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Alternative Dispute Resolution in South Africa: A Trademark Perspective

Introduction

The concept "alternative dispute resolution" (ADR) is understood to refer to, amongst others, negotiation, mediation, and arbitration. ADR is seen to have a number of advantages to conventional litigation, including that it is usually less costly, quicker, involves a greater measure of confidentiality, and, perhaps most importantly, enables the parties to choose someone that is an expert in the field. Notwithstanding these advantages, and the fact that enabling legislation, in the form of the Arbitration Act 42 of 1965, has been in place for decades, the resolution of intellectual property disputes by way of ADR has not taken place on an appreciable scale in South Africa.

The impact of legislation of an inhibitory nature must be acknowledged. The example often referred to here is the Patents Act 57 of 1978. This Act could be seen to exclude arbitration in relation to any proceedings relating to any matter under the Act. The Act confers jurisdiction in the first instance to hear and decide proceedings on a Commissioner of Patents (designated in terms of section 8 of the Act) and then provides as follows in section 18(1):

"Save as is otherwise provided in this Act, no tribunal other than the Commissioner shall have jurisdiction in the first instance to hear and decide any proceedings, other than criminal proceedings, relating to any matter under this Act."

This section was briefly discussed in the South African Law Commission's Report on Domestic Arbitration (Project 94, May 2001). Here reference was made to the view

that, having regard to this enactment, South Africa was said to be an example of a jurisdiction with a "restrictive approach" towards the arbitrability of intellectual property disputes (Lew et al "Final Report on Intellectual Property Disputes and Arbitration" 1998 vol 9 No 1 ICC International Court of Arbitration Bulletin 37 42). In response, it was noted by the Law Commission that "Restrictions on arbitration of intellectual property disputes are logical to the extent that that the validity of an act of registration by a state official is in issue." (page 30). Concern was raised in the Commission's report (ibid) though that similar restrictions in other legislation pertaining to intellectual property "...may require reconsideration to ensure that South African legislation meets generally accepted international standards."

A pragmatic perspective on the above aspect might be to bear in mind that provisions such as section 18(1) do not constitute an absolute restriction on, for example, arbitration. One approach adopted in practice was to refer a matter to arbitration, and to obtain a ruling on, for instance, the validity of a patent. It would be agreed, beforehand, that if the arbitrator rules against the patentee, he would then cancel the patent. The parties would approach the court, after the arbitrator has given his ruling, and make the ruling an order of court. Similarly, there is nothing in principle that would prevent parties to a trademark infringement dispute, for instance, to agree that if the arbitrator finds that there is infringement, that the offending party would cease the use

of the mark concerned. It might thus be that the absence of an active system of referrals of intellectual property disputes to arbitration, or mediation for that matter, is not primarily due to the presence of restrictive legislation.

The focus of the discussion is now moved to a consideration of current litigation structures dealing with various types of trademark conflicts. Thereafter an overview will be given of a new initiative in the context of ADR that can be followed in relation to such conflicts.

Domain name disputes

Disputes regarding domain names in South Africa were, up until recently, dealt with in the civil courts. The bases for relief were either trademark infringement or passing off. However, it is now possible to lodge a complaint against the registration of a domain name in terms of statutory provisions that allow for the resolution of a domain name dispute by an adjudicator. The particular regulations were issued in terms of the Electronic Communications and Transactions Act 25 of 2002 (available at <http://www.domaindisputes.co.za>). The South African Institute of Intellectual Property Law (the Institute), which represents all the major intellectual property law firms in South Africa, played an important role in the formulation of the regulations.

The .za Domain Name Authority is responsible for the administration of the adjudication process. The process revolves, essentially, around an adjudicator who has certain rights and obligations in terms of the regulations. The authority can accredit domain name dispute resolution service providers. The Institute has been accredited as such a service provider, and many of its members were appointed as adjudicators. A number of complaints have already been dealt with, most of which were based on trademark principles. The substantive rules involved are based on overseas precedent, notably the Nominet and UDRP systems.

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The adjudicator can, in terms of regulation 9, refuse the transfer of a domain name in the case of abusive registrations, refuse the deletion and prohibition of an alleged offensive name from future registration, and refuse to make an order if the circumstances constitute a case of reverse domain name hijacking (see the definition of the latter concept in regulation 1). After a specified period, the judgment is implemented by the second level domain administrator (reg. 30(4)). The regulations provide for a right to appeal from the judgment of a single adjudicator, to a panel of three adjudicators (reg. 32(1)). It is possible, in given instances, to approach the High Court for relief on the basis of review.

Opposition proceedings

The Trade Marks Act 62 of 1963 provided for so-called informal oppositions, where the Registrar would consider the matter on the basis of only the opponent's Notice of Opposition, and the applicant's Counter-Statement (section 28). It is not known whether this procedure was ever used. The Trade Marks Act 194 of 1993 only allows for the formal opposition of a trademark application. This takes place by way of a procedure set out in the regulations to the Act, which are similar to an application in terms of the High Court rules (rule 6). That involves, essentially, the filing of affidavits containing the relevant information, which will eventually result in a hearing before the Registrar. In such an instance the parties will usually be represented by counsel, and the proceedings are, in essence, even though not in name, a High Court matter.

