ADDIS ABABA UNIVERSITY

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THE INFRINGEMENTS OF REGISTERED TRADEMARKS AND REMEDIES UNDER ETHIOPIAN TRADEMARK LAW: AN ANALYSIS OF THE LAW AND PRACTICE

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF LAWS (LL.M IN BUSINESS LAW) TO THE SCHOOL OF LAW, ADDIS ABABA UNIVERSITY

BY: NAOL BAYISA MESKELA…..... D.NO GSR/5031/13

ADVISOR: BIRUK HAILE (PhD)

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A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Laws (LL.M in Business Law) to the School of Law, Addis Ababa University

Approved by Board of Examiners

Biruk Haile (PhD)	
Advisor's Name	Signature and Date
Muradu Abdo (PhD)	
Examiner's Name	Signature and Date
Ato Fikadu Petros (Asst. Professor)	
Examiner's Name	Signature and Date

September 2024

DECLARATION

I, the undersigned, declare that this study entitled "***The Infringements of the Registered Trademark and Remedies under Ethiopian Law: Analysis of the Law and the Practice***" is my own work. I have conducted the research independently with the guidance and support of my research advisor. This study has not been submitted for any degree at any other academic or research institution, and all sources of materials used for the thesis have been properly acknowledged and cited.

Name: **NAOL BAYISA**

Signature_____

Date_____

Approved By: Biruk Haile (Ph.D)

Signature 

Date 17/09/2024

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ACRONYMS

AfCFTA	African Continental Free Trade Area
CC	Civil Code
CPC	Civil Procedure Code
EIPA	Ethiopian Intellectual Property Authority
EU	European Union
FFIC	Federal First Instance Court
FHC	Federal High Court
FSC	Federal Supreme Court
ICC	International Chamber of Commerce
IP	Intellectual Property
IPR	Intellectual Property Rights
OECD	Organization for Economic Co-operation and Development
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TCCPAAT	Trade Competition and Consumers Protection Authority Appellate Tribunal
UK	United Kingdom
USA	United States of America
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

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ABSTRACTS

The paper aimed at assessing the legal gaps and practical challenges in trademark enforcement and adjudication of trademark infringements under the existing trademark regime. Purposive sampling method was employed to gather information from EIPA officials, lawyers, Federal Prosecutors, and judges to assess the existing enforcement challenges related to trademark rights. Most importantly, there is strong reliance on disposed cases at Federal Courts to evaluate the current enforcement practices related to infringement of the trademark rights. Current practices in the Federal Courts indicate that courts are asserting jurisdiction in a manner inconsistent with the rules outlined in the Federal Courts proclamation. Furthermore, there are instances where courts completely refuse jurisdiction and dismiss the case on the grounds that they lack the authority to adjudicate trademark-related disputes. The paper also revealed uneven practice and inter-bench and intra-bench split in award of damages for trademark infringement. In addition, the civil remedy, specifically the monetary relief, rarely served its purposes in compensating the trademark owner owing to the difficulty of proving the defendant's profit and absence of statutory basis and courts jurisprudence in determining the amount of royalty. Moreover, besides the non-compliance of the accused with the bail order and closure of criminal cases as result of their failure to appear before the court, criminal conviction is achieving less in deterring the infringement acts as the courts highly prefer to release those convicted of the trademark rights violation on probation.

Key words: *Infringement, Preliminary Injunction, Trademark, Likelihood of Confusion, Royalty, Dilution*

CHAPTER ONE- THE RESEARCH PROPOSAL

1.1 Background of the Study

Trademark has become a key determinant in the modern world of international trade and market-oriented economies.[1] Businessmen have begun to rely more and more on trademarks as a source indicator and an assurance of quality.[2] To put it differently, with the increasing expansion of commerce and competition, trademarks have become a strategic asset for firms competing on the basis of product differentiation and customer loyalty.[3] Toward this end, states' need for protection of trademarks and the enforcement of the rights of the trademark owner were aroused because it was found to be necessary to protect the reputation and goodwill of businesses. Despite the recognition and protection of trademark rights, the expansion of trade competition and technology has enabled everyone to easily use protected marks without the consent of the owner or imitate the mark in a very short time with no inconvenience, thus creating confusion and jeopardizing the economic interests of the owner and the consuming public.

Trademark infringement, sometimes termed trademark counterfeiting[4], occurs when someone uses a trademark that is identical to or deceptively similar to a registered trademark for identical or similar goods or services so as to cause confusion in the minds of the public. Due to the growing economic value of trademarks, traders may use someone's mark to mislead consumers into believing that a product or service comes from the registered trademark holder. They do not only destroy the basic function of a trademark: distinguishing, infringe the rights and interests of consumers as well, but also leads to the decline of sales volume and the damage to the goodwill of the companies.[5] It generally involves the issues of likelihood of confusion, deceptive marks, identical marks, and dilution of marks.[6]

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[1] World Intellectual Property Organization (WIPO), 'Intellectual Property Handbook: Policy, Law, and Use' (2004), WIPO Publication No. 489 (E) (second edition), 67.

[2] Manuel Mira, 'Trademarks as an indicator of innovation and industrial change', (2004) LEM Working Paper Series, No. 2004/15, 7

[3] Mirësi Çela, The importance of Trademarks and a Review of Empirical Studies, (2015) European Journal of Sustainable Development, 125

[4] It is common to find literature using trademark infringement and counterfeiting interchangeably though they differ both in scope and nature. Counterfeiting is the imitation of a product, including the mark attached to such a product. However, trademark infringement encompasses acts beyond imitating or forging the registered mark without the consent of the owner.

[5] Shan Zixin, Confusion, or likelihood of confusion? Trademark infringement in China and EU, (2018) Uppsala Universität, Department of Law, master's Thesis on IP Law, p 6

[6] Manzoor Elahi Laskar, 'Passing off and Infringement of Trademarks in India' Symbiosis Law School, available at http://ssrn.com/abstract=2410451 accessed on June 20, 2022, 11

Basically, trademark counterfeiting is not a new phenomenon. The oldest counterfeit products on display at the Museum of Counterfeiting—stoppers used to seal amphorae filled with wine—date from around 200 BC.[7] A study on manufacturing activity in the Middle Ages reports widespread product counterfeiting; in one example, chemical analysis of sword blades believed to be made of Damascus steel showed that one in four were convincing counterfeits.[8] In the mid-1980s, a business magazine described counterfeiting as "perhaps the world's fastest-growing and most profitable business".[9] The number of illegal infringers who take advantage of registered trademarks and create similar signs on the same or similar goods or services to confuse consumers and gain illegitimate profits is also increasing. A 2004 report by the Commission on Intellectual Property of the International Chamber of Commerce (ICC) estimated that the cost of global counterfeiting and piracy exceeded 500 billion Euros and was rising rapidly.[10] A report released in 2017 indicates that the global economic value of counterfeiting and piracy could reach US$2.3 trillion by the end of 2024.[11] Regionally, studies have revealed that the major challenges posed to the economy by trademark counterfeiting among sub-Saharan African countries are significant due to their inadequate policies and weak enforcement of rights. However, it is not uncommon to hear in developing states that counterfeiting or piracy is not a serious issue because it provides an opportunity for low- and middle-income populations to obtain identical or similar products and services at very low costs, and it should not be a government priority.[12] Nevertheless, such an argument lacks validity for states like Ethiopia, which are actively working to participate in international trade and increase their shares in the global market.

Establishing legal safeguards alone will not bring about technical change and growth; such efforts are likely to be frustrated in sub-Saharan Africa, where there are longstanding and relatively strong laws on paper, albeit with limited enforcement capacity.[13] Ethiopia is no exception in this regard. Despite the enactment of trademark law and the establishment of various enforcement mechanisms, as well as efforts to secure membership in international IP forums and regional

[7] The Museum of Counterfeiting, Paris – A Walk on the Wild Side," WIPO Magazine, February 2009, 20.
[8] Richardson, G. (2008). "Brand Names before the Industrial Revolution." NBER Working Paper No. 13930.
[9] OECD (2008). "The Economic Impact of Counterfeiting and Piracy." (Paris, OECD)
[10] Mark A. Thurmon, 'Confusion Codified: Why trademark Remedies Make No Sense' Journal of Intellectual Property Law (University of Georgia) p 248.
[11] International chamber of commerce, 'Global impacts of counterfeiting and piracy to reach US$4.2 trillion by 2022', https://iccwbo.org/, accessed on May 13, 2023
[12] Belew Mersha and G/Hiwot Hadush, 'Intellectual Property Law' (2009), Teaching Material Prepared under the Sponsorship of the Justice and Legal System Research Institute 196
[13]Keith E. Maskus, 'Intellectual Property Rights and Economic Development' (2000) 32 Case W Res J Int'l L 471, 496

agreements like the AfCFTA protocol on IP rights, trademark owners in Ethiopia face challenges related to counterfeits and pirated products. Although there is no reliable report on the market share of trade in infringing products in Ethiopia, both formal and informal trade significantly involves transactions of counterfeit goods and services. Unless remedies are pursued for the proper enforcement of the law and mechanisms are developed to address infringement, trademark owners will not be able to reap the economic benefits they deserve from their work. This situation could discourage investment and industrial production and, above all, adversely affect consumers' choices and interests in purchasing genuine products.

1.2 Literature Review

Intellectual property rights infringement is considered a widespread phenomenon in global commerce. Prof. **Michael Blakeney** asserted that the violation of IP rights is perceived as a victim-less crime and is not yet equated by the public to other economic crimes such as robbery, fraud or burglary.[14] He attributes this to the failure by the authorized bodies to educate customers about the dangers of infringing goods and insufficient judicial penalties.[15] Justice Louis Harms emphasized that intellectual property rights being private rights ought to be enforced by civil remedies. However, civil means are ineffective because counterfeiters do not respect the law and carry out their activities clandestinely.[16] He stressed the rationale and effectiveness of the enforcement of IP rights by criminal sanctions against counterfeiting and piracy.[17] **Ameh,** in his work, discussing trademark infringement on the internet, states that in most cases, the domain name is identical to the company's well established trademark and thus can infringe on the owner's trademark rights.[18] Such work is pertinent as it brings into perspective the question of whether the existing legal framework for trademarks can adequately confront the challenges posed by trademark violations on the internet. In Ethiopia, there is limited work done on investigating the enforcement of trademark rights and remedies for infringement. **Abebe Getachew**, in his paper entitled "trademarks: the law and the practice", which was written before the promulgation of the

[14] Michael Blakeney, 'Guidebook on Enforcement of Intellectual Property Rights' (2005) Queen Mary Intellectual Property Research Institute Queen Mary, University of London
[15] ibid
[16] Louis Harms, "The Enforcement of Intellectual Property Rights by means of Criminal Sanctions: An Assessment" A paper presented to the WIPO Advisory Committee on Enforcement, Fourth Session Geneva, November 1-2, 2007.
[17] ibid
[18] Isaac Ameh, "Analysis of the Legal and Institutional Frameworks for the Protection of Intellectual Property Rights in Nigeria", PhD Dissertation: Ahmadu Bello University, Zaria Nigeria, 2014

proclamation, concluded that the existing legislation, including the unfair competition regime, doesn't adequately protect trademark rights and recommended a special trademark regime.[19] In his thesis, **Chernet Wordofa** discussed an issue related to parallel imports in Ethiopia and concluded that the practice of parallel imports is not against the exclusive rights of the trademark owner and his/her authorized distribution channels.[20] **Gebreamlak Y. Belay**, in the paper, has tried to elucidate the practical problems related to the enforcement of trademarks and trade name in Ethiopia.[21] He has mainly demonstrated the legal vacuum of the trade name and trademark registration systems and the practical challenges posed by the absence of unified data bases and cross-reference between the registering authorities.[22] However, it is limited to assessing cases related to the registration of trade names and trademarks within the context of the competition regime, and failed to make a clear distinction between registered trademark infringement and unfair competition causes of action. Again, the paper doesn't deal with adjudication of ordinary registered trademark infringement and remedies available under the laws.

