenbosch University and the Rand Afrikaans University (now University of Johannesburg).

Dean has been appointed to the Panel of Adjudicators for South African Domain Name Disputes, the World Intellectual Property Organization Panel of Arbitrators for Domain Name Disputes, the Stellenbosch University Business School Panel of Mediators and the Intellectual Property Panel of the Arbitration Federation of South Africa (AFSA).

He was listed as a Senior Statesman of Intellectual Property and a Key Individual of Spoor and Fisher by Chambers and Partners in 2012 and 2013 in the Global-Wide and Pan-Regional sections of the Chambers Global rankings.

With effect from 2011, he was appointed as a professor at the Faculty of Law at Stellenbosch University, where he is the incumbent of the Anton Mostert Chair of Intellectual Property Law.



# DEPRIVATION OF TRADE MARKS THROUGH STATE INTERFERENCE IN THEIR USAGE

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## I. INTRODUCTION

A global war is being waged against the use of tobacco products, in particular the smoking of cigarettes.

The formal declaration of war was issued by the World Health Organisation (WHO) in the WHO Framework Convention on Tobacco Control (the Convention),<sup>1</sup> proclaimed in Geneva on 21 May 2003. According to the WHO, the Convention was developed in response to the globalisation of the 'tobacco epidemic', which has been facilitated, *inter alia*, through global marketing, transnational tobacco advertising, promotion and sponsorship, and international movement of counterfeit goods. The 169 signatory countries undertook to strive in good faith to ratify, accept or approve the Convention and show political commitment not to undermine its objectives.<sup>2</sup>

The focus of the Convention is far removed from trade marks as such. In Article 11 of the Convention, member countries are required to adopt effective measures to ensure that tobacco packaging and labelling do not promote a tobacco product by any means that are false, misleading, deceptive or likely to create an erroneous impression about its characteristics, health effects, hazards or emissions. Furthermore, any outside packaging and labelling should carry health warnings that should cover 50% or more of the principal display areas.<sup>3</sup>

The Convention makes provision for Guidelines to be issued. In terms of these guidelines:

"Parties should consider adopting measures to restrict or prohibit the use of logos, colours, brand images or promotional information on packaging other than brand names and product names displayed in the standard colour and font style (plain packaging)."<sup>4</sup>

It must be emphasised that this stipulation is not peremptory and that it is open to member countries to implement it or not. As will be discussed below, it is contended that this particular guideline has given rise to the conception of a faulty premise.

The guideline is motivated by the notion that:

"This [plain packaging] may increase the noticeability and effectiveness of health warnings and messages, [to] prevent the packaging from detracting attention from them, and [to] address package design techniques that may suggest that some products are less harmful than others."<sup>5</sup>

This motivation has contributed to the formation of the faulty premise.

Many countries, including Australia and South Africa, have given effect to the obligation prescribed in Article 11 of the Convention by passing legislation that curtails the advertising and promotion of tobacco products.

A new front in the war on tobacco products has, however, now emerged. There is an international move to give effect to the abovementioned (voluntary) guideline by adopting legislation restricting or prohibiting the use of logos and the like on the packaging of tobacco products. The intention is to allow only **brand names** or **product names**, depicted in a plain manner, to be displayed on the packaging of tobacco products.

Australia is at the forefront of this new offensive. It has adopted the Tobacco Plain Packaging Act, 2011. The Australian attack will doubtless set an international trend. Other countries, including New Zealand and Namibia, are already working on legislation to restrict the use of trade marks on the packaging of tobacco products. It is likely that countries such as those of the European Union and the United Kingdom will follow suit.

## 2. AUSTRALIAN PLAIN PACKAGING LEGISLATION

The Australian Tobacco Plain Packaging Act, 2011 (the TPP Act) imposes significant restrictions on the colour, shape and finish of retail packaging for tobacco products. It prohibits the use of trade marks on such packaging, other than in a manner specifically permitted. It allows only the use of a brand name or a business or company name for the relevant tobacco product.<sup>6</sup>

The stated objectives of the TPP Act include the improvement of public health by discouraging people from taking up smoking, encouraging people to give up smoking, discouraging people from relapsing if they have given it up and reducing people's exposure to smoke from tobacco products.<sup>7</sup>

The Tobacco Plain Packaging Regulations, 2011, made under the TPP Act, proscribe embellishments on cigarette packs and cartons. Packaging is allowed to be rectangular and to have only a matt finish, and the surface must be the colour prescribed by the Regulations, in other words, a drab dark brown. The use of trade marks on retail packaging of tobacco products is prohibited, other than as permitted by section 20(3)(a) of the TPP Act. It provides that the owners of tobacco trade marks can no longer use them or any part of them on cigarette packaging, save when a "brand, business or company name [...] is a 'word' mark or part of a mark".<sup>8</sup>

In other words, the legislation provides that trade marks can only be used in a bland, word mark form and that, in particular, no logos, device marks or label marks may be featured on the packaging of tobacco products. This amounts to an outright prohibition of the use of any trade mark that is not a plain word mark, in other words, logos and the like. Such marks are, of course, trade marks in their own right and are registerable and protectable as such. The use of independently registered trade marks is thus being prevented.

## 3. AUSTRALIAN LITIGATION

International tobacco companies went on the counter-offensive against the TPP Act. In 2011 JT International SA and British American Tobacco Australasia Services Limited and others<sup>9</sup> instituted court proceedings against

the Commonwealth of Australia, contending that the TPP Act was contrary to the Australian Constitution.

In the litigation the plaintiffs sought a declaration that the TPP Act did not apply and had no operation in its application to the trade marks and the get-up used on tobacco products by the plaintiffs. In the alternative, they sought a declaration that the TPP Act was invalid in its application to trade marks and get-up.<sup>10</sup>

Section 51 (3xxxi) of the Australian Constitution confers upon the Commonwealth Parliament the power to make laws with respect to "[t]he acquisition of property on just terms from any state or person for any purpose in respect of which the Parliament has power to make laws". The plaintiffs argued that trade marks were "property" for the purposes of this provision and that by enacting the TPP Act, together with the Regulations, the state had "acquired" property belonging to the plaintiffs on terms that were not just.

The litigation raised two principal issues: firstly, whether trade marks and other intellectual property rights were "property" and, secondly, whether the limitation on the use of the trade marks amounted to "the acquisition of property". The court found that while trade marks and other forms of intellectual property were property for purposes of the constitutional provision, the prevention of the use of trade marks did not amount to the **acquisition** of those trade marks by the state. The court conceded that the trade marks had effectively been extinguished, but it held that extinguishing trade marks did not amount to their acquisition by the state.

In his judgment, French, CJ opined that:

"While the imposition of those controls may be said to constitute a taking in a sense that the plaintiffs' enjoyment of their intellectual property rights and related rights is restricted, the corresponding imposition of controls on the packaging and presentation of tobacco products does not involve the accrual of the benefit of a proprietary character to the Commonwealth which would constitute an acquisition."<sup>11</sup>

In other words, the court held that while there had been a deprivation of property in the form of trade marks (because the trade marks had effectively been extinguished), the state had not in the process actually acquired the ownership of the trade marks, as required by the Australian Constitution in order to render the relevant provision of the law invalid.