It is not uncommon for such opposition proceedings to be kept

alive for three to four years before the matter is heard. This can in certain instances be ascribed to the parties, in the sense that extensions are requested on a continual basis, which may or may not be for good reason. If a particular party requests an extension that is unwarranted in the other party's view, it was customary to refuse such an extension. The matter of an extension would then be set down for an interlocutory hearing. This hearing served as an important mechanism to bring matters to a head. For the past few years, however, such hearings have not been set down, and extensions have been granted against the wishes of a party. Further delays are experienced in obtaining hearing dates for contested opposition matters. Moreover, once a matter is heard, considerable delays are experienced in the delivery of judgments. The above views also apply to expungement applications.

Infringement proceedings

Infringement proceedings are brought in the High Court, mostly by way of an application, or, in some cases, by way of action procedure (rule 17). There is no provision for some form of arbitration or pre-hearing mediation in the case of an application. In the case of action procedure, reference can be made to rule 37, which requires the parties to attend a pre-trial conference. The minutes of such a conference must reflect that every party claiming relief has requested his opponent to make a settlement proposal, and that such opponent has reacted thereto (rule 37(6)(c)). Another aspect is whether any issue has been referred by the parties for mediation, arbitration or decision by a third party (rule 37(6)(d)). A special cost order can be made against a party that *“failed to a material degree to promote the effective disposal of the litigation.”* (rule 37(9)(a)(ii)).

The problems of High Court litigation proceedings, for trademark and other intellectual property disputes are cost, delay and unpredictability of outcome. One cannot be certain about the level of

specialised expertise that will be brought to bear upon the case in the High Court. Many judges do not possess the knowledge, experience and skill that litigating parties to an infringement or passing off matter expect of them. The ideal situation would be to have experienced intellectual property lawyers sitting as judges in intellectual property disputes but this is seldom the case.

Mediation and arbitration rules

In order to address the shortcomings of High Court litigation and to encourage the use of ADR mechanisms, the Institute engaged ADR experts to draft rules for use by its members. These rules are available on the Institute's website (www.saiipl.org.za). Two processes are envisaged. Firstly, mediation between two conflicting parties is possible. A number of important aspects can be identified concerning the application of this process. The position relating to the appointment of the mediator is that if the parties cannot agree thereon, the President of the Institute will be entitled to select a mediator (rule 5(d)). With regard to the role of the mediator, rule 6 states the following:

"a) The mediator shall endeavour to assist the parties to settle the dispute by agreement and, unless agreed otherwise, the mediator shall not adjudicate the dispute, recommend a solution to the dispute, advise a party on the merits of the dispute or negotiate a settlement of the dispute on behalf of a party.

b) The mediator shall promote the settlement of the issues in dispute between the parties in any manner that the mediator believes to be appropriate, but shall have no authority to impose a settlement on the parties."

The rules provide further that if a settlement agreement is not reached, the fact of the parties' submission of the dispute to mediation shall not prejudice their rights (rule 9(a)). If they do settle the dispute in a settlement agreement, then the agreement shall be a final and binding settlement of the dispute (rule 9(b)). Insofar as the question of confidentiality is

concerned, various restrictions on the ability of the mediator and the parties to disclose information are contained in rule 10. The mediator may not, for instance, without the prior consent of the disclosing party, disclose to any person, including a party, information provided to the mediator by a party to the dispute (rule 10(c)). This limitation and the other precepts contained in the rules are underpinned by an ethical code to which mediators must subscribe.

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With regard to arbitration, the rules provide that if the parties cannot agree on the appointment of an arbitrator, the President of the Institute can appoint one, having regard to the technical nature and complexity of the issue to be determined (rule 4(1)(g)). Provision is made for challenges to the appointment of an arbitrator (rule 4(3)). A challenge is determined by the Institute (rule 4(3)(f)). An arbitrator shall determine the substance of a dispute between the parties in accordance with the law chosen by the parties, but in the absence of agreement thereon, the applicable substantive law shall be that of the place of the arbitration (rule 4(2)(c)). The arbitration is conducted, as a general point of departure, on the papers filed by the parties (rule 5(2)(k)(i)). If it is necessary, for the proper determination of the dispute before him, an arbitrator may direct though that a person appear before him to give oral evidence (rule 5(3)(e)). Such a direction will of course only have legal effect in the light of sections 16(1) and 22(1)(a) of the Arbitration Act, in terms of which it is

an offence not to answer to a summons to give evidence before an arbitration tribunal. In terms of rule 5(3)(h) discovery may also be ordered, in which case section 16(1) of the Arbitration Act, read with section 22(1)(e), will apply.

An arbitrator may make a preliminary, interim, interlocutory, partial, or final award (rule 6(a)). The reasons for the finding must be stated, unless otherwise agreed to between the parties (rule 6(c)). The arbitrator may, subject to any agreement between the parties, award the whole or part of the costs incurred by a party, having regard to the circumstances and the result of the arbitration (rule 6(2)). The rules provide that by agreeing to arbitration under the rules, the parties waive any right to appeal or other right of recourse to a court of law or other judicial authority, insofar as such waiver is valid in terms of law (rule 6(4)(a)). Common law review by the High Court on the grounds set out in section 33(1) of the Arbitration Act, inter alia, where a gross irregularity occurred, will however be possible. There are, again, a number of provisions which protect confidential information, which provisions apply to the parties, the arbitrator, and the Institute (rule 8). The arbitrator is of course bound by the Institute's Code of Ethics for Arbitrators.

Conclusion

The civil system of litigation served the intellectual property profession well, for many years, but time, cost and quality considerations make it necessary to now consider alternatives. The ADR rules discussed above provide a viable alternative for the future.