1.3 Statement of the Problem

The Ethiopian trademark law neither defines trademark infringement nor enumerates acts that constitute infringement, and there is no standard under the law indicating how infringement occurs. Nevertheless, a close examination of articles 26 and 27 of the proclamation, which grant a trademark owner the right to use his/her trademark to the exclusion of others' use or misleading acts concerning the goods and services for which a trademark is granted, as well as the limitations thereof, aids in understanding the concept of direct trademark infringement. However, these rights are articulated in ambiguous language and are subject to interpretation by the courts. Firstly, aside from the presumption provided under article 26(3) of the proclamation[23], there are no specific factors that courts must consider in proving the likelihood of confusion when determining infringement under our laws. The scope and application of the core infringement standard test—

[19] Abebe Getachew, 'Trademarks: The Law and The Practice' (Addis Ababa: AAU Law Library, unpublished), 1997 80

[20] Chernet Wordofa, 'Examination of parallel import and trademark monopoly in Ethiopia' (LLM thesis, AAU law school, Unpublished), 2017

[21] Gebreamlak Yaebeyo Belay, 'Competition Law and Protection of Trade Names and Trademarks in Ethiopia: A Case Study' (LLM thesis, AAU Law School, Unpublished), 2017

[22] ibid

[23] Trademark Registration and Protection Proclamation No. 501/2006 (herein after "the proclamation"), article 26(3). The presumption here is to prove the likelihood of confusion for use of identical signs for identical goods and services in establishing the exclusive rights in favor of the trademark owner.

the "likelihood of confusion"—which imposes liability if a significant number of consumers are likely to be confused by the defendant's use of its mark, was examined to establish legal certainty. Secondly, the legislature has not restricted the range of acts against which the trademark owner can seek legal protection for infringement, leaving it to the court's discretion. Furthermore, while there is nothing inherently wrong with linking the concept of trademark infringement to entitlements under Article 26 of the proclamation, whether the Ethiopian trademark regime recognizes the concept of secondary infringement (indirect infringement) remains debatable. Additionally, the internet has become an instrumental tool through which counterfeits reach numerous customers with minimal cost and effort.[24] Given the intermediary role of internet service providers, the question of on what basis legal action can or should be taken is among the fundamental legal issues that arise. In addition, failing to hold online intermediaries liable for trademark infringements realized through their services, can trademark owners compel their cooperation in such matters anyway? Indisputably, intermediaries are in a better position to take practical measures against those they provide their services to. From this perspective, it is desirable to explore the extent to which the existing trademark law will help in protecting owners' rights and establishing the legal culpability for infringements.

The other issue with trademark rights enforcement is the lack of clarity regarding the jurisdiction of courts to hear ordinary trademark infringements. The proclamation has empowered the federal courts, without clearly specifying the competent tier of court, to adjudicate matters and disputes arising from it. And there exists a split among practitioners and disparities in assuming jurisdiction between tiers of courts.

Regarding monetary relief, the law provides an alternative remedy of recovering profits from the use of the trademark, or the amount of royalty the defendant could have been charged had he used the trademark under the license contract.[25] In accounting of profits, the owner is entitled to recover infringers' profits by establishing the latter's sales. There is a presumption in favor of the plaintiff that the net profit derived by the defendant is attributable to the use of the trademark, and the burden shifts to the latter to prove any deductions from their established profits.[26] The plaintiff is

[24] Philip Lindell, 'Trademark infringement online: The accountability of internet intermediaries for third-party trademark infringement in the EU and the US' (2020), Uppsala Universität, Department of Law, master's Thesis on IP Law, p 7
[25] The proclamation, article 40(2)
[26] The proclamation, article 40(3)

not required to prove the actual loss he or she has incurred because of the defendant's wrongful act. However, there is no hard and fast rule for determining the expenses that courts may offset against the profits of the defendant. There is no assistance contained in Article 40 to deal with the complex issue of quantifying the damages suffered as the result of trademark infringement. The prevailing practices reveal that courts consider whether a defendant's conduct was willful, whether it has gained considerable profit from the infringement, whether it is a direct competitor of the plaintiff (identity of the defendant), whether the plaintiff has built reputation over the infringed mark. All or none of those factors play into a court's determination of the ultimate damages. The proclamation, as opposed to the copyright law, has not specifically included the owner's right to claim compensation for actual damages sustained by infringing acts of the perpetrator (e.g., money diverted from the owner to the infringer). What if the owner has failed to prove the profits accumulated by the infringer or the infringer has gained nothing from the use of the owner's mark? Is the defendant's payment of royalties the only viable remedy? As such, money-damage cases won't be viable due to this legal void and the practical difficulty of proving the defendant's profit, and therefore, monetary relief rarely serves its purposes. Moreover, due to the absence of a statutory basis for determining and calculating the amount of royalty, courts may find it challenging to assess damages in trademark litigation through royalty scheme.

With respect to the criminal remedies, the proclamation has over-criminalized acts of infringers with rigorous imprisonment and gone beyond the minimum standards of protection adopted by the TRIPS agreement.[27] Again, it has only provided imprisonment as a primary punishment, and the imposition of fines was not considered by the legislator. Given the increasing economic importance attached to those rights, infringers may benefit more than what is received by the owners, and the absence of fines would have a chilling effect. Therefore, the thesis carefully examined the existing statutes and case laws to determine the legal voids and practical challenges in the enforcement of registered trademark rights.

1.4 Research Questions

The research answered the following research questions:

- What are the factors courts are required to take into consideration in proving the likelihood of confusion in determining trademark infringement?

[27] The proclamation, article 41.

- Does the existing trademark law provide an adequate legal framework for enforcing online trademark infringement?
- Which tier of federal courts has competent jurisdiction to hear ordinary trademark infringements, and what are the current federal court practices?
- What are criterion employed by court to quantify damages in awarding compensation for infringement of trademark rights?
- Are the existing civil and criminal remedies for trademark infringements adequate and effective? What are the remedial gaps and/or excesses?

1.5 Research Objectives

1.5.1 General Objective

- Assessing the legal gaps and practical challenges in trademark enforcement and adjudication of trademark infringements under the existing trademark regime.

1.5.2 Specific Objectives

- Examining the nature and scope of trademark infringements and remedies available under the trademark regime
- Evaluating the factors that courts must consider in proving trademark infringements and imposing liabilities on infringers.
- Assessing the jurisdiction of Federal courts in entertaining ordinary trademark infringements
- Determining the sufficiency or otherwise of existing legal remedies in preventing the ever-growing problem of trademark infringement
- Assessing the practical problems and gaps in enforcement of trademark rights through civil and criminal remedies provided under the proclamation.

1.6 Scope of the Study

The purpose of the study is to examine the existing statutes and the disposed and active cases on the enforcement of trademark rights. Therefore, the scope of the study is limited to evaluating the practices of law enforcement organs in handling civil and criminal matters in enforcing trademark rights. Nevertheless, the discussion regarding the enforcement of trademark rights through border measures is outside the scope of the study.

1.7 Significance of the Study

After critical analysis of the law and practice, the paper recommended the mechanisms to deal with the problems related to entertaining infringement of trademark rights and suggest revision of the existing law. Besides, the paper would have greater significance for ongoing legal reform in the area of trademark laws, and analysis in turn help in overcoming the loopholes in the laws and strengthening and regulating future formulation of laws. Moreover, it helps law enforcement agencies, especially the prosecution and judiciary, in investigating and adjudicating infringements of trademark rights. Both practitioners and students of trademark law may benefit from exposure to the existing law and practice of enforcing trademark rights in Ethiopia.

1.8 Methodology

To achieve the research objective and answer the research questions, both doctrinal research and non-doctrinal methodology is used, accompanied by a qualitative approach to explore the legal and practical aspects of trademark infringements and remedies under the trademark regime. A doctrinal research methodology is employed to assess the Trademark Registration and Protection Proclamation, Trademark Regulation, the IP Tribunal establishment Directive, Trade Competition and Consumer Protection Proclamation, other relevant legislations, and IP policy documents, if any, in light of international IP treaties.

The study relied both on the primary and secondary sources relevant to the issue under study. International IP treaties, relevant domestic legislations, and IP policy documents, if any, cases entertained by courts or specialized tribunals, data generated from interview and other legal documents pertaining to the research problem are used as primary sources. There is a considerable reliance on secondary sources such as Books, journal article, commentaries on laws, working and study papers, reports, thesis, and relevant web sources. Considering the nature of the study, the researcher used a purposive sampling technique to get reliable information appropriate to the study. Since EIPA is mandated with a power of facilitating adequate legal protection for and exploitation of Intellectual Property, interviews with trademark directorate experts, IP Tribunal member(s), judges presiding over Trade and investment bench at the Federal First Instance Court and Federal High Court, and the Federal public prosecutor/s assigned to prosecute economic related crimes, and lawyer/s experienced in trademark litigation were selected to gather relevant information.

1.9 Organization of the Paper

This thesis comprises five chapters. The first chapter serves as the introduction, detailing the research background, problem statement, and literature review. The second chapter examines the overall legal framework regarding Ethiopian trademark law. The third chapter offers a concise discussion on trademark infringement and the jurisdiction of courts in adjudicating registered trademark infringements in Ethiopia. The fourth chapter evaluates the legal remedies available against trademark infringement under Ethiopian trademark law and reviews the existing practices at Federal Courts. The final chapter centers on the conclusion, findings and potential recommendations of the paper.

CHAPTER TWO-UNDERSTANDING THE ETHIOPIAN TRADEMARK LAW: AN OVERVIEW

2.1 Trademark and Acquisition of Rights

Owing to the extended notion of the trademark concept, the comprehensive meaning of trademark is not adequately established. The trademark proclamation defined it as follows:

> "*Any visible sign capable of distinguishing goods or services of one person from those of other persons. It includes design, letters, numerals, colors or the shape of goods or their packaging or the combinations thereof*".[28]

Accordingly, trademark, to acquire legal protection, must be a visible sign which has a quality of distinguishing products or services of different market operators. Distinctiveness is the most important nature of trademark as source indicator of the given products or services. Nevertheless, this does not mean that it must inform the consumer of the actual person who has manufactured the product or even the one who is trading in it. Rather it is sufficient that the consumer can trust in a given person, not necessarily known to him, being responsible for the product sold under the trademark.

