

NEWS RELEASE

IN LANDMARK CASE PRETORIA HIGH COURT RULES AGAINST METCASH 2010 LOLLIPOPS

The Pretoria High Court today ruled against Metcash Trading Africa selling a lollipop product marketed under the name "2010 POPS" in its Trade Centre stores.

FIFA launched proceedings against Metcash in November 2007 when the company refused to cease selling the lollipops. The lollipop packaging features images of soccer balls in the design of the official ball of a past FIFA World Cup tournament, combined with the South African flag. FIFA alleged that this, together with the name of the product, took advantage of the publicity surrounding the 2010 FIFA World Cup and constituted ambush marketing.

Metcash has been restrained from competing unlawfully with FIFA by contravening the Merchandise Marks Act. It also has to pay FIFA's legal costs.

The matter was heard before Judge Msimeki on 10 December 2008. In today's judgement the court held that Metcash's conduct clearly falls foul of Section 15A of the Merchandise Marks Act. The court agreed with FIFA's arguments and held that Metcash had intended for its lollipops to be associated with the 2010 Soccer World Cup. It had also intended to derive special promotional benefit from the event. This was clear as sales went up since the use of the offending marks was implemented. The court held that such conduct is unlawful.

The court pointed out that, if Metcash had only intended for its product to be associated with soccer, it would not have been necessary for it to mention the 2010 World Cup. Indeed, Metcash had admitted that it had the World Cup in mind when creating its product, which strengthened FIFA's case.

Metcash argued that it had a right to freedom of expression and to use its products and trade marks in the manner that it chooses. However, Judge Msimeki said these rights are limited if they deceive or confuse the public. It is also limited if it jeopardises an event such as the Soccer World Cup, as well as prejudicing the sponsors and licensees of the event.

Kelly Thompson, partner at Adams and Adams, who represented FIFA says this is a landmark judgement as it is the first reasoned judgement in terms of Section 15A of the Merchandise Marks Act.

"The ruling is clear and confirms what is already set out in the legislation. Those attempting to benefit from the publicity surrounding the 2010 FIFA World Cup without paying sponsorship fees could land themselves in very hot water. South Africa has very strict ambush marketing legislation and this, together with FIFA's extensive portfolio of intellectual property rights, means that the exclusivity of the event is well protected.

"It is quite straightforward - if you are not an official sponsor or licensee, you may not create the impression that you are. You also can't link your products or services to the event so as to gain special promotional benefit from it, even indirectly. Those privileges

are reserved for sponsors, who pay a lot of money for them. Without the sponsor's fees, it would not be possible to stage the event, so really the public benefits after all," says Kelly.

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Background

The application was launched in terms of Section 15A of the Merchandise Marks Act which makes it unlawful for an unauthorised person to use his trade mark in a manner calculated to achieve publicity from an event which has been declared a protected event by the Minister of Trade and Industry. The Minister had declared the 2010 FIFA World Cup tournament to be a protected event already in May 2006.

FIFA said that it relies on sponsorship fees from its official licensees and sponsors to stage the World Cup tournaments. A sponsor or licensee is unlikely to be willing to pay large sums of money for the benefit of being associated with the tournament if other traders are allowed to obtain the same benefits without having to pay for them. The use by Metcash of the trade mark 2010 POPS, together with soccer balls and the South African flag, had the effect of Metcash obtaining an unfair advantage from the publicity surrounding the 2010 FIFA World Cup event. It also relayed to the public that the lollipops were licensed products or that there was some other connection or association between them and the 2010 FIFA World Cup.

In answer, Metcash alleged that it had been for many years an active sponsor and supporter of a grass roots soccer programme. Its use of 2010 POPS was intended to benefit from that association, despite the fact that its sponsored programme has a completely different name. It also alleged that the relevant section of the Merchandise Marks Act should be narrowly interpreted in light of the right to freedom of expression. There was no evidence to show that the South African public would perceive any connection between Metcash's 2010 POPS mark and the 2010 FIFA World Cup. FIFA should not be granted a complete monopoly over the event and it should be enjoyed by the country as a whole, which by implication means free commercial exploitation by non-sponsor companies like Metcash.

In its reply, FIFA commended Metcash's sponsorship of grass roots football projects and its support of the sport of football in general but could not accept that this gives Metcash the right to commercially associate with the 2010 FIFA World Cup. It is vital that FIFA restrains non-sponsor companies from associating themselves with the tournament and from deriving the commercial benefits which are intended for sponsors and licensees alone. The failure to protect the exclusivity enjoyed by sponsors and licensees could jeopardise the future of the tournament itself. It is these sponsors' rights which the relevant sections of the Trade Practices Act and Section 15A of the Merchandise Marks Act have been devised to protect.

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