#### 4. REACTION TO THE AUSTRALIAN DECISION

The Australian judgement has been hailed as a triumphant victory in a major battle in the global war against the use of tobacco products. The notion has been fostered that if plain packaging legislation cannot successfully be challenged on a constitutional basis in Australia, it cannot be constitutionally challenged successfully throughout the rest of the world. The South African Government appears to hold this view. IOL Business was quoted as saying on 16 August 2012 that “South Africa will follow Australia’s example by trying to ban the display of brand names on tobacco products”. Health Minister Aaron Motsoaledi was quoted by *The Times* newspaper as saying (with reference to plain package legislation in South Africa) that “we will do it, definitely [...] rest assured, I’m extremely excited”.

Minister Motsoaledi had said previously that if the Australian Government won the case, South Africa would follow suit with similar legislation. TimesLIVE reported on 16 August 2012 that Minister Motsoaledi had told the Australian Health Minister that “if you win, you will win for all of us” and that he had later said that “she has won for all of us”.

The minister’s views are clearly based on the assumption that if plain packaging legislation does not offend against the Australian Constitution, it follows that it will also not offend against the South African Constitution. The purpose of this study is to test the validity of this assumption. It will be submitted that the assumption is indeed incorrect and that there are significant differences between the provisions of the South African Constitution as compared to those of the Australian Constitution that render such an assumption invalid. The outcome of the Australian case thus has little importance in South Africa and it has little or no precedential value for South African law. What is, however, significant about the court’s decision is that it found that trade marks and other forms of intellectual property constituted ‘property’ for constitutional purposes and that prohibiting the use of a trade mark had the effect of extinguishing that trade mark, thereby bringing about the destruction or obliteration of an item of property.

It is likely that similar considerations will apply to other countries and that the Australian decision will also have little precedential value in countries where constitutional provisions dealing with deprivation of property are different from those of the Australian Constitution. The Australian decision turns substantially on the particular

wording of the relevant provision of the Australian Constitution.

#### 5. THE SOUTH AFRICAN CONSTITUTION

Section 25 of the South African Constitution deals with property. For present purposes, the relevant part of the section reads as follows:

- (1) No one may be deprived of property except in terms of a law of general application, and no law may permit arbitrary deprivation of property.
- (2) Property may be expropriated in terms of law of general application –
  - (a) for a public purpose or in the public interest; and
  - (b) subject to compensation, the amount of which and the time and manner of payment of which have either been agreed to by those affected or decided or approved by the court.
- (3) .....
- (4) For the purposes of this section –
  - (a) the public interest includes the nation’s commitment to land reform, and to reforms to bring about equitable access to all South Africa’s natural resources; and
  - (b) property is not limited to land.

Section 36(1) of the South African Constitution also has relevance to the present study. It contains the following proviso:

- (1) The 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 rights;
  - (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.

Section 25(1) deals with **deprivation** of property, while sections 25(2) and (3) deal with **expropriation** of property. Read with section 25(4), the thrust of the section is to protect existing property interests against unconstitutional interference.<sup>12</sup> Although section 25(4) (b) makes it clear that the section does not only deal with immovable property, it is apparent from paragraph (a) of the subsection that the main focus of the section is indeed immovable property and more particularly land reform. The impression is gained that the provision

stating that property is not limited to land is something of a catch-all afterthought. It is submitted that this factor can lead to somewhat strained interpretations of the section when applying it to other forms of property besides land. This is particularly true when applying the section to intellectual property.

In *First National Bank of SA Limited t/a Wesbank v Commissioner for the South African Revenue Service; First National Bank of SA Limited t/a Wesbank v Minister of Finance (FNB case)*,<sup>13</sup> the court held in effect that **deprivation** of the property (section 25[1]) is a *genus* of which **expropriation** (section 25[2]) is a *species*. Put differently, 'expropriation' is a subset of 'deprivation'. In other words, in considering whether a particular taking of property is an expropriation, the court must first apply the test laid down in section 25(1) for a deprivation of property.<sup>14</sup> Expropriation of property can only conceivably take place in instances where there has been a deprivation of property.

The methodology for determining a constitutional property dispute set forth in the FNB case is summarised by Du Bois in the following terms:

- It must be determined whether the property interest in question qualifies as **property** for constitutional purposes.
- It must next be determined whether there was a **deprivation** of property.
- If there has been a deprivation of property, was it **arbitrary** and therefore in conflict with section 25(1)?
- If there was an arbitrary deprivation, the second step is to determine whether section 36(1) may **justify** such a deprivation. If not, the enquiry ends here, since the limitation is unconstitutional.
- In the event that the deprivation conflicts with section 25(1) (it is arbitrary) but may be justified under section 36(1), or in the event that it is not arbitrary (and therefore does not offend against section 25(1)), it must be determined whether the deprivation is also an **expropriation**.
- If it does amount to an expropriation, the deprivation must be tested against the requirements set out in sections 25(2) and (3). Should these requirements be met, the expropriation is constitutional and the enquiry ends there.
- However, if the requirements of sections 25(2) and (3) are not met (and the expropriation in principle demands payment of compensation), the expropriation could still in principle be justified under section 36(1). If it may be

justified, the expropriation is constitutional, but if section 36(1) cannot justify it, the expropriation is unconstitutional and invalid.<sup>15</sup>

It is necessary to examine the meaning of certain of the terms contained in section 25 and more particularly 'property', 'deprivation', 'arbitrary', 'expropriation' and 'law of general application'.

## 5.1 What constitutes property?

Section 25 of the Constitution does not contain a definition of property. It simply specifies that for purposes of constitutional protection, "property is not limited to land".<sup>16</sup> Van der Walt interprets this to mean "that movable corporeal property as well as intangibles such as commercial interest and intellectual property [are] included under the protection on section 25 as a motive cause."<sup>17</sup>

## 5.2 What does deprivation entail?

The deprivation contemplated in section 25(1) was given a general description by the Constitutional Court in the FNB case.<sup>18</sup> This is summed up by Mostert and Badenhorst as being "basically any interference with the use, enjoyment or exploitation of private property involves some kind of deprivation relating to the entitlement to the property concerned."<sup>19</sup>

Mostert and Badenhorst go on to say:

"The court then furnished the example of dispossession of an owner of "all rights, use and benefit to and of corporeal movable goods", but it also anticipated the possibility of infringement upon only some of the ownership entitlements."<sup>20</sup>

It is accepted that for the purposes of deprivation, property has various separate incidents and that reliance can be placed on constitutional protection for some and not necessarily all of the incidents of ownership.<sup>21</sup> For instance, the use of property is in itself an incident that can be constitutionally protected, and interference with it could amount to deprivation.

Depriving the owner of property of the use of that property thus constitutes deprivation for the purposes of section 25. Deprivation naturally also encompasses the total destruction of property, which would remove from the owner all the incidents of ownership of that property.