The right to use trademark often results from both prior usage and registration, or just from the mark's registration. The prior use doctrine has developed in common law states as the method of acquiring protection of a trademark.[29] It means that, for a mark to acquire protection, it must be first in time. It is believed that protecting a mark without the need for registration will avoid administrative bureaucracy encountering a person during the process of registration. Such method of acquiring trademark rights criticized for the difficulty of proving the existence of the prior right and use by the prior user.[30] This will lead to difficult administration of trademark rights and costly as well as lengthy court litigation in the event disputes arise. Again, it is said to cut off the government revenue collected from the registration and subsequent procedures. On the basis of prior use, we cannot find any statutory recognition of rights accorded to unregistered trademarks in our law. Nevertheless, prior use has waived the fulfillment of the distinctiveness requirement to be regarded as an admissible mark in acquiring registration as per article 6(2) of the proclamation. However, such a waiver may only be interpreted as a guarantee of preferential treatment in

[28] The proclamation, article 2(1)

[29] Thomas F. Cotter, 'Owning What Doesn't Exist, where it Doesn't Exist: Rethinking Two Doctrines from the Common Law of Trademarks' (1995) 1995 U Ill L Rev 487, p 488-89.

[30] Traci L. Jones, 'Remedy Holes and Bottomless Rights: A Critique of the Intent-to-Use System of Trademark Registration' (1996) 59 Law & Contemp Probs 159, 161

trademark registration, not as the possibility of granting rights to unregistered trademarks based on prior use.

Registration, on the other hand, is the widely used method of acquiring exclusive rights to a given mark, rights in trademarks become effective only after a duly established authority registers them.[31] Most trademark laws require registration of the trademark to be prima facie evidence of its validity in legal proceedings involving registered trademarks. Furthermore, in majority of trademark acts, no one shall be entitled to institute any proceeding to prevent or recover damages for the infringement of an unregistered trademark, so that registration is the only way to bring a trademark infringement suit before a court.[32] Apart from the instance of the well-known marks, the proclamation has recognized registration as the sole means of acquiring trademark rights in Ethiopia.[33] Before registering a mark, the authority has to conduct an examination of its registrability on the absolute and relative grounds specified in the law. In addition, the law has put in place procedural safeguards ranging from the right of opposition to trademarks to publicizing the registration and subsequent right of any interested party to request cancellation and invalidation of the registered trademarks.

2.1 Why Trademark Do Needs Legal Protection?

As opposed to protection for patents, copyrights, and designs, the trademark protection rests on the marks' ability to convey information about the caliber of the goods or services they are applied to, as well as the protection of reputation and goodwill.[34]

2.1.1 The Protection of Reputation and Goodwill

Marks built on certain goods or services have a reputational value and, protection was given to the reputation and integrity established over such a mark by such businesses against someone who imitated it, leading to confusion between the imitator's goods and those of the trademark owner.[35] Such justification has been clearly enunciated under the preamble of proclamation. However, it

[31] Belew Mersha and G/Hiwot Hadush (n12) 273
[32] The United Kingdom, Indian, Kenyan, and Nigerian Trademark Acts, notably, require registration of a trademark for lodging trademark infringement proceedings.
[33] The proclamation, article 4
[34] Belew Mersha and G/Hiwot Hadush (n12).
[35] Richard J. Taylor, 'Loss of Trademark Rights through Nonuse: A Comparative Worldwide Analysis' (1990) 80 Trademark Rep 197, p 13

has narrowly applied the justification to avoiding confusion between similar goods and services.[36] The proclamation has recognized the idea of the well-known trademark to grant protection to marks whose protection is more based on protection against dilution than it is on the prevention of confusion, and thereby preserving the integrity and individuality of the mark. Well-known trademarks are protected not only against competing products, but also against non-competitive products when there is no risk of confusion. Owners of well-known marks are protected from even non-confusing uses in order to protect their marks' uniqueness from blurring and tarnishment.[37] The exclusive rights conferred to the trademark owner to preclude others from using identical or similar marks also extended to non-similar goods and services.[38] This is another indication that the proclamation justified trademark protection not only to avoid the possibility of confusion, but also to combat unfair advantage taken by others and to protect the distinctive character of such a mark. A trademark owner benefits more if his trademark only refers to his products and services, rather than a wide range of products.

2.2.2 Protection of Consumers

Trademarks are cues that help the consumer recognize and identify a particular product and presumably assure him/her that the product has come from the same source as in the past.[39] The proclamation has unequivocally justified trademarks for the safeguarding consumers' choices and interests.[40] As such, trademark law is a subset of unfair competition law and thus a consumer protection law. Marks have a communication function of supplying information to consumers and thereby increasing the efficiency of the market.[41] It protects consumers from deception and reduces their shopping expenses as they get the advantage of refraining from always purchasing products on a trial-and-error basis.

2.2.3 Promotion of National and International Trade

Nowadays, we are witnessing the significant shares of famous marks contributing to the global market and being used as an important tool to outreach to remote markets. The proclamation

[36] The TM proclamation, preamble, first paragraph
[37] Stacey L. Dogan & Mark A. Lemley, 'The Trademark Use Requirement in Dilution Cases' (2007) 24 Santa Clara Computer & High Tech LJ 541
[38] The proclamation, article 26(2)
[39] George Miaoulis and Nancy D'amato, 'Consumer Confusion and Trademark Infringement' (1978) Journal of Marketing, Wright State University, 48
[40] The proclamation, preamble, second Paragraph
[41] Belew Mersha and G/Hiwot Hadush (n12)

anticipated the real economic and trade significance behind protecting trademarks.[42] It has accorded foreigners the same rights and obligations as Ethiopians, subject to the principles of reciprocity or in accordance with any treaty to which Ethiopia is a party.[43] Nowadays, such protection has been judicially backed in litigation involving foreigners' trademarks that have been registered in Ethiopia. In *Ahmed Abdurrahman vs. Eliyis Detergent Industry Company*[44], the Federal Supreme Court Cassation bench has sustained the right of the Respondent, the foreign company, to file an opposition to the allegedly infringing mark. The bench has declined the appellant's argument on the ground that the latter has failed to prove the fact that trademarks of Ethiopian owner who have registered abroad are denied the right to file opposition in the country of the respondent. The greater judicial protection of trademarks will have a positive impact on the expansion of cross-border trade. Moreover, the proclamation has recognized well-known trademarks, which will have a greater contribution to the expansion and promotion of international trade. However, the law has only gone halfway in protecting such marks as their protection in Ethiopia depends on Ethiopia's membership in an international treaty.[45] As long as Ethiopia is unwilling to sign any international treaty, well-known trademarks are not going to be protected unless they undergo local registration procedure in Ethiopia.

2.3 Rights Arising from Trademark Registration

The formal recognition of trademarks as property rights utilized by the owner to prevent others from using the same without the latter's authorization, however, was necessitated by the growing importance of trademarks as a business asset. The owner had been granted exclusive rights to self-exploitation or authorization to use by third parties through the instrument of registration.

2.3.1 The Right to Use the Trademark

The right to use a protected trademark is among the rights of the owner that are protected under many national laws. However, such a positive right to use has been the subject of debate under the WTO-TRIPS regime. The first line of argument for recognition of positive rights under the WTO-TRIPS system contends that the right to use is that the primary function of distinguishing one

[42] The proclamation, preamble, paragraph three
[43] The proclamation, article 3
[44] Ahmed Abdurrahman vs Eliyis Detergent Industry Company, Federal Supreme Court Cassation Division File No. 193292 (Unpublished), 2013.
[45] The proclamation, article 23

company's products or services from those of other companies, cannot be fulfilled without recognition of the right to use.[46] The second line of debate is that the drafters never intended to confer the trademark owner with the right to use such a right, which was not included under the Paris convention either.[47] Article 16.1 of the Agreement only requires WTO members to provide for an '*exclusive'* right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs…'[48] This is clearly a negative right, and there is no reasonable way in which this provision could be read as obligating WTO members to guarantee a positive right to use a trademark.

The right to use a trademark is clearly conferred on the trademark owner, without restriction, under the proclamation. It confers the right to use or authorize other person to use the trademark in relation to goods and services for which it has been registered.[49] However, the proclamation has neither defined nor illustrated the nature of the right to trademark use.

The definition for 'use of a trademark' has been provided under article 2(6) of the Trademark Registration and Protection Regulation No. 273/2012 (hereinafter the "trademark regulation").

> *"Attaching the trademark to the goods or packaging or labeling of the goods, displaying the trademark closely associated with the goods, placing the trademark in advertising or promotional material for the goods or services, or in any other way establishing a relationship between the trademark and the goods or the services".*

However, use of the trademark under this provision cannot be construed as the positive right to use. It is an obligation which allows owner to use of a trademark to for the purpose of preserving the mark against cancellation for non-use. Accordingly, the owner of the mark shall affix it on goods, packaging, labels, or to use it in any other way in relation to the goods for which it is registered. The requirement of affixation was to ensure that the owner had used the word or symbol as a trademark, to indicate source, and thus was in legitimate need of protection.[50] Altering the product and selling it under the same mark has the same effect as affixing the mark to goods; that

[46] Carlos M. Correa, 'Is the right to use trademarks mandated by the TRIPS Agreement?' (2016) Research Paper, No. 72. 9

[47] A right to use a trademark cannot be derived either from Article 6bis or other provisions of the Paris Convention. In particular, the obligation to refuse or to cancel the registration, and to prohibit the use, ex officio or at the request of an interested party, of a 'well-known' trademark (Article 6bis (1) of the Paris Convention) cannot be equated to a right to use such trademark.

[48] TRIPS Agreement, Art. 16(1)

[49] The proclamation, Article 26(1)

[50] Margreth Barrett, 'Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses in the Manner of a Mark' (2008) 43 Wake Forest L Rev 893, 914

is, it gives the consumer the impression that the genuine product has been marketed by the trademark owner under his mark.[51] If that is not true, the trademark owner has a right to intervene. Secondly, the owner needs to introduce the goods and services to the market under the trademark. However, this does not necessarily imply that the owner of the mark is the producer of the goods, as they may use a third party to produce the goods and then attach their mark to them. Lastly, the trademark owner has the right to use his or her mark in advertising or promotional materials.

The proclamation has also clearly imposed an obligation to use the trademark. The rights granted by law to a trademark owner who fails to use it throughout the period of protection will be lost, unless the owner can demonstrate that the omission to use was due to force majeure.[52] The Authority's initiation of the cancellation of a registered mark for non-use is not considered; it may only be done on an interested party's application. Nor does the law require proof of use of the trademark during the period of protection or application for renewal of registration.[53] The law makes no mention of the proof required to demonstrate trademark use. In addition, the article has not illustrated grounds which may be considered legitimate grounds in determining non-use of the registered trademark and it is left to the appreciation of the EIPA or courts.

