

LOTTO IS A GAME OF CHANCE

In a recent decision of the Supreme Court of Appeal, South Africa's highest court of appeal (except for constitutional matters), the registrar of trade marks was directed to cancel two trade mark registrations for the mark LOTTO dating from 1991 and to rectify the trade mark register by deleting the registrations.

The cancellation action resulted from a counter-application in an infringement and unlawful competition suit brought by the owner of the LOTTO mark, the South African National Lotteries Board, and the (at the time of the institution of the proceedings) permitted user and exclusive licensee of the mark and operator of the National Lottery against On-Line Lottery Services (Pty) Ltd ("On-Line").

In South Africa, as in other countries, the National Lottery (or "lotto") is big business. Only the official operator of the National Lottery is allowed to sell lotto tickets. In that sense lotto is a monopoly. The question arose whether the owner of the LOTTO mark could also enjoy a trade mark monopoly.

The action originally instituted in the North Gauteng High Court was directed at On-Line, which trades under the style of "Lottofun". On-Line promotes its business as one through which lotto tickets can be ordered by the public, who place orders for lotto tickets with On-Line by means of SMS or the internet. On-Line then buys lotto tickets from the National Lottery as agent on behalf its members. For this it charges a commission fee. The tickets bought by On-Line are not physically transferred to the purchaser but retained by On-Line, who will inform a ticket holder when his chosen number combination was drawn in the lotto and consequently pay out the relevant amount to him.

In granting the application for cancellation, the appeal court found that the word lotto was "already in general circulation" at the time the LOTTO trade marks were registered and that the proprietor of the LOTTO trade mark registrations had appropriated for itself a word which had an ascertainable generic and descriptive meaning. In the court's view the word should be free for use by others and could not indicate services emanating from any one entity alone. The appeal court noted that its decision was consistent with a number of rulings of OHIM on the non-distinctive character of the word 'lotto', although it emphasized that it was by reasons of time and location not bound by the relevant OHIM decisions.

Considering the Supreme Court of Appeal's well reasoned judgment, partly based on the fact that the word 'lotto' had appeared in English and Afrikaans dictionaries already many years before the LOTTO trade marks were registered and the game played in South Africa on a national scale, the National Lotteries Board's prospects of successfully defending its trade mark rights in LOTTO, were, arguably, from the outset about as good as winning the lotto.

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