### 5.3 Deprivation that is arbitrary

Mostert and Badenhorst summarise the test for arbitrariness laid down in the FNB case as follows:

“[A] deprivation of property is “arbitrary” for purposes of section 25 when the “law” referred to in section 25(1) does not provide **sufficient reason** for the particular deprivation in question or is procedurally unfair.”<sup>22</sup>

The learned authors further describe the principle in the following manner:

“[T]he law effecting deprivation should not only illustrate a rational connection between a legitimate governmental purpose in the manner in which it should be achieved, but it should illustrate adequate cause for a deprivation.”<sup>23</sup>

In other words, it is necessary for the law to strike a proportionate balance between the public purpose that it serves and the private property of which it deprives the owner.<sup>24</sup> The deprivation of the property must provide an effective means for achieving the end that is the objective of the law. If the deprivation is not likely to cause that end to be achieved, it will be arbitrary.

According to the methodology to be used when interpreting section 25 as set forth in the FNB case, when it has been found that an arbitrary deprivation of property has taken place, it is necessary to determine whether the proportionality test provided for in section 36 can justify the deprivation. The question arises whether the proportionality test adds anything to the debate regarding arbitrariness in section 25(1). The view has been expressed that the criteria justifying a limitation of rights in section 36(1) have in effect been included in the demarcation of rights in section 25(1) itself.<sup>25</sup>

According to Mostert and Badenhorst, “proportionality refers to the justifiability and rationality of a particular imposition on property”.<sup>26</sup> It is submitted that in regard to property rights (as distinct from other types of rights entrenched in the Bill of Rights), the arbitrariness test in section 25 and the proportionality test in section 36 amount to the same thing. It is difficult to conceive how a deprivation that does not provide an effective means for achieving the objective of the legislation (and is therefore arbitrary) can be justified or rational (and be proportional). Accordingly, once it is found that a deprivation is arbitrary, it will follow as a matter of course that it is not proportional and that it cannot therefore be excused or justified in terms of section 36.

### 5.4 When is a deprivation an expropriation?

For the purposes of section 25 it is necessary to distinguish between the concepts of ‘expropriation’ and ‘deprivation’. As previously stated, the former is seen to be a *species* of the *genus* constituted by the latter. This means that a particular infringement on the property right must in the first place constitute a deprivation and then, depending on its further characteristics, it may also constitute an expropriation. In terms of this approach, it is generally accepted that an expropriation and a deprivation are indeed conceptually continuous notions.<sup>27</sup> There is a spectrum commencing with deprivation at the one extremity and culminating with expropriation at the other extremity. At some point on the axis, deprivation metamorphoses into expropriation.

One of the most important criteria for determining when the metamorphosis takes place is the inferred requirement that expropriation necessarily entails the acquisition of the property by the state. In this regard, Mostert and Badenhorst state that under the common law, compulsory acquisition of property by a public authority for a public purpose is a prerequisite for expropriation. Opinions vary considerably as to whether this common law principle has survived the new constitutional dispensation, especially because no explicit mention is made of it in the constitutional provisions dealing with expropriation. In this regard, the Constitutional Court in the FNB case warned against referring to pre-constitutional judgements on expropriation when interpreting section 25 of the Constitution. It cautioned that circumspection was necessary because such judgements were not necessarily reliable when it came to interpreting the property clauses under the Interim Constitution and the 1996 Constitution. Uncertainty about the applicability of the appropriation requirement may render it difficult to decide whether a particular situation amounts to expropriation or not, especially when property is not taken by the state but is rather regulated to such an extent that basically nothing remains of the ownership entitlement.<sup>28</sup>

Mostert has expressed the view that the notion that for expropriation to take place, it is a prerequisite that deprivation should be accompanied by an acquisition of the benefits by the state seems erroneous in the constitutional context.<sup>29</sup> This view of the matter is borne out by the following dictionary meanings of the word ‘expropriate’:

**“Disposes (a person) of ownership; deprive of property”:** *The New Shorter Oxford English Dictionary*.

**“Take away property from its owner”:** *The Concise Oxford English Dictionary*.

**“To deprive of possession or property right”:** *Merriam-Webster Dictionary*.

**“To deprive of possession”:** *TheFreeDictionary* by Farlex. This dictionary gives the derivation of the word as being “from Medieval Latin *expropriare* to deprive of possession, from *proprius* own”.

The Australian Constitutional provision refers to ‘acquisition’ of property in this context, as do several others, and it can be argued that this is the term that the legislature ought to have used in the event that acquisition of the property in question by the state was intended to be a necessary element of the expropriation process.

Kleyn holds the view that expropriation in the constitutional sense can also entail severe infringement of property without actual acquisition by the state, despite the common law requirement that there should be a passing of ownership to the state.<sup>30</sup>

The authorities deal with the concept of ‘constructive expropriation’. Mostert describes this concept as follows:

“A legislative or administrative measure, which has the effect of removing and destroying all the rights of the particular property holder (whether or not a corresponding advantage is granted to the expropriator or another party) without envisaging the payment of compensation, can generally be described as constructive expropriation. The intended **effect** of a specific imposition on an owner or property right holder should therefore be the main consideration; even if nothing in the particular legislative or administrative measure is **meant** to be an expropriation (or even obviously resembles an expropriation), the effect of the measure may still factually **result in** expropriation.”<sup>31</sup>

In *Steinberg v South Peninsula Municipality*,<sup>32</sup> the Supreme Court of Appeal said that there may be room for the development of the doctrine of constructive expropriation in South Africa in cases where a public body utilised its power to regulate private property excessively, but it left the question open. This issue was also raised and left open by the Constitutional Court in *Reflect-All 1025 CC and others v MEC for Public Transport, Roads and Works, Gauteng Provincial Government and another*.<sup>33</sup> The Supreme Court of Appeal likewise again left the question open in *Minister of Minerals and Energy v Agri South Africa and another*.<sup>34</sup>

Mostert says;

“The future of the doctrine of constructive expropriation in South Africa has still not been determined. [...] The recent decision of Ackerman J in *FNB v SARS* does, however, provide some pointers towards the continued relevance of constructive expropriation in our law.”<sup>35</sup>

For reasons that will be advanced below, it is submitted that there is room and justification for the incorporation of the doctrine of constructive expropriation in South African law, especially in connection with the deprivation of property in the form of trade marks.

In the premises, it is eminently arguable that a deprivation of property that is so far-reaching or extreme as to effectively nullify or destroy all the attributes of property without actually passing ownership of a property to the state can constitute at least constructive expropriation, if not expropriation *per se*, for the purposes of section 25(2) of the Constitution.