2.3.2 The Right to Authorize the Use of the Trademark

The proclamation has recognized the contractual arrangement of assignment and licensing, subject to statutory requirements, for lawful exploitation of the trademark by a third party. Scrutiny of such contractual arrangements has been a great help in dealing with non-tortious trademark infringements.

2.3.2.1 Assignment of Trademark Rights

An assignment of trademark refers to a voluntary transfer of ownership of the rights but does not necessarily constitute part of a purchase contract, whereby trademarks are sold against payment of

[51] Gerd F. Kunze, 'Introduction to Trademark Law and Practice: The Basic Concepts' (1989) a WIPO Training Manual. 51

[52] The proclamation, article 35(4)

[53] Many jurisdictions require proof of use of a registered trademark during the term of protection and on renewal thereof. For example, in the Philippines, an affidavit of use or excuse for non-use must be filed every five years for twenty years of protection. In Haiti, an affidavit of use or non-use is required every five years but not during renewal of registration. In the United States, an affidavit or excuse must be lodged within the 1-year period immediately preceding the expiration of 6 years within six years and within the 1-year period immediately preceding the expiration of 10 years following the date of the initial registration, including on renewal.

a certain amount of money.[54] The proclamation has recognized the assignment of rights on an application for registration of a trademark in addition to the assignment of rights on an already registered trademark. It stated that "a right on a registered trademark or *an application for registration of a trademark* may be assigned or licensed……"[55] One may question how the law allows for the assignment of rights on application for registration without the existence of an established right on the mark. Through assignment, the owner can transfer the trademark to another person, and this is a relatively common practice. The overall assumption is that application for the registration of the trademark can be assigned and there is a provisional protection by the law during the period of protection. The proclamation appears to recognize a right over the application for registration of a trademark.

Although the trademark owner enjoys a relative degree of freedom to assign rights in trademarks, it is subject to substantive and procedural requirements. Among the substantive requirements, the law requires a written form for an assignment to be effective. The application for assignment shall be accompanied by a written agreement. Again, it requires the mandatory registration of the assignment before the authority not only to have effect on the third parties but also to be valid between the parties to the assignment contract.[56] In the case of joint ownership of a trademark, a legitimate assignment of shares in it requires the approval of all co-owners.[57] However, the law is silent concerning the assignment or otherwise of collective trademarks or applications for registration of collective trademarks, as opposed to the case of collective trademark licensing, which the law clearly prohibits.[58] Moreover, it has retained the autonomy of the owner of a trademark to transfer the trademark with or without a transfer of the business to which the trademark belongs. However, in the absence of a clear stipulation in the contract of business transfer, the law presumes that the trademark rights associated with such business are also transferred to the new owner.[59] In terms of procedural requirements, unlike licensing, assignment of rights begins with a request for transfer of rights, and thus the licensor is subject to less lenient procedures than the assignor of trademark rights.

[54] Gerd F. Kunze (52) 69.
[55] The proclamation, article 28(2)
[56] ibid. Article 28(6)
[57] ibid. Article 28(3)
[58] ibid. Article 29(3)
[59] ibid. Article 28(4)

2.3.2.2 Licensing of Trademark Rights

Licensing is another means of third-party exploitation of the registered trademark on statutory and contractual terms. It has the tremendous importance in generating additional revenue for the firm, creating a new channel of distribution or segments of goods and services, serving as an important tool for the territorial expansion of the trademark owner, introducing new products, services or technology and the role of converting potential infringers into allies.[60] The proclamation, under article 2(7), has defined a license contract as:

> *"The contract whereby the owner grants to any other person a trademark for all or part of the goods or services in respect of which the trademark is registered."*

Accordingly, a license is an authorization by the owner to use a trademark that would otherwise be prohibited without the consent of the trademark owner. Thus, licensing is only subject to securing the consent of the owner, and there is no public policy rationale for allowing compulsory licensing and governments in permitting the use of a trademark without the authorization of the right holder. Instead, allowing third parties to produce identical products under the same mark through a compulsory license could lead to consumer confusion about the actual source of the products. However, in the definition, the requirement for consideration, usually payment of royalty, in licensing of a trademark is lacking. The law has not made the payment of royalty a mandatory requirement and, therefore, trademark rights may be licensed for other non-monetary but economic benefits to the owner.

Although licensing is based on mutually agreed terms and conditions, it is subject to certain mandatory substantive and procedural requirements to keep pace with the primary objective of avoiding confusion. Like assignment, licensing on an application for trademark registration is also allowed.[61] To begin with the substantive requirement, licensing contracts shall be made in writing, and oral licensing shall have no legal effect.[62] Second, the licensing contract shall state whether it is for all or a portion of the goods and services for which the trademark is registered or an application has been filed.[63] However, the failure to indicate the categories of goods to which the license applies will confer licensee the right to use it in respect of all goods and services for which

[60]Eva Csiszar Goldman, 'International Trademark Licensing Agreements: A Key to Future Technological Development' (1986) 16 Cal W Int'l LJ 178, 199
[61] Ibid. Article 29(2)
[62] ibid 29(1)
[63] ibid.

the mark is registered.[64] Thirdly, the proclamation has provided a clear provision that the owner exercises effective control over the licensee, which is the fundamental essence of trademark licensing. The contract of licensing shall have a clause indicating the effective control, by the licensor, of the quality of goods or services in connection with which the trademark may be used.[65] So-called "effective control" cannot be limited or waived under any circumstances. Thus, the absence of such a clause renders such a contract null and void. The main objective of placing such a clause in a license contract is primarily to safeguard the source indicating function of the trademark, thereby protecting the reputation and goodwill of the mark, and protecting the consumer from deception. In the famous *Barcamerica case*[66], the court held that *"naked and uncontrolled licensing*" causes the trademark to stop serving as a quality symbol and gives the impression that its registered owner has given up on it and may not be allowed to continue claiming ownership of the mark.

Registration of the licensing contract is mandatory for the contract to have a legal effect against third parties. However, unregistered contract continues to be binding on the parties. Nevertheless, both in assignment and licensing, registration is not only to comply with procedures but also because of its great importance to exercising the fundamental rights conferred to the trademark-prohibiting third party from using the identical or similar trademark, and thereby bringing an infringement suit before the court.

2.3.3 The Right to Preclude the Use of the Trademark

The right to preclude others from using that trademark is the fundamental essence of the exclusivity nature of trademark law. It follows from the mark's basic function of distinguishing the goods of its owner from others that he or she must be able to object to the use of confusingly similar marks to prevent consumers and the public in general from being misled.[67] Such exclusive right is exercised in bringing an infringement action before the court and bringing an administrative opposition against an application for the registration of a confusingly similar trademark.

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[64] Ibid. Article 33
[65] ibid. Article 30
[66] Barcamerica International USA Trust v. Tyfield Importers Inc, 289 F.3d 589 (United States Court of Appeals, 9th Circuit, 2002) available at https://casetext.com/case/barcamerica-intern-v-tyfield-importers-inc accessed July 30, 2022
[67] WIPO, Intellectual Property Handbook: Policy, Law, and Use (n1) 84.

The scope and nature of the right to preclude others from using the trademark and bringing an action for trademark infringement varies across jurisdictions. For instance, the UK Trademark Act has taken a more restrictive approach, making a distinction between ordinary and trademarks having a reputation in the UK. Regarding ordinary trademarks, the owner has the right to prohibit third parties from using similar or identical marks or signs only in relation to goods or services similar to those for which the trademark is registered.[68] Whereas, for marks having a reputation in the UK, the owner has a right to preclude others from using such marks irrespective of whether the goods or services in relation to which the mark or sign is used are identical with, similar to, or not similar to those for which the trademark is registered.[69] The Brazilian law on Industrial Property has recognized the so-called "highly reputed marks" and granted an owner with the protection to preclude the registration or use of a similar mark not only among the consumers of the products or services claimed by the owner of such trademark but also in any field of business activity.[70] The proclamation has conferred the right to prohibit others from using the trademark without his or her prior consent in a broader manner.

> " ..... the right to preclude others from (a) any use of a mark or a sign resembling it in such a way as to be likely to mislead the public for goods and services in respect of which the trademark is registered, or for other goods and services with which use of a mark or sign is likely to mislead the public".[71]

Here, the proclamation, firstly, prohibited all third parties from any mark or sign which is identical with the registered trademark and is used in relation to goods or services which are identical with those for which the trade mark is registered. In this scenario, the protection accorded to the proprietor of such mark is unqualified, meaning that existence of a likelihood of confusion on the part of the public is presumed pursuant to article 26(3) of the proclamation. Second, the proprietor of the trade mark is entitled to prevent such use where the sign used by the third party is at least similar to the trade mark and is used in relation to goods or services that are at least similar to the goods or services for which the trade mark is registered. Now, the proprietor must prove the existence of a likelihood of confusion on the part of the public. The likelihood of confusion is the

[68] Gerd F. Kunze (52) 52
[69] ibid.
[70] Brazil Industrial Property Law No. 9279, 1996, Article 125. *See also* Elisabeth K. Fekete, 'Use of Unregistered and Registered Trademarks: The Brazilian System' (2014) 104 Trademark Rep 1255 p 1257.
[71] The proclamation, Article 26(2a)

only test against which use of an identical or similar trademark or sign is considered to be [non]infringement of the right. The legal protection provided for in Art. 26(2a) extends equally to conventional and well-known trademarks. On the other hand, the proclamation gives the owner the right to exclude others from using the sign (or similar signs) "*without just cause and in conditions likely to be prejudicial to the interest of the right holder*"[72] without illustrating the notion of 'just cause' and 'interest of trademark owner'. Under this provision, the owner is protected against authorized use even without proving the existence of the likelihood confusion. Thus, while the scope of protection of a trade mark is generally limited to the goods or services in respect of which it is registered, the proclamation, under this clause, seems to prohibit the use of trademark or similar signs even in relation to dissimilar goods or services, meaning protection is accorded those marks even when there is no risk of confusion to the general public. We can find inference to the interest of the trademark owner in protecting the rights of the Well-known trademark owner under Art. 16(3) of the TRIPS Agreement. It states that an owner of a well-known trademark may prohibit any third party from interfering if such usage is likely to harm the owner's registered trademark interests. However, Art. 6*bis* of the Paris Convention makes no mention of the right holder's interests, and instead focuses on customarily likelihood of confusion. The proclamation, under Article 26 (2b) and by the virtue of 23(1), seems to protect the owner of well-known trademark against any activity which would affect or interfere with his trademark in manners "prejudicial to his interest" in accordance with the relevant international agreement which Ethiopia becomes party to. Nonetheless, the proclamation under article 26 (2b, c) seems to make no distinction in protecting well-known marks and conventional trademarks, and future amendment need to bring a clarity in protecting the exclusive rights in this regard.

2.4 Limitations Against the Exclusive Rights to Trademark

Trademark law does not confer a "right in gross" to a mark but, rather, confers rights limited to what is necessary to prevent consumer confusion and protect the good will of the trademark owner, and the law has placed limitations to the exclusive rights.