## 5.5 Law of general application

For a legitimate deprivation to take place, it must be brought about in terms of a **law of general application**. This concept includes statutes, subordinate legislation as well as criminal law and customary law.<sup>36</sup> Mostert and Badenhorst say that the relevant law must apply generally and not solely to an individual case.<sup>37</sup>

“Most laws affect classes or groups of people, rather than all members of society. This does not mean that the laws will not pass the requirement of “general applicability”. Instead, a law will not comply with this requirement if it singles out a particular (group of) person(s) for discriminatory treatment.”<sup>38</sup>

This raises the question of whether a law that deals only with the rights of the owners of tobacco trade marks and not trade mark owners in general passes the test.

## 5.6 Conclusion

It will be contended below that South African legislation that prevents or prohibits the use of trade marks on tobacco products infringes both sections 25(1) and (2) of the Constitution in that such legislation will bring about an arbitrary deprivation of property, and indeed an expropriation of such property, at least as a manifestation of constructive expropriation.

## 6. ESSENTIAL NATURE AND CHARACTER OF TRADE MARKS

As a precursor to discussing the relationship between the prohibition of the use of trade marks and the deprivation of property as contemplated in section 25 of the Constitution, it is first necessary to examine the essential nature and character of a trade mark in South African law.

The Trade Marks Act, 1993 (the Trade Marks Act) defines the term 'mark' as;

"any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, or ornamentation, colour or container for goods or any combination of the aforementioned."<sup>39</sup>

The term 'trade mark' is defined as follows:

"other than a certification trade mark or a collective trade mark, means 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."<sup>40</sup>

A trade mark is thus a sign that designates the goods of a particular trader, and it enables the public to distinguish that trader's goods from competing or corresponding goods produced by other traders. It is, as the courts have termed it, a 'badge of origin'.<sup>41</sup> In order to perform the function of a trade mark, a mark must be distinctive of the goods of its proprietor.<sup>42</sup> In general, a mark that is descriptive of the goods to which it is applied or of any characteristic of them is not distinctive and is thus not capable of being a trade mark for the purposes of the Trade Marks Act.

In essence, a trade mark is a symbol that delivers the message and signifies in respect of the goods or services to which it is applied that 'this is the product of trader X'. This is what is meant by a trade mark being a 'badge of origin'.

### 6.1 Different types of trade mark

Trade mark law contemplates three separate guises for trade marks or three different forms of trade mark. First, there is a registered trade mark in terms of the Trade Marks Act; second, there is a so-called 'well-known foreign mark' under the Paris Convention, which enjoys

statutory protection in terms of the Trade Marks Act; and third, there is a mark that by virtue of extensive use that has caused it to acquire a distinctive character is under the common law able to found a claim of passing off against someone who uses a confusingly similar mark. The latter form of mark is in practice known as a 'common law mark'.

A particular mark can enjoy concurrent protection in more than one of these guises. For instance, a trade mark of foreign origin that has been used to a significant extent and enjoys a repute in South Africa as an indication of origin can be registered under the Trade Marks Act and can simultaneously enjoy protection as a well-known foreign mark and as a common law mark.

Registration of a mark under the Trade Marks Act in respect of particular goods or services grants the proprietor exclusive rights to the use of that trade mark (or a confusingly similar mark) in relation to those or similar goods and services for as long as it remains valid and is on the register. It can remain registered indefinitely, subject to its being procedurally renewed every 10 years.

For a trade mark to enjoy the status of being a well-known foreign mark, as provided for in section 35 of the Trade Marks Act, it must emanate from a foreign country that is a member of the Convention of Paris for the Protection of Industrial Property, 1883 (Paris Convention), and it must have been used to a significant extent internationally and/or in South Africa so as to render it well known in South Africa to a substantial body of people as being the badge of origin of a foreign trader.<sup>43</sup>

A mark, whether registered or not, that has been used to such an extent that it has acquired a repute as designating the goods and/or services of a particular trader enjoys protection under the common law of passing off. While the rights subsisting in such a common law mark are part of the goodwill of the business in which it has been used and are theoretically inseparable from such goodwill, a mark of this nature in practice effectively has an independent existence.<sup>44</sup>

### 6.2 Significance of use of a trade mark

Use of a trade mark in relation to particular goods or services is the lifeblood of that trade mark. In the case of a registered trade mark, in order to qualify as the applicant for registration, a trader must use or propose to use that mark in relation to particular goods or services.<sup>45</sup> If a trade mark is not inherently capable of distinguishing the

proprietor's goods and therefore is in principle ineligible for registration, it can acquire distinctiveness and become registerable as a result of extensive use.<sup>46</sup>

A trade mark once registered can be removed from the register on the grounds of non-use in two circumstances: first, if the trade mark was registered without any *bona fide* intention on the part of the applicant to use it and there has in fact been no use of the mark subsequent to the application date; and second, if a period of five years has elapsed during which there has been no use of it by or on behalf of the registered proprietor in relation to the goods or services for which it is registered. Indeed, a registered trade mark that is not used is an anathema to the Trade Marks Act.

If a registered trade mark has not been used for a five-year period and is therefore liable to cancellation, the court may in terms of section 27(1)(b) of the Trade Marks Act excuse such non-use if it has been due to special circumstances in the trade and not to any intention on the part of its proprietor to abandon it. This is a specific exception to the general rule regarding loss of a trade mark through non-use, and it does not detract from the general principle that a registered trade mark must be used or otherwise it is forfeited.

Both in the case of a well-known foreign trade mark and a common law trade mark, the rights in that trade mark and their continued existence are dependent on significant use of that mark taking place in relation to particular goods or services. Without such use, the right of property and the trade mark itself cannot continue to exist. The trade mark is extinguished when the use thereof is not perpetuated. The rights in a mark of this nature are dependent upon the existence of a reputation in that mark amongst the public, and such a reputation will wither away and die without use of the mark. Non-use results in the mark being extinguished.

To sum up, the rights subsisting in a trade mark, whether a registered trade mark, a well-known foreign trade mark or a common law trade mark, will in time dissipate if use of it ceases. The trade mark will become defunct and will lose its ability to function as a badge of origin, its very *raison d'être*, and all rights in the trade mark will be extinguished.

### 6.3 Value of trade marks

Trade marks have a commercial dimension in addition to a legal dimension. They are commercial assets of

considerable value. A trade mark is the core of what is referred to in commerce as a 'brand'. A brand is comprised of both the trade mark itself and its commercial impact. Legal protection of trade marks is essential if brands are to serve their purpose and fulfil their economic function.<sup>47</sup>

The concept of a 'brand' encompasses the mark, name, logo, image and perceptions that identify a product in the minds of customers and distinguish it from similar products. It is the practical manifestation of the badge of origin function of a trade mark. It takes shape in advertising, packaging and other marketing communications featuring a trade mark and becomes the focus of the product's relationship with customers. In time, a brand comes to embody a promise about the goods it identifies and can influence customers' choices amongst competing products.

When consumers trust a brand and find it relevant, they may select the offering associated with that brand over the offerings of competitors.<sup>48</sup> A brand is an extremely valuable asset in a business.

The commercial value of a brand is known as 'brand equity'. It is a term used in the marketing industry to denote the value of having a well-known brand, based on the notion that a well-known brand applied to a product can generate more revenue than a lesser known brand. It is accepted that consumers believe that a product with a well-known brand is better than a product with an unfamiliar brand. Brand equity is in effect synonymous with and is the equivalent marketing term for the reputation of a trade mark, which is the prerequisite for the existence of a well-known foreign mark and a common law mark.

There are widely accepted methodologies for calculating the monetary value of trade marks or brands, in other words, the brand equity. The valuation of trade marks is necessary for many business transactions such as mergers, acquisitions, bankruptcy, the sale of trade marks and the calculation of royalty rates for licensing. There are three primary trade mark valuation methodologies: the **revenue approach**, which utilises either the discounted cash flow or the capitalisation of earnings to estimate the net present value of the trade mark's anticipated future cash flows and profits; **the market approach**, which compares the pricing of similar trade marks; and **the cost approach**, which examines the investment required to replace the trade mark or to essentially recreate it.<sup>49</sup>

*Forbes* magazine commissioned Brand Finance, a brand valuation consultancy in the United States of America, to compile a list of the 10 most valuable trade marks

worldwide in 2011. Brand Finance used the first of the methodologies discussed above in making its valuation and concluded that the world's most valuable trade mark was GOOGLE, with a value of \$44.3 billion. The Google company has a market capitalisation of \$164 billion. The trade mark GOOGLE thus represents 27% of the company's overall value.<sup>50</sup>

#### 6.4 Effect of non-use of trade marks

Brand equity, this extremely valuable commercial asset, is the commercial dimension of all three forms of trade mark (i.e. registered trade marks, well-known foreign marks and common law marks) and is derived essentially from the manner and the extent of the use of the relevant trade mark. The use of a trade mark thus has enormous financial and commercial implications and consequences. Brand equity will dissipate and be extinguished if the use of the trade mark in question ceases. This will lead to the destruction of probably the major asset of the trade mark proprietor. As David Haigh, the founder of Brand Finance, puts it, "[T]he single largest source of intangible value in a company is its trade mark."<sup>51</sup>

### 7. SOUTH AFRICAN PLAIN PACKAGING LEGISLATION

As discussed above, the South African Minister of Health has stated that South Africa will follow Australia's example by banning the display of brand names on tobacco products save in certain restricted manners. This was confirmed by Vilma Moodley, the Director for Health Promotion at the Department of Health. The Director advised members of Parliament's Health Portfolio Committee that South Africa is aiming to follow Australia's lead and compel tobacco companies to use plain packaging for their tobacco products.<sup>52</sup>

To date no draft legislation dealing with plain packaging for tobacco products has appeared. It is, no doubt, safe to assume, and this assumption will be made for the purposes of this study, that in due course the South African Government will publish legislation that clones the Australian Tobacco Plain Packaging Act, 2011, and will introduce the same restrictions on branding of tobacco products. This means that the postulated legislation will allow a very small part of the surface area of cigarette packs for the display of a trade mark, the mark will be required to be depicted in plain block capitals of a small size and such depiction will have to be against a drab background. No use of logos and other pictorial signs

commonly used and registered as trade marks will be permitted, and thus all use of tobacco marks of this nature will cease.

In order to analyse the effect of such legislation on a typical tobacco trade mark used and registered in South Africa, the trade mark DUNHILL will be taken as an example. The word mark DUNHILL is registered in the name of Dunhill Tobacco of London Limited, a British company based in the United Kingdom, under number 43/910/1 in Class 34 of the trade marks classification in respect of "cigarettes, tobacco and tobacco products". In addition, Dunhill of London Limited has a large number of pictorial registered trade marks in South Africa consisting of or incorporating the word 'DUNHILL'. Two of these trade marks will be selected for the purposes of this study. They are trade marks numbers 95/12749 DUNHILL logo and 94/6892 DUNHILL label, both registered in Class 34 in respect of "cigarettes, tobacco and tobacco products". The marks that are the subjects of these registrations are depicted below. Trade marks numbers 95/12749 and 94/6892 will hereinafter be referred to collectively as the 'DUNHILL Device marks'.



94/6892



95/12749

### 8. NON-USE OF THE DUNHILL DEVICE MARKS

The trade marks DUNHILL and the DUNHILL Device marks have been used extensively throughout the world, including in South Africa. As a result of such use (i.e. by depiction of the marks on packs of the products as sold and in advertising and promotion), the marks have acquired a substantial repute. Such marks are known to the public as signs designating cigarettes emanating from a particular manufacturer (Dunhill Tobacco of London). By virtue of this circumstance, the marks, and more especially the DUNHILL Device marks, qualify as well-known foreign marks for the purposes of section 35 of the Trade Marks

Act, and they are the subject of strong common law rights in South Africa, thus constituting them as common law marks in South Africa. The DUNHILL Device marks are protected in all three of the guises discussed above. Each guise simultaneously constitutes a separate entity, namely a registered trade mark, a well-known foreign trade mark and a common law mark. There is substantial brand equity in the cumulative DUNHILL Device marks.

The DUNHILL Device marks will be prohibited from use by Dunhill Tobacco of London Limited in relation to the goods for which they are registered and in respect of which they enjoy a repute in terms of the postulated South African plain packaging legislation. Their use will thus become unlawful in South Africa and therefore will be terminated. They will be doomed to extinction.

The word 'DUNHILL' is a surname. Surnames are not considered to be inherently distinctive marks; nor are the pictorial elements of the DUNHILL Device marks. In order that they might be registerable, it must be shown that they have acquired distinctiveness through extensive use. The marks therefore rely to a large extent for their distinctiveness (the essential qualification for the registration and the existence of a trade mark) on the extent of their usage. The cessation of their use will cause their distinctiveness to decline, and they could in time become disqualified from registration on this account. In terms of section 24(1) of the Trade Marks Act, a trade mark that is an entry wrongly remaining on the register can be cancelled at the instance of the third party. The DUNHILL Device marks will become entries wrongly remaining on the register in the form in which they are registered. Furthermore, as previously mentioned, a registered trade mark can be cancelled at the instance of the third party on the grounds of non-use of it by its proprietor in certain circumstances. The outcome of the cessation of the use of DUNHILL Device registered trade marks will be that the registrations may be cancelled and that the marks will be extinguished.

The effect of non-use of a trade mark is more serious in the case of a well-known foreign mark. A well-known foreign mark relies for its protection in South Africa entirely on its recognition by the South African public as being a mark designating origin in a particular foreign producer. Such recognition is directly related to the extent of use of the mark. If use of the mark terminates, the reputation enjoyed by it will peter out and the mark will be extinguished. A common law mark is in the same position, and the discontinuation of its use will inevitably cause that mark to be extinguished. The DUNHILL Device marks in their guises of well-known foreign marks

and common law marks will be extinguished once their use terminates. The brand equity in these marks will be destroyed.