[72] ibid, article 26(2b)

2.4.1 The Doctrine of Exhaustion

The doctrine of exhaustion provides that once the owner of the registered trademark releases a product bearing such a mark into the stream of commerce by selling or authorizing it to be sold, he/she exhausts his/her legal right to control that product. Exhaustion can be an international, regional, or national one, and TRIPS left members states free to adopt their own exhaustion rule of intellectual property rights within their domestic laws with due regard to the core principles.[73] In the first one, regardless of the means of sale and the country in which the items are sold or distributed, the owner's rights are exhausted once the trademarked goods are placed on the market by virtue of his/her exclusive right. Therefore, the owner cannot object to the parallel importation of such goods. The national exhaustion, on the other hand, exhausts the rights of the owner once the products are sold or distributed in the domestic market, and the owner cannot object to the re-selling or re-distribution of such goods within the jurisdiction in which the trademark is registered. However, the owner retained the right to prohibit the parallel importation of such goods by a third party, even when such goods are sold abroad by himself or with his permission.

The international exhaustion rule has been adopted as one of the grounds of limitation for the owner's exclusive rights in the proclamation. It is not a limitation on the owner's right to use the trademark, rather it is a limitation on the owner's right to preclude third parties from using the mark. The owner may not preclude third parties from using the trademark in relation to goods lawfully sold in any country under that trademark, provided that these goods have not undergone any change.[74] However, this rule is not applicable when the product is physically and materially altered, changed, or destroyed without the consent of the trademark owner. On the other hand, the regional exhaustion rule under AfCFTA with respect to IP rights has been adopted by AU as instrument of establishing harmonized rules on IP rights to boost intra-African trade. The draft Protocol on IP rights clearly stated that the rights conferred by intellectual property shall be exhausted when a product covered by or incorporating an intellectual property right, has been introduced on the AfCFTA market by the right holder or with the right holder's consent.[75] It can be considered as an important step taken by the AU towards promoting free flow of genuine

[73] TRIPS Agreement, (n22), Article 6
[74] The proclamation article 27(1)
[75] Draft Protocol to the Agreement Establishing the African Continental Free Trade Area on Intellectual Property Rights, 16- 21 January 2023 Accra, Ghana, Art.7

products amongst members and prevention of fragmented market caused by non-harmonized of exhaustion rule.

2.4.2 The Fair Use Principle

The fair use principle is recognized in article 17 of the TRIPS agreement and considered a legitimate use of a registered trademark without securing the consent of the owner. It is based on the notion that good faith use of a protected trademark only for describing one's goods and services but not for indicating the source of such goods and services is legitimate and will not constitute trademark infringement.[76] Although the rule of fair use seems clear, literature has expounded on the difficulty the courts are facing in applying such a principle in disposing of trademark infringement cases.[77]

Though the term "fair use" is not explicitly stated in the proclamation, it has clearly illustrated permissible uses of the registered trademark without the owner's prior consent.[78] Firstly, it has allowed descriptive use, where third parties use the trademark to describe the kind, quality, quantity, destination, value, place of origin, time of production, or supply their own goods or services. Here, the article does not mean to provide an exhaustive list of products' characteristics, as there are other characteristics such as functions, intended purpose, and weights that may be considered as descriptive of goods and services. Secondly, it has recognized the other party other than the trademark owner use of their own designations such as names, geographic names, addresses, even if that name or address is identical or similar to the latter's trademark. However, such uses are only for identification or informational purposes and should not confuse the public as to the source of the goods or services. In a nutshell, courts, while evaluating the fair use defense, need to ascertain that the defendant appealing to the defense is using the trademark other than as a mark, in a descriptive way, and in good faith.

[76] William Mcgeveran, 'Rethinking Trademark Fair Use' (2008), 94 Iowa Law Review, 56
[77] Stephanie M. Greene, 'Sorting out Fair Use and Likelihood of Confusion in Trademark Law' (2006) 43 Am Bus LJ 43, 44-45
[78] The proclamation, article 27(2)

CHAPER THREE

TRADEMARK INFRINGEMENTS UNDER THE ETHIOPIAN TRADEMARK LAW

3.1 Defining Trademark Infringement

In an attempt to bring an action for trademark infringement, a clear definition or illustration of acts constituting infringement is crucial to understand what constitutes trademark infringement; to differentiate the kinds of participations or conducts which constitute infringement 'primary infringement' or 'secondary infringement' and make it easier to determine the liability. The proclamation simply envisages the term 'infringement' in very general language under the enforcement provisions without defining or enumerating infringement grounds, simply provides a list of recognized trademark rights. Basically, the absence of a definition for trademark infringement has opened loopholes that are visible under the existing trademark law, as it is held that, had the law included a definition for trademark infringement, it could have predetermined how and when infringement would be said to have occurred, assuming various grounds and situations of violations. Nevertheless, the meaning of "direct" trademark infringement can be impliedly construed from the reading of Article 26 of the proclamation which provides the exclusive rights conferred to the right holder to exercise the rights exclusively or let others to exercise them on his/her behalf. Thus, a contrary reading of the article gives us the meaning that exercising those exclusive rights without prior authorization of the holder will constitute trademark infringement and carry an actionable offense under the proclamation. The question is, does such reference allow the broader conception of infringement which includes indirect/contributory/inducing infringement.

3.2 Forms of Trademark Infringements

Trademark infringement involves many parties and some of them may directly engage in those activities listed in article 26, and some others do not engage directly. For instance, certain printing companies engage in printing of the infringing mark by reproducing or imitating the registered mark, or an advertising business simply makes paid ads for the goods or services bearing the infringing mark. Moreover, some online infringements are carried out by using facilities and means belonging to the internet service providers which are not actually engaging directly encroach on those exclusive rights.

3.2.1 Direct Infringement

Any person who doesn't have any legal relation to the trademark rights and who is not authorized by the owner may use or authorize someone else to do any of the acts, the doing of which is the exclusive right of the trademark owner. Thus, for the existence of direct trademark infringement, it is enough that the plaintiff proves his exclusive right is violated directly by the act of the defendant. Pursuant to article 26 of the trademark proclamation, any unauthorized use of an identical trademark or resembling sign for goods and services in respect to which it is registered or for other goods and services in a way that is likely to create confusion for the public is an instance of direct infringement.

3.2.2 Indirect Infringement

Unlike direct infringement, there is no provision in the proclamation that deals with indirect infringement specifically. This, however, does not mean that there is no liability for indirect infringement. The principle and application of indirect infringement arise from the general tort law principles. Indirect infringement is when someone, without direct commission of wrongdoing, inflicts injury to the legal rights of others by encouraging, facilitating, or acquisition of the benefit from the act of direct infringer. Accordingly, indirect liability for trademark infringement is also of two types: liability based on the existence of a relationship (vicarious liability) and liability based on participation (contributory).

3.2.2.1 Vicarious Infringement

A vicarious liability is tort liability imposed for any reason on a person for the torts of another. It refers to circumstances where a person is liable for indirect infringement because the person has the right and ability to supervise infringing conduct and has a direct interest in the infringing conduct.[79] Under Ethiopian law the principle for vicarious liability is provided in the civil code of Ethiopia. It is stated that "a person is liable where a third party for whom he is answerable in law incurs a liability arising out of an offence or resulting from the law.[80] The circumstances in which a person is answerable for the act of third party is provided under Article 2124 (liability of parents for their minor child), article 2125 (liability of guardians), Article 2126 (liability of the state), and

[79] Charles W. Adams, Indirect Infringement from a Tort Law Perspective', (2006), University of Richmond Law Review, Vol. 42 p 638
[80] The Ethiopian Civil code, Article 2027(3)

Article 2130 (liability of Employer). In order to prevail in a trademark infringement case, the plaintiff must provide proof of a particular legal relationship between the defendant and the direct infringer, which must include the ability for them to bind each other in business dealings with third parties and/or joint ownership or control of the infringing product.

3.2.2.2 Contributory Infringement

In contributory liability, indirect infringer contributes to direct infringement by inducing unlawful act or facilitating its occurrence. In some cases, a person may, through the printing of an illegal mark or product packaging, assist the infringer in his illegitimate action and such person shall be liable for the losses incurred subject to the occurrence of direct infringement and knowledge of these persons. However, imposition of such contributory liability is not without unsettled questions. For example, would a defendant be liable for inducing another person to infringe the plaintiffs' trademark rights if the defendant believed (albeit erroneously) that the other person had a fair use defense to a claim for trademark infringement; whether a seller of a product would be liable for trademark infringement by a third person who used the product to infringe; and whether an internet service provider would be liable for trademark infringement by a user of its network are among unanswered questions.

3.2.3 Infringement of Trademark Rights on Internet

Over the past 20 years, the Internet has seen a sharp increase in its commercial use, turning it from a simple search engine into a worldwide marketplace that can service millions of users at once.[81] In an attempt to break into the market, a lot of businesses are setting themselves up to sell their goods and services online.[82] Online auction sites, cyber-squatting, and selling trademarks as a search engine are among the most prevalent forms of trademark infringement occurring on the internet.[83]

3.2.3.1 Online auction sites for trademark infringement

[81]Egamova Dilrabo Tolibovna, Trademark Infringement on the Internet, International Journal of Culture and Modernity, (2014), Volume 13, p 29.
[82] Kinfe M. Yilma and Halefom H. Abraha, The Internet and Ethiopia's IP Law, Internet Governance and Legal Education: An Overview, (2015), Mizan Law Review, Vol. 9, No.1, p 163
[83] Margreth Barrett, 'Internet Trademark Suits and the Demise of Trademark Use' (2006) 39 UC Davis L Rev 371, p 395

Internet Auction sites are sites employed as a channel of commerce by allowing sellers to reach a million customers. However, buyers from such sites may risk not having genuine goods as those sellers may list and bring infringing goods/items for sale on those websites, causing infringement claim. In a case, *Moët Hennessy Louis Vuitton SA vs. eBay International AG*, the Tribunal De commerce of Paris awarded a plaintiff over 40 million Euros for damages caused by eBay's negligence in taking down sales of infringing goods bearing a plaintiff's mark on its websites.[84] In this case, the Tribunal has demonstrated that eBay had allowed the sale of fake goods, which were easily identifiable as such either because of their low price or the mention of "*fake or counterfeit*."[85] In stark contrast, in the case *Tiffany (NJ) Inc., vs. eBay Inc.*, the USA second circuit Court released eBay from contributory liability resulting in a split in decisions across the Atlantic involving the secondary liability of Internet operators.[86] The court, in its reasoning, stated that for a contributory infringement to lie, eBay must have actual knowledge or reason to know that its site is being used to sell infringing goods.[87] The ruling has been affirmed by both the USA Court of Appeals and Supreme Court and held that eBay has shown strong incentives to minimize selling of counterfeited goods on its website. The court's decision suggests internet operators, to shield themselves from contributory trademark liability, must take action against any individual or business actively infringing the rights of the trademark owner.