## 9. TRADE MARKS AS PROPERTY

There can be no doubt that trade marks, being assets of a business, are property for the purposes of private law. Trade marks are a species of the class of rights known as intellectual property, which includes patents, copyright and designs. The Copyright Act specifically provides in section 22(1) that copyright constitutes property, and this proposition has been confirmed by the Supreme Court of Appeal in the case of *Gallo Africa Limited v Sting Music (Pty) Limited*.<sup>54</sup> It was stated that all intellectual property rights, including trade marks, were immovable incorporeal property.

Preventing the use of a trade mark and thereby causing it to be extinguished thus has a far-reaching effect. Extinguishing a trade mark amounts to the destruction of an item of property. Even curtailing or limiting the use of a trade mark detracts from the enjoyment of the full rights of property and is thus a diminution of the rights of property.

Prohibiting the use of the DUNHILL Device marks can lead to the cancellation of registered trade marks numbers 95/12749 and 94/6892 and will destroy and extinguish these marks in their guises as well-known foreign marks and common law trade marks. The brand equity in them will become defunct.

## 10. DEPRIVATION OF THE DUNHILL DEVICE MARKS

The question of whether the impairment and extinguishing of the DUNHILL Device marks as described above, as a result of the state's prohibiting their use in relation to tobacco products, infringes the provisions of sections 25(1) and/or (2) of the South African Constitution must now be addressed.

In the event that such impairment and extinguishing amounts to the arbitrary deprivation and/or expropriation of property as contemplated in sections 25(1) and/or (2) of the Constitution, such an action would infringe those provisions. The question of whether the postulated plain packaging legislation will constitute a law of general application as contemplated in section 25 is also relevant. For the purposes of this discussion, it is accepted that

the postulated plain packaging legislation will be a law of general application. The issue is perhaps not beyond doubt because the legislation will not affect all trade mark proprietors but will affect only those who own and use trade marks in respect of cigarettes, tobacco and tobacco products, but this point will not be pursued. The effect of this admission is that for the purposes of this discussion, the postulated plain packaging legislation will in principle constitute a law capable of legitimately depriving owners of property or expropriating property.

### 10.1 Are trade marks property for constitutional purposes?

It is necessary to determine whether the DUNHILL Device marks constitute 'property' within the meaning of this term used in section 25 of the Constitution. If they do not constitute property, that will be the end of the matter and there can be no question that the impairment or the extinguishing of the marks infringes section 25 of the Constitution.

The Constitutional Court in *In re: Certification of the Constitution of the Republic of South Africa, 1996*<sup>55</sup> held that the right to hold intellectual property as a fundamental right did not require to be specifically addressed in the Constitution and implied that this was unnecessary as intellectual property was protected in terms of the property clause. The Association of Marketers had sought such specific protection for intellectual property. In presenting its case, the Association of Marketers had propounded that there should be a section in the Bill of Rights reading as follows:

"Everyone has the right to the protection of the moral and material interest resulting from any industrial, scientific, literary or artistic production of which they are creators, or brand equity of which they are the proprietors."<sup>56</sup>

In holding that such a provision was unnecessary by virtue of the existence of the property clause, the Constitutional Court impliedly accepted that these "material interests" and "brand equity" were forms of property falling within the ambit of section 25.

In *Laugh It Off Promotions CC v The South African Breweries International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae)*,<sup>57</sup> the Constitutional Court held that the right of freedom of expression (enshrined in section 16(1) of the Constitution) and intellectual property rights (more specifically trade marks) enjoyed equal status under the Constitution. The authorities generally accept this as

recognition or an endorsement of the proposition that intellectual property falls within the concept of 'property' dealt with in section 25 of the Constitution.<sup>58</sup> In support of this proposition, it must be pointed out that the case in the Constitutional Court was an appeal from a decision of the Supreme Court of Appeal<sup>59</sup> and that that court held that:

"Trade marks are property, albeit intangible or incorporeal. The fact that property is intangible does not make it of a lower order. Our law has always recognised incorporeals as a class of things in spite of theoretical objections thereto [...]"<sup>60</sup>

The Constitutional Court did not challenge this dictum and must be taken to have approved it. It can thus now be accepted as trite that trade marks and other intellectual property rights constitute property for the purposes of section 25 of the Constitution.

In the Australian *JT International SA* case,<sup>61</sup> the court accepted that intellectual property constituted property for the purposes of the Australian constitutional provision.<sup>62</sup> It is interesting to note that in paragraphs 206 and 207 of the judgment, Haydon included common law rights in marks and get-up as falling within the concept of 'property' and expressed the view that the Australian constitutional provision protected property in its broadest sense. It is submitted that this supports the contention that brand equity, as discussed above, falls within the ambit of the intellectual property that section 25 of the South African Constitution protects. It is certainly considered to be a component of intellectual property rights in intellectual property law.

To sum up, intellectual property, including brand equity, falls within the ambit of property as contemplated in section 25 of the South African Constitution. The DUNHILL Device marks, in all three trade mark guises, are thus property falling within the ambit of section 25.

### 10.2 Deprivation of property

In the event that the trade mark proprietor is prevented from using the DUNHILL Device marks, which will lead to their being extinguished, the question arises whether this amounts to a deprivation of property, as contemplated in section 25(1) of the Constitution. As stated above, deprivation involves an interference with the use, enjoyment or exploitation of private property. It can relate to some, but not necessarily all, of the incidents of ownership of property. Restricting the use of a trade mark, let alone the complete extinguishing of an item of

property, clearly falls within the scope of deprivation in this context.

In the Australian *JT International SA* case, French held that the prevention of the use of trade marks brought about by the plain packaging legislation was a 'taking' of property. He said that the rights in respect of registered trade marks;

"[A]re in substance, if not form, denuded of their value and thus of their utility by the imposition of the regime under the Packaging Act [...] [T]he result is that while the trade marks remain on the face of the register, their value and utility for assignment and licensing is very substantially impaired."<sup>63</sup>

It is submitted that the 'taking' referred to by the learned judge is the equivalent of deprivation in section 25(1) of the South African Constitution. If interfering with the use of a trade mark amounts to taking or deprivation of that trade mark, it follows that the complete obliteration or extinguishing of a trade mark, as will occur when the DUNHILL Device marks in the guise of, respectively, famous foreign and common law marks are prohibited from use, must all the more amount to deprivation of that mark and to the destruction of the brand equity in it.

In the premises, the prohibition of the use of the DUNHILL Device marks amounts to deprivation of property for the purposes of section 25(1).

### 10.3 Deprivation that is arbitrary

Deprivation must be **arbitrary** before it can constitute an infringement of section 25(1) of the South African Constitution. Deprivation of property is arbitrary when the law that effects it does not provide sufficient reason for the particular deprivation. The provision effecting the deprivation should manifest a rational connection between a legitimate government purpose and the deprivation of property, and it should show adequate cause for the deprivation. In effect, this means that the deprivation must be justified by the effect that is sought to be achieved. There must be a causal connection between the deprivation and the objective that the provision seeks to achieve.

A trade mark is a badge of origin. It is a means of distinguishing the goods of person A from the same or similar goods emanating from person B. This is the purpose, objective and function of the DUNHILL Device marks. The end that the government will seek to achieve by means of plain packaging legislation is to discourage the use of tobacco products and to diminish the

prevalence of cigarette smoking. It defies comprehension how destroying an item of property that serves as a badge of origin for goods can be brought into relation with discouraging smoking. A trade mark is an instrument for creating clarity in regulating the consumer's ability to choose between competing products. It is a *non sequitur* to suggest that if the ability of the consumer to distinguish between the products of producer A and producer B is diminished or is taken away, it will have the effect of discouraging or inhibiting the smoking of cigarettes. The question can be posed; How will impairing the ability of consumers to properly distinguish between, for instance, DUNHILL and MARLBORO cigarettes bring about a reduction in the smoking of cigarettes? The answer is self-evident. It is also absurd to suggest that because the trade mark DUNHILL is pictorially represented in the DUNHILL Device marks, the public will be enticed to take up smoking, increase its consumption of cigarettes or be dissuaded from giving up smoking. There is simply no connection whatsoever between the objective of the postulated plain packaging legislation and the pictorial representations of the DUNHILL Device marks.

Even if it is argued that the DUNHILL Device marks have an advertising or promotional function in addition to their badge of origin function, what is being advertised or promoted by the use of the marks is not the desirability of smoking but the preference for DUNHILL cigarettes over, for instance, MARLBORO cigarettes. The appearance of the DUNHILL logo is simply incapable of extolling the desirability of or encouraging the smoking habit; nor is it intended to have that effect.

It is clear that the notion that the prohibition of the use of trade marks (especially pictorial trade marks) can diminish the use of tobacco products is an incorrect or faulty premise. This faulty premise lies at the root of the misguided international campaign against the use of tobacco trade marks.

In consequence, and in the premises, the deprivation of property brought about by the prevention of the use of the DUNHILL Device marks is arbitrary, as contemplated in section 25(1) of the Constitution.

### 10.4 Expropriation of the DUNHILL device marks

It is submitted that the contemplated deprivation of property in the case of the DUNHILL Device marks constitutes an **expropriation** of those marks, as envisaged in section 25(2) of the Constitution.



The question of whether 'expropriation' necessarily means that the ownership of the property that is taken away must pass to the state has been discussed above. There are good grounds for the proposition that expropriation in the constitutional context does not necessarily require the passing of ownership to the state, especially when the property in question is a trade mark. This principle in particular resonates in the doctrine of 'constructive expropriation', in terms of which an action that has the effect of removing and destroying all the rights of a particular property holder can be regarded as expropriation. The court has left open the question of whether the doctrine of constructive expropriation is recognised in South Africa.

In order to fulfil its function and to be valid, a trade mark must be used as a badge of origin in the course of trade, meaning that it must be used by the proprietor in the course of conducting commercial activities. Against this background, it is difficult to envisage how the state could ever validly acquire proprietorship of a trade mark in respect of tobacco products. The state, *per se*, does not conduct trade in tobacco products. A tobacco mark would cease to qualify as a trade mark in the hands of the state. It is difficult to contemplate, therefore, how expropriation of a tobacco trade mark could possibly entail the state necessarily acquiring the ownership of that trade mark. Expropriation in the context of trade marks, and in particular tobacco trade marks, must mean something that does not entail the state's becoming the owner of the property, otherwise section 25(2) would be nonsensical when applied to trade marks.

The extinguishing of tobacco trade marks by the state is a situation that is eminently suited to the adoption and application of the doctrine of constructive expropriation in South African law. By prohibiting the use of the DUNHILL device marks, the state extinguishes those trade marks and renders them nugatory. This amounts to expropriation, both in the literal and constructive senses.

As previously mentioned, the impression is gained that section 25 was in reality drafted with land in mind and that its application to other forms of property was something of an afterthought. It is submitted that this factor requires it to be interpreted somewhat liberally and figuratively when dealing with other forms of property besides land. This is particularly true for intellectual property for which it is, with respect, ill suited. This approach militates in favour of the recognition of the doctrine of constructive expropriation, particularly when dealing with intellectual property.

The conduct of the state in taking away the right of the trade mark proprietor to use the DUNHILL Device marks constitutes a deprivation of those trade marks that leads to their extinction and therefore amounts to expropriation of those marks, as contemplated in section 25(2) of the Constitution.

## 10.5 The public interest

For an expropriation of property to avoid infringing section 25(2) of the Constitution, it is required that it is in the public interest that it should take place. The authorities say that a deprivation of property that is arbitrary cannot be in the public interest. For the reasons advanced above in contending that the deprivation of the DUNHILL Device marks would be arbitrary, a deprivation of those marks that constitutes an expropriation will *ipso facto* not be in the public interest. It should therefore not be allowed. If it is deemed to be in the public interest or for a public purpose, it must be made subject to the payment of compensation, as contemplated in section 25(2)(b), read together with section 3, of the Constitution.

## 11. CONCLUSION

The prohibition of the use of the DUNHILL Device marks by means of the postulated plain packaging legislation will infringe section 25 of the Constitution. It will amount to an arbitrary deprivation of those trade marks, as a form of property, and it is thus prohibited outright by section 25(1) of the Constitution. When categorised as an 'expropriation' of property, the prohibition of the use of the DUNHILL Device marks could be argued to be in the public interest (which is denied), and provided that appropriate compensation is paid to the trade mark proprietor, it would be permissible. In these circumstances, the legislation will not infringe section 25 of the Constitution. The factors that must be taken into account when determining adequate compensation are set out in section 25(3) of the Constitution. One such factor, and probably the dominant one in the case of trade marks, is the market value of the property. As explained, there are recognised methodologies for determining the market value of trade marks and in general they depend upon the revenue flow generated by the trade marks. In the case of the DUNHILL Device marks, it is anticipated that such value would be considerable and would probably amount to a substantial sum of money.

While this study has been concerned with the deprivation of tobacco trade marks, it will apply equally to the deprivation of the use of trade marks in other fields, for instance trade marks in respect of liquor products. There have been suggestions, both internationally and in South Africa, that similar steps to those restricting the use of tobacco trade marks should be taken in the case of liquor trade marks. It is possible that the practice of governments seeking to achieve social ends through the prohibition of the use of trade marks could become widespread and could be extended to foodstuffs and all sorts of goods.

Governments' pursuance of aims such as reducing the consumption of tobacco products and liquor products is laudable. It is submitted, however, that attempting to achieve these aims by targeting the use of trade marks or other intellectual property is both ineffective and improper. Intellectual property ought not to be misused for purposes that bear little or no relation to the milieu in which it operates.

I return to the question of whether the Australian *JT International* case is a precedent that should necessarily be followed in other countries and more especially in South Africa. This question must be answered in the negative, both for South Africa and other countries. For the Australian constitutional provision to be infringed, it was necessary to show that prohibiting the use of tobacco marks constituted an **acquisition** of the ownership of those marks by the state.