3.2.3.2 Trademark infringement and Domain Name

As the popularity of the Internet grows, companies have realized that having a domain name that is the same as a trade name or trademark can be an important part of setting up an Internet presence.[88] However, there exists a problem in situations where someone's registered trademark is registered as a domain name by others before the owner of the mark registered it as its domain name. Such practice is termed as "cyber-squatting" when registration is made with the intention of selling it to someone or the owner of the mark at a higher price.[89] As long as a cyber-squatter owns the domain name, the trademark owner cannot register his own trademark as a domain name,

[84] Catherine Levalet, 'In the Courts: Legal Pioneering at the online Auction Frontier, WIPO magazine, (2009)
[85] Id
[86] *Tiffany v. eBay*, 08-3947-cv (2nd Cir. 2010). In this case, a plaintiff (Tiffany) brought an action for contributory liability against eBay for the significant number of counterfeiting Tiffany's silver jewelry bearing its mark listed on eBay.
[87] Ibid
[88] Egamova Dilrabo Tolibovna, (n 82) p 30
[89] Keith Blackman, 'The Uniform Domain Name Dispute Resolution Policy: A Cheaper Way to Hijack Domain Names and Suppress Critics' (2001), Harvard Journal of Law & Technology Volume 15, Number 1, P 213

which is clearly a breach of the owner's exclusive right to use his own trademark. In an arbitration matter of *Dell Inc., vs. Mani, Soniya,* the arbitration tribunal in India, pursuant to the India Domain Name Dispute Resolution Policy (INDRP), has ruled in favor of the Complainant (DELL) and ordered the transfer of the Respondent registered domain name www.dellshowroominchennai.in to the Complainant.[90] The Complainant, in its argument, presented that it has registered domain names containing the trademark **"DELL"** for its laptops, computers and their accessories in India and all over the world and further argued that the Respondent has no bona fide or legitimate rights over the mark **"DELL"** and registered the above domain in a bad faith.[91]

In Ethiopia, though there is a significant shift in accepting the internet as a potential trading avenue, there still exists a reluctance to secure their domain name (probably identical to their registered trademark) before anyone else. And such practice of cyber-squatting seems prevalent in Ethiopia in which companies who want to have a domain similar to their registered trademark but already registered by others with the sole intention of selling to the actual owner of the mark against the payment of unreasonably higher cost.[92]

3.2.4 Approach to Regulate Online Trademark Infringement in Ethiopia

Under the current Ethiopian trademark proclamation, the regulation of online infringement is entirely absent. Adopted nearly two decades ago, the proclamation was established at a time when internet penetration in the country was virtually nonexistent. In recent years, aspects of the online environment have increasingly become a focus, prompting legislators to introduce some legislation, including the Computer Crime Proclamation[93] and the Electronic Transaction Proclamation[94].

In imposing liabilities on service providers, the Computer Crime Proclamation, under Article 16(1), establishes criminal liability if they are directly involved in the dissemination of computer data or fail to remove or disable access to such data after becoming aware of it or after being notified by a competent administrative body. The aim of imposing liability on service providers under this provision is to deter them from engaging in criminal activity directly and intentionally.

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[90] *Dell Inc., vs. Mani, Soniya,* Arbitration case No. 1 of 2016, March 2016 available at https://www.registry.in/s3-assets/dellshowroominchennaiin.pdf Accessed on January, 2024

[91] *Id*

[92] Kinfe Yilma, (n83)

[93] Computer Crime Proclamation No.958/2016, Federal Negarit Gazetta, 22nd Year, No. 83, Addis Ababa, (2016).

[94] Electronic Transaction Proclamation, No.1205/2020, Federal Negarit Gazetta, 26th Year, No. 57, Addis Ababa, (2016).

However, the fundamental goal of enforcing liability for online infringement is to motivate them to take a more proactive stance in managing online trademark infringement, rather than relying solely on liability based on fault or their direct involvement. Furthermore, according to Art. 6 sub-articles 2 & 3, they should only be held liable if they fail to remove illegal content of which they have actual knowledge or have been notified of the infringement by the "competent administrative authorities." The issue here is how service providers can be aware of such an infringement unless informed by the rights holder. Additionally, it is only upon a warning from the competent government authority, not the trademark rights holder, that intermediaries will take action to remove any infringing use by a third party. It remains unclear whether the trademark owner can approach service providers to request the blocking of infringing use by the internet user or the disclosure of the infringer's identity to initiate legal action.

The other relevant law regulating the liability of internet service providers (intermediaries) is the Electronic Transaction Proclamation. The proclamation, under sub-section three (Art. 23-28), outlines the conditions under which intermediaries may be held liable for infringing use by third-party users. Here, intermediaries are only granted limitations on liability for performing certain roles. They are not liable for being a "mere conduit" of infringing information or data unless they directly participate in monitoring, initiating, selecting, or modifying the information contained in the transmission.[95] They are not required to proactively monitor all content accessible to users or distinguish between infringing and non-infringing information or disrupt activities likely to give rise to their liability. Therefore, liability is not imposed on a strict basis for merely providing access to infringing information. The intention of the legislature behind the exemption of intermediaries is to promote the free flow of information, as unnecessary restrictions on them would hinder the growth of technological and communication innovations. A hosting provider evades liability under Article 25 only in so far as it has no "actual knowledge of illegal activity or information" or, after having knowledge of the infringement, immediately takes necessary measures to withdraw or remove such illegal activity. The standard in respect of claims for damages is higher, requiring that the intermediary "is not aware of facts or circumstances from which the illegal activity or information is apparent". For obvious reasons, Article 25 cannot be relied on by the service user (i.e. the source of the illegal information or activity) acts under the host's authority or control or if

[95]Ibid, Art. 23

they become aware of an infringement through a notice and fail to respond. Nevertheless, the letter and spirit of this proclamation seem to guarantee online service providers a degree of freedom to operate and attempt to exonerate them for acts of ordinary traffic on their platform, as they are only liable for failing to take down content based on fault.

A noteworthy aspect of the proclamation is its promising move towards regulating issues related to domain name registration and administration to address challenges posed by the internet. Interestingly, the proclamation criminalizes the act of administering, managing, and operating the second-level domain name without the authority's permission, imposing an aggravated penalty of rigorous imprisonment for up to five years if a third party's interests are affected or if the act is committed with the intent to gain undue benefit for oneself or a third party, aligning with the definition of cyber-squatting.[96] The Ministry of Innovation and Technology, an entity authorized to oversee the execution of the proclamation, prepared and published Domain Naming Guidelines for Ethiopian Government Websites (gov.et), technically referred to as "**Eligibility Guidelines**" for the registration and administration of government websites.[97] The guidelines regarding registration clearly identified issues related to cyber-squatting and proposed the introduction of a system whereby trademark and other IPR owners can exercise priority rights to register their marks as domain names.[98] However, such measures are not only limited to country code top-level domain names, leaving other domain names unregulated, but they are also insufficient to address disputes over domain name ownership between trademark owners and other registrants. Thus, with the increasing use of the internet and electronic commerce, there is an urgent need for a law that provides a statutory basis to address cyber-squatting as well as other cyber-related trademark violations.

The World Intellectual Property Organization (WIPO), being an international forum, works towards setting proper and effective protection and enforcement of IP rights by offering legal assistance and disseminating information concerning protection.[99] The organization, through its

[96] Ibid, Art. 40 (1) & (2)
[97] Ministry of the Innovation and Technology, "Domain Naming Guidelines for Ethiopian Government Websites (. gov.et)", 2020 available at https://mint.gov.et/wp-content/uploads/2020/06/Guideline-for-gov.et-Procedure.pdf accessed on January 29, 2024
[98] Ibid, p 5
[99] Convention Establishing the World Intellectual Property Organization signed at Stockholm in 1967 and amended in 1979, art 4.

two organs, the Advisory Committee on Enforcement (ACE) and the Arbitration and Mediation Centre (AMC), plays a role in the implementation of the Uniform Domain Name Dispute Resolution Policy (UDRP), which provides trade mark rights holders with an administrative mechanism to enforce their rights in cases of cyber-squatting based on the WIPO recommendations to deal with resolution of domain name disputes.[100] To succeed in a claim under UDRP, a trade mark owner has to show that the subject domain name is identical or confusingly similar to his trade or service mark, the respondent has no legitimate rights over the domain name and the same has been registered or used in bad faith.[101] As a signatory to the WIPO, Ethiopia abides by the UDRP procedure. The decisions made by UDRP panels are binding on the parties involved, meaning that if a panel rules in favor of the complainant, the domain name may be transferred or canceled.[102] However, parties retain the right to seek judicial review in a court of law if they believe the UDRP process was flawed or if they wish to challenge the panel's decision.[103]

3.3 Proof of Infringement in Trademark Litigation

In order for a plaintiff to prove trademark infringement, he/she must show that he/she possesses a valid and protectable trademark, unauthorized use by the defendant, and that such use of identical or similar trademark or any sign resembling it is likely to cause confusion among the consuming public.[104]

3.3.1 'The likelihood of confusing' Requirement

As discussed in Chapter two, our trademark law, besides promoting commerce, serves the dual purposes of protecting consumers, i.e., reducing costs of shopping and making purchasing decisions, and protecting the goodwill and reputation of the owner, for the law helps assure that the owner (and not an imitating mark's owner) will reap the financial and reputation. For example, consumers believe that natural mineral water sold under the '***Kool'*** trademark originates from a single source, namely Moha Soft Drinks Industry S.C. If another entity began to sell ***'Kool'***

[100] WIPO, Guide to Domain Name Resolution www.wipo.int/amc/en/domains/guide accessed on January 18, 2024
[101] Keith Blackman, (n 90).
[102] WIPO, The Uniform Domain Name Dispute Resolution Policy: Background And Current Status, Standing Committee On The Law Of Trademarks, Industrial Designs And Geographical Indications, Geneva, October 26, 2001
[103] Id
[104] Michael J. Allen, 'The Role of Actual Confusion Evidence in Federal Trademark Infringement Litigation' (1994), Campbell Law review, Volume 16 Article 2, p 19

carbonated water, consumers would mistakenly believe it was the water sold by Moha. They would buy the water and later lose a sale they would otherwise have enjoyed.

The likelihood of confusion is the most determinant factor adopted in many states trademark law, not only in deciding cases involving trademark infringement but also forms a basis for ruling on the registrability or otherwise of the mark on the relative grounds of refusal and invalidation of the registered mark.[105] Albeit defining it, the trademark proclamation has provided the requirement of proving the existence of likelihood confusion to succeed in trademark infringement. As such, it prohibits the use of the identical or similar mark for goods and services identical or similar to those designated by the registration as long as it creates a "*likelihood of confusion*" among the potential consumers. Even when trademarks are not identical, the fact that they are similar will enable the owner of the earlier mark to oppose any use of a similar mark on identical or similar goods or services where confusion is likely to result. However, it will pose the question as of how two trademarks, which are not identical, should be compared in order to decide whether they are confusingly similar. In this regard, the proclamation falls short of specifying bright-line tests on which courts base to determine the likelihood of confusion.

As understood from the definition of the trademark, they generally consist of words which are read, spoken, and understood, or of logos, containers or packaging which are seen and understood, the decisive way of comparing marks is by evaluating their appearance, sound and meaning. Typically, in assessing whether the use of the trademark or a sign on particular products causes a likelihood of confusion with a registered trademark, the registering organ or court would consider both the similarity of the trademark with the registered sign and the similarity of the products with those in respect of which the trademark is registered, and decide on the basis of the overall consumer impression whether there is a likelihood of confusion.[106]

The empirical study conducted in 2015 to investigate factors employed in the determination of the likelihood of confusion in trademark infringement cases before the lower courts of the European Court of Justice (ECJ) has indicated that the degree of similarity between the trademarks, the degree of similarity between goods or services, and the distinctiveness of the trademark are all

[105] The Proclamation, Art.7 and 36 respectively.
[106]WIPO, Trademark Module III, 66 https://www.wto.org/english/tratop_e/trips_e/ta_docs_e/modules3_e.pdf accessed on March 24, 2024

important factors to take into account when determining the likelihood of confusion.[107] In practice, the only way to identify whether a trademark may cause confusion correctly and effectively is to analyses each case based on the specific circumstance and comprehensively consider various factors together. However, it is well understood that each factor alone is not sufficient to establish a likelihood of confusion, and they cannot be uniformly applied to each trademark under question.

3.3.1.1 Identicality/Similarity of Trademark

In the initial procedural steps of making an application for registration of the trademark, applicants need to present the document accompanied with the graphical representation of the proposed trademark which is highly essential in determining the visual or conceptual similarity of the mark against infringing mark.[108] To begin with the first scenario, identical marks used for identical goods and services, the law presumes that likelihood of confusion exists between identical marks which are used for identical goods and services-often traded between competitors. If a trademark owner proves that his/her competitor's sign is "identical" to his/her trademark, he/she does not need to go through the often lengthy and expensive process of proving that there is a likelihood of confusion between his/her trademark and that of his/her competitor. However, what is meant by the word "identical" may not be as easy as it seems. One may ask whether the prohibition in article 26 sub-article (2a) or presumption of likelihood of confusion under 26(3) of the proclamation covered only identical reproduction, without addition or omission, of the sign or signs constituting a mark, or it could have been extended to reproduction of the distinctive element of a mark composed of a number of signs and to full reproduction of the signs making up the mark where new signs are added.

In other circumstances, determination of likelihood of confusion in similar mark for identical or similar goods, will be more complex and time consuming. Ascertaining the likelihood of confusion is probably more complex than it initially seems. Certainly, it calls for a more robust analysis than merely viewing the marks side by side in the court room. Instead, the court must attempt to assess overall impression created, by taking into account marks visual, aural, or conceptual similarity.[109]

[107]Ilanah Fhima & Catrina Denvir, 'An Empirical Analysis of the Likelihood of Confusion Factors in European Trademark Law, (2015), Max Planck Institute for Innovation and Competition. p 322-327

[108] The trademark regulation, Article 11

[109] Paolo Pacini, "Likelihood of confusion" in the judgments of the European Courts and in the decisions of the OHIM', (2005), University of Lund Master of European Affairs programme, p 21

The owner of the earlier mark bears burden of proving that his/her mark resembles the infringing mark and will likely confuse the public.

3.3.1.2 Similarity of Goods or Services

Determining a likelihood of confusion involves considering the intrinsic characteristics of the products or services. It is known that the Authority register trademarks ·in accordance with the applicable international classification of goods[110] and services with respect to registration of marks.[111] However, the classification of goods cannot be decisive for the question of similarity because sometimes totally different goods are listed in the same class (for instance computers, eyeglasses, fire extinguishers and telephones in class 9), while similar goods can clearly be listed in different classes.[112] The proclamation confers the owner to preclude use of the mark against identical or similar goods or services for which the mark is registered or other goods or services capable of creating likelihood of confusion. The assessment of similarity between goods and services are made by taking into account their intended purposes, their distribution channels or retail outlets.[113]

3.3.1.3 The Distinctiveness of the mark

The distinctiveness refers to the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other business.[114] The degree of distinctiveness can be attributed to either an innate quality or public recognition of the mark.[115] Thus, one may arguably conclude that if the earlier mark is highly distinctive, there may be a likelihood of confusion even if there is less resemblance between the trademarks in case the goods or services covered by the both trademarks are similar.

3.3.2 A Space for Concurrent Use or Coexistence of Trademarks

Trademark coexistence describes a situation in which different companies use a similar or identical trademark to market a product or service without necessarily interfering with each other's

[110] Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of June 15, 1957, last amended on 31st session held in 2021, effective on January 1, 2023
[111] Trademark Regulation, Article 36
[112] Gerd F. Kunze (n53) p 53
[113] Paolo Pacini, (n 110) 26
[114] Shan Zixin, Confusion, or likelihood of confusion (n5) 50
[115] Gerd F. Kunze (n52) p 55

businesses.[116] Such a room for coexistence of marks will avoid the possible opposition of trademark registration and will serve as a defense for the existence of likelihood confusion in litigation. Such coexistence may occur in one of the following scenarios.

> "(a)Companies operating under identical or similar trademarks in different markets (whether product or geographical) begin to expand their range of goods and services or venture into new territories, often without being aware of each other's existence; (b) two companies establish a coexistence agreement as an effective solution to provide significant benefits and resolve conflicts (e.g., overcoming the Trademark Office's rejection of trademark registration or settling trademark opposition or infringement litigation); (c) in the context of a commercial acquisition, a company is selling a subsidiary including the right to use a trademark and wants to continue using the trademark for other products, and the parties are seeking an agreement to operate under the same or a similar mark."[117]

In different jurisdictions, coexistence of similar/identical trademark have got a statutory basis. For instance, the USA Lanham Act, under 15 U.S. Code § 1052 section 2(d), permits concurrent use registration where the concurrent use applicant made a good-faith adoption of the mark prior to the registrant filing an application for registration. Such registrations are most commonly achieved by agreement of the parties involved, although the US Patent and Trademark Office must still determine that the likelihood of confusion will be caused by such concurrent registration. Again, the EU Trademark Regulation, under article 42(4), states that "the Office may, if it thinks fit, invite the parties to make a friendly settlement." Such room for parties' mutual agreement is to resolve the conflict between the applicant and party filing for opposition of the registration during or after the opposition proceeding.

The Ethiopian Trademark Proclamation and its implementing regulations do not clearly address the acceptance of coexistence agreements during trademark registration proceedings, unlike the previously mentioned jurisdictions. There is no opportunity for settlement agreements between parties when determining whether to refuse a trademark application based on a prior trademark or when deciding on opposition to trademark registration. However, instances of concurrent use or coexistence of trademarks may be found under the proclamation. As stated in Article 28(4), the

[116] WIPO magazine, 'IP and Business: Trademark coexistence', Issue 6/2006 available at https://www.wipo.int/wipo_magazine/en/2006/06/article_0007.html accessed on May 22, 2024

[117] Ming Deng and Nicole Yu, 'Trademark Coexistence or Trademark Confusion?', A Comparative Study from Perspectives of Europe and China, China Patents & Trademarks No.4, 2017, p 73

proclamation preserves the parties' freedom to transfer the business without transferring the rights to the trademark associated with that business. This allows both the transferor and transferee to exploit the identical trademark concurrently. However, this freedom is not unconditional, as the Authority may refuse to permit such concurrent use of the trademark if it determines that parallel use by the new owner could create confusion among the public. Furthermore, while it does not confer parallel ownership of the mark, we can conclude that the non-exclusive licensing recognized under the proclamation represents another instance of concurrent use of a similar trademark. A trademark owner can grant non-exclusive licenses to multiple licensees, enabling them to use the trademark concurrently. In such situations, the trademark owner may need to negotiate coexistence agreements to mitigate the potential risk of confusion.

3.4 Adjudication of Trademark Infringement

3.4.1 The Jurisdiction of the Courts

Effective enforcement of trademark infringement presupposes the existence of an appropriate forum having legitimate power. Under the trademark proclamation, the Federal Courts have competent power over disputes arising from matters governed by it or regulation.[118] In addition, courts are entrusted with a power of reviewing the final decision passed by the Authority on matters specifically related to registration of the trademark in the form of appeal by the aggrieved party.[119] However, the proclamation has failed to indicate the appropriate tier of Federal Court to entertain either the ordinary trademark infringement or the grievance arising from the refusal/grant of trademark registry system. Thanks to the ruling of the cassation bench, important precedent has been set in deciding the competent tier of federal courts with respect to adjudicating disputes arising from the registration system.[120] In its ruling, the bench upheld the Federal High Court's (FHC) competence as an appeal tier for reviewing the Authority's final decision on matters pertaining to trademark registration.

Regarding first instance jurisdiction over ordinary trademark infringement, some argued that the FHC should assume the first instance jurisdiction in both civil and criminal matters. Such reasoning is based on the corresponding stipulations under both the Copyright and patent proclamations which empowered the FHC to decide on civil disputes and matters governed under

[118] Ibid, Art 49
[119] Ibid, Art 17(2)
[120] Tibebe Ayele vs. EIPO, Federal Supreme Court Cassation Bench, Volume 12, file no. 59025, 2003.

those laws.[121] Moreover, since trademark is defined as one category of IP rights under article 2(1) of the EIPO establishment Proclamation, the FHC may be analogically held competent to adjudicate trademark infringement as well in its first instance civil and criminal jurisdiction. However, such analogical interpretation may not be solid as the contractual civil cases seems snatched away from the first instance jurisdiction of the FHC by virtue of the Copyright amendment Proclamation which empowered the IP Tribunal.[122]

The Federal Courts Proclamation No. 1234/2021 Art 11(2) has provided an exclusive matter to be entertained by the FHC on its first instance jurisdiction with clear exclusion of IP rights. Furthermore, the proclamation states that without prejudices to the powers of the Federal First Instance Court (FFIC), the FHC shall have the first instance jurisdiction over civil cases involving an amount exceeding Birr 10,000,000 (ten Million) and cases arising in Addis Ababa and Dire Dawa.[123] On the other hand, FFIC is empowered to receive civil matters which are not exclusively given to the FHC, and cases involving an amount less than Birr 10,000,000 (ten Million) on its first instance jurisdiction.[124] Unless the special laws have clearly stipulated the exclusive material jurisdiction of court, the Federal Courts proclamation shall be the relevant law to decide the competent jurisdiction. Therefore, in absence of clear inclusion of trademark infringement matters under the exclusive jurisdiction of the FHC, the amount of monetary damages claimed under the cases will decide the competent jurisdiction like other civil litigations. If the legislation had granted the Federal Court exclusive first instance jurisdiction to hear instances involving trademark infringement, it would have unquestionably established a structure akin to that of copyrights and patent proclamations.

With respect to the first instance criminal jurisdiction, the Federal Courts proclamation seems to provide jurisdiction of the FHC in entertaining criminal matters arising from the trademark proclamation in an apparent manner, as opposed to the repealed Federal Courts Proclamation No. 25/1996.[125] The repealed courts proclamation listed an exclusive criminal jurisdiction of both FHC and FFIC, and criminal matters arising from the trademark proclamation doesn't fall under the first

[121] The Copyrights and Neighboring Rights Proclamation No. 410/2004, Art 2(9) and 34, Proclamation Concerning Inventions, Minor Inventions, and Industrial Designs No. 123/1995, Art 2(1) and 54(1).
[122] The copyright Amendment Proclamation No. 872/2015, Art 44.
[123] The Federal Courts Proclamation No. 1234/2021, Art 11
[124] Ibid, Art 14
[125]The Federal Courts proclamation No. 25/1996 (repealed), Art. 12 & 15.

instance jurisdiction of the FHC. However, article 12 of the revised proclamation states that the Federal High Court shall have first instance jurisdiction over the following criminal cases:

> ***(1)*** *Federal criminal cases mentioned under Article 3 and 4 of this Proclamation and falling under the jurisdiction of the High Court pursuant to appropriate laws… ..... and* ***(3) Criminal cases given to Federal court by other laws.***

Accordingly, pursuant to Article 12 (3) of the Court Proclamation, the FHC shall have first instance jurisdiction over criminal cases arising from the trademark proclamation. On the other hand, the FFIC have criminal jurisdiction over matters not specifically given to the FHC pursuant to Article 12 of the proclamation or other appropriate laws,[126] and thus, it has no first instance jurisdiction to entertain criminal matters related to infringement of trademark rights. However, the prevailing practice shows the stark contrast. In the case of *Federal Prosecutor vs. Muhajir Musa Hussein*[127] and *Federal Prosecutor vs. Zemenu Takele and Friends Soap Manufacturing Partnership and Zemenu Melese*[128], the FHC Lideta Criminal Bench has tried and convicted accused of intentional violation of trademark rights in a way compromised the accused constitutional right of appeal. On the other hand, there are a couple of cases which are tried by the FFIC after the enactment of the new court proclamation. For instance, in cases of *Federal Prosecutor vs. Fetiya Awel and 2 others*[129], *and Federal Prosecutor vs. Birhanu W/Garima and 2 others*[130], the prosecution charged, in both cases, all the accused for intentional violation of trademark rights before the FFIC.

Very oddly, there is found the scenario in which courts are closing a criminal charge on the ground that both the Prosecution and courts are not a competent organ to entertain IP rights related disputes, including criminal matters. In the case of *Federal Prosecutor vs. Selamnesh Seman and 4 others*[131], the Federal High Court closed the case by upholding the accused preliminary objection that no permission to prosecute as required by the law has been obtained by the prosecutor pursuant

[126] Ibid, Article 15

[127] Federal Prosecutor vs. Muhajir Musa, Federal High Court Lideta Criminal Bench, File No. 246176, 2014

[128] Federal Prosecutor vs. Zemenu Takele and Friends Soap Manufacturing Partnership, Federal High Court Lideta 8th Criminal Bench, File No. 246121, 2014. Both cases are instituted before the enactment of the Proclamation No. 1234/2021 (effective as of 18/08/2012 E.C) i.e., 4/02/2012 E.C and 29/01/2012 E.C, respectively.

[129]Federal Prosecutor vs. Fetiya Awel and 2 others, Federal First Instance Court Lideta 12th Criminal Bench, File No. 285181, 2014

[130]Federal Prosecutor vs. Birhanu W/Garima and 2 others, Federal First Instance Court Lideta 14th Criminal Bench, File No. 285392, 2014

[131]Federal Prosecutor vs. Selamnesh Seman Jobir and 4 others, Federal High Court Lideta Criminal Bench, File No. 285261, 2015. Interestingly, the Federal Supreme court has overturned the decision and ordered the FHC to adjudicate the case.

to article 130 sub-article 2(e) of the Criminal Procedure Code. The court's analysis in its ruling is stated as follows (with translation by the writer): -

"በተያዘዉ ጉዳይ የወንጀል ምርመራ በፖሊስ መደረጉ የወንጀል ክሱም በአቃቤ ህግ ከሳሽነት በተለመደው የወንጀል ክስ ቀርቦ ፍርድ ቤቱም በህጉ ከተነገረው አሰራር ዉጪ በሌለዉ ስልጣን ተቀብሎ አገልግሎት ሲሰጥ መቆየቱ ተገቢ አለመሆኑን ፍርድ ቤቱ ዘግይቶ በተመሳሳይ ጉዳይ የደረሰበት መሆኑን እና በሌለዉ ስልጣን የተሰጠ ፍርድ እንዳልተሰጠ ስለምቆጠር በዚህ መዝገብ የተያዘዉ ክርክር መቀጠል እንደሌለበት በመገንዘብ አቃቤ ህግም ሆነ ፍርድ ቤት አዕምሯዊ ንብረትን በሚመለከት የሚቀርቡ ክሶችን የማየትና የመወሰን ስልጣን ስለሌላቸው በወ/መ/ሥ/ሥ/ህ/ቁ *130/2*-ሠ፣ *3* መሰረት ክሱን አቋርጠን መዝገቡን ዘግተን ወደ መዝገብ ቤት መልሰናል።"

"In the present case, the police's criminal investigation and the prosecutor's usual criminal charge revealed to the court that accepting the case and providing services contrary to the established legal procedures is inappropriate. Given that a judgment rendered without authority should be considered invalid, the court determined that the proceedings should be discontinued and the charges against all accused should be closed, in accordance with articles 130 (2e) and (3) of the criminal procedure code, as neither the prosecutor nor the court possesses the authority to hear and decide cases related to intellectual property."

This could be considered as the major deviation from the clear laws regarding the authority of prosecution and competency of the court to adjudicate criminal matters arising from IP rights. Generally, the utmost caution must be taken in charging and trying before the competent court as the jurisdiction can play a big part not only in securing the procedural rights of the accused, but also in determining the outcome of the case.

3.4.2 Adjudication under the Competition Regime: Problems Related to Multiple Avenues

In most cases, the protection of trademarks presupposes competition, as it often implies the presence of competitors selling identical or similar products and, therefore, vying for the same customers, or, in other words, targeting the same market.[132] However, this does not necessarily mean that initiating an action for infringement of a registered trademark requires a competitive

[132]Alemayew Fentaw, 'Ethiopian Unfair Competition Law' (2008) Oxford University Centre for Competition Law and Policy, Working Paper CCLP (L) 21, 7

relationship between the parties. The proclamation under Article 26(2 b & c) has broadened protection to marks with a reputation even in the absence of a competitive element. Such protection aims to preserve the unique character of a mark against unfair advantage and to defend the owner's interests from dilution, which can typically be viewed as an act of dishonest commercial practices.[133]

On the other hand, under anti-unfair competition law, any trademark adopted by the trademark owner will be protected against deceitful acts of the competitors which will violate the rules of competition.[134] Trade Competition and Consumers' Protection Proclamation No. 813/2013, under article 8 (1), clearly prohibited business person from carrying out any act which is dishonest, misleading or deceptive, and harms or is likely to harm the business interest of a competitor. Any act that causes or is likely to cause confusion with respect to another business person or its activities, in particular, the goods or services offered by such business person is among the illustrative list of acts constituting acts of unfair competition.[135] Consequently, the rights and interests of the trademark owner are simultaneously protected by both trademark law and the Anti-Unfair Competition Law. Accordingly, for a single infringement, a party may assert their rights before a different avenues and under a separate regime.

Apart from transferring the power of investigating and prosecuting unfair competition acts to the Attorney General (now the Ministry of Justice), the adjudicating benches of the Trade Competition and Consumer Protection Authority, as well as the Federal Trade Competition and Consumer Protection Appellate Tribunal in its appellate jurisdiction, and regular courts under the trademark proclamation, continued to assume jurisdiction and adjudicate trademark infringement claims. The power of entertaining trademark infringement under the trademark proclamation which was enacted prior to the establishment of both the adjudicating benches of the Authority and the Appellate Tribunal seems to have been snatched away from the regular courts.

The adjudicative benches of the Authority possess the judicial power to order compensation payments in accordance with relevant laws to business persons victimized by acts of unfair

[133] Gea Lepik, 'Protecting Trade Mark Proprietors Against Unfair Competition in EU Trade Mark Law' (2021) Juridica International Law Review, University Of Tartu, p 153
[134]Robert G. Bone, 'Rights and Remedies in Trademark Law: The Curious Distinction between Trademark Infringement and Unfair Competition' (2020) 98 Texas Law Rev 1187.
[135] Trade competition and consumer protection proclamation No. 813/2013, Art. 8(2 a)

competition.[136] However, the problem lies in the proclamation's failure to specifically address which law is relevant for determining the amount of compensation arising from the infringement of exclusive rights of registered trademarks. Enforcement of unfair competition through civil remedies is also outlined in the commercial code, specifically in article 114, which explicitly calls for the application of the civil code, i.e., fault-based tortious liability that relies on distinct liability principles, burden of proof, and extent of damages. The Trade Competition Proclamation does not clearly establish a functional link to the Trademark Proclamation, which would provide the Authority with the necessary jurisdictional powers over trademark rights infringement under Proclamation 501/2006. For instance, in the case of *Trade Competition and Consumer Protection Authority Public Prosecutor* vs. *Umer Awel* and *others*, the Authority's Tribunal acquitted the accused, who were alleged to have imported and retailed counterfeit products under the infringing name **SOROL**, to the detriment of the victim's registered trademark, **SOKOL**, on the grounds that the accused were retailers, not competitors.[137] The prosecution charged the accused with causing unfair competition, and the Tribunal, after framing the issue of whether unfair competition had occurred, held that the accused were merely retailers, not competitors, who engaged in selling goods sourced from manufacturers. Any party selling goods that they know bear a counterfeit registered trademark shall be held liable under the trademark infringement cause of action, irrespective of their business position in relation to the right holder.

[136]Ibid, Art. 32(1 b)
[137]*Trade competition and consumer Protection Authority Public Prosecutor vs. Umer Awel and others*, Trade competition and consumer Protection Authority Tribunal, file No. 00028, 2008.

CHAPTER FOUR

THE REMEDIES FOR REGISTERED TRADEMARK INFRINGEMENTS: ANALYSIS OF THE LAW AND THE PRACTICE

4.1 Introduction

Comprehensive and effective intellectual property rights protection and enforcement cannot be limited to developing mechanisms that prevent infringing actions. Rather, they should include, *inter alia,* mechanisms that ensure that right holders receive effective compensation for damages resulting from acts that infringe on their rights.[138] Under this chapter, the paper will analyze the legal remedies against trademark infringement under the Ethiopian trademark law and assess the existing practices at Federal Courts.

4.2 Provisional Measures

The efficacy of civil proceedings could be severely compromised if, after the final outcome of the litigation, the successful trademark owner is unable to exercise its rights because the defendant's assets, which could satisfy the claim, are rendered unavailable to that party.[139] Moreover, the grant or refusal of the speedy provisional measures will have a significant effect on determining the outcome of the case, as the infringing party will be in a position to destroy or place out of reach relevant evidence related to infringement.

The TRIPS agreement requires member states to provide provisional measures to permit effective and expeditious action to prevent alleged infringements from occurring and to preserve the evidence related to the alleged infringement.[140] The trademark proclamation, under