As has been explained above, the test for constitutional regularity is significantly different in South Africa. In South Africa the focus is on the **arbitrary deprivation** of trade marks as items of property. In a secondary context, the point at issue is whether the deprivation constitutes **expropriation** of those trade marks by the state, with this term not necessarily being comparable to the acquisition of ownership of the trade marks by the state as required in Australia. The Australian decision turns on the very specific provisions of that country's constitution, and due cognisance should be taken of this factor by the courts of other countries.

The Minister of Health's assumption, referred to above, that what is good for Australia would automatically be good for South Africa is thus unfounded and incorrect. Accordingly, the battle in the global war against tobacco products won in Australia is but a localised one and has a limited effect on the war against the use of tobacco products being fought elsewhere and in particular in South Africa. In the event that this issue should come before the South African court, it should be examined afresh and through the prism of the South African Constitution.

- <sup>1</sup> World Health Organisation “*Framework Convention on Tobacco Control (FCTC)*” 2005.
- <sup>2</sup> World Health Organisation <<http://www.who.int>>.
- <sup>3</sup> *Supra*, article 11(1)(b)(iv).
- <sup>4</sup> World Health Organisation “*Framework Convention on Tobacco Control (FCTC) – Guidelines For Implementation*” 2013 Edition, paragraph 46 at p. 63.
- <sup>5</sup> *Supra*.
- <sup>6</sup> See *JT International SA v Commonwealth of Australia, British American Tobacco Australasia Limited & Ors. v The Commonwealth of Australia* 2012 HCA 43 (“JT International Case”), at paragraph 1.
- <sup>7</sup> JT International Case, *supra*, paragraph 4.
- <sup>8</sup> JT International Case, *supra*, paragraph 213.
- <sup>9</sup> *Supra*, note 2.
- <sup>10</sup> JT International Case, *supra*, paragraph 17.
- <sup>11</sup> JT International Case, *supra*, paragraph 44.
- <sup>12</sup> H Mostert and PJ Badenhorst “*Property and the Bill of Rights*”, paragraph 3FB2.
- <sup>13</sup> 2002(4) SA 768 (CC).
- <sup>14</sup> M du Bois, “*Intellectual Property as a Constitutional Property Right: The South African Approach*” (2012) 24 SA Merc LJ 177, at 187.
- <sup>15</sup> Du Bois, *op cit*, 187.
- <sup>16</sup> Section 25(4)(b).
- <sup>17</sup> AJ van der Walt, “*Constitutional Property Law*”, 3<sup>rd</sup> Edition (2011) note 2 at 20.
- <sup>18</sup> FNB Case, *supra*.
- <sup>19</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.
- <sup>20</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1, quoting from the FNB case, *supra*, par 61.
- <sup>21</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.2.2.
- <sup>22</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.2(b) at p. 50 (emphasis added).
- <sup>23</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.2(b) at p. 49.
- <sup>24</sup> In general see the comments of Mostert and Badenhorst on the FNB case as expressed in *op cit*, paragraph 3FB7.1.2.
- <sup>25</sup> See De Waal, Currie and Erasmus, “*The Bill of Rights Handbook*”, 3<sup>rd</sup> Edition (2000) 393–394.
- <sup>26</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.2.
- <sup>27</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.1.
- <sup>28</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.1.
- <sup>29</sup> H Mostert, “*The Distinction between Deprivation and Expropriation and the Future of the ‘Doctrine’ of Constructive Expropriation in South Africa*” 2003 SAJHR 567, at 572.
- <sup>30</sup> Kleyn, “*The Constitutional Protection of Property: A Comparison between the German and South African Approach*” 1996 (11) SAPR/PL 437.
- <sup>31</sup> Mostert, *op cit*, 569 (emphasis added).
- <sup>32</sup> 2001(4) SA 1243 (SCA).
- <sup>33</sup> 2009(6) SA 391 (CC).
- <sup>34</sup> *Minister of Minerals and Energy v Agri South Africa* (Centre for Applied Legal Studies as *amicus curiae*) 2012 3 All SA 266 (SCA).
- <sup>35</sup> Mostert, *op cit*, 591–592.
- <sup>36</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.2.
- <sup>37</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.2.
- <sup>38</sup> Mostert and Badenhorst, *op cit*, paragraph 3FB7.1.2.
- <sup>39</sup> Trade Marks Act, section 2.
- <sup>40</sup> Trade Marks Act, section 2.
- <sup>41</sup> See *AM Moolla Group Limited and others v The Gap Inc. and others* 2005 (6) SA 568 (SCA), paragraphs 38–40; and Webster and Page, “*South African Law of Trade Marks*”, November 2011 edition, paragraph 3.16.
- <sup>42</sup> Section 9 of the Trade Marks Act.
- <sup>43</sup> *McDonalds Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd, McDonalds Corporation v Dax Prop CC; McDonalds Corporation v The Joburgers Drive-Inn Restaurant (Pty) Ltd* 1997 (1) SA 1 (A).

<sup>44</sup> See Webster and Page, *op cit*, paragraph 15.5 *et seq*.

<sup>45</sup> Section 10(3)–(4) of the Trade Marks Act.

<sup>46</sup> Section 9(2) of the Trade Marks Act.

<sup>47</sup> OH Dean, “*The Value and Valuation of Trade Marks*”, Encyclopaedia of Brands and Branding, 1998, 19–21.

<sup>48</sup> “*Brand Equity*” Wikipedia <en.wikipedia.org/wiki/Brand\_equity>.

<sup>49</sup> “*Trademark Valuation*” Accuval <<http://www.accuval.net/services/appraisals/intangible-asset-valuation/trademark-valuation.php>>.

<sup>50</sup> “*The Ten Most Valuable Trademarks*” Sean Stonefield, FORBES <[www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/](http://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/)>.

<sup>51</sup> *Supra*.

<sup>52</sup> In the item dated 20 September 2012 on <[www.sabc.co.za/news](http://www.sabc.co.za/news)>.

<sup>53</sup> Webster and Page, *op cit*, paragraph 3.45.

<sup>54</sup> 2010 (6) SA 329 (SCA).

<sup>55</sup> 1996 (4) SA 744 (CC), at paragraph 75.

<sup>56</sup> See OH Dean, “*The Case for the Recognition of Intellectual Property in the Bill of Rights*” 1997 (60) THRHR 105 at 114.

<sup>57</sup> 2006 (1) SA 144 (CC).

<sup>58</sup> Du Bois, *op cit*, at page 178, and other authorities cited by the author in footnote 6.

<sup>59</sup> *Laugh It Off Promotions CC v The South African Breweries International [Finance] BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae)* 2005 (2) SA 46 (SCA).

<sup>60</sup> *Laugh It Off* (SCA) case, *supra*, note 1 in paragraphs 10–11.

<sup>61</sup> *Supra*.

<sup>62</sup> For instance, in paragraph 296 J Crennan makes reference to the plaintiffs’ pre-existing rights to use their property for advertising and to the restriction or extinguishing of those rights having a possible consequential diminution in the value of property.

<sup>63</sup> *JT International SA v Common Wealth of Australia*, *supra*, paragraph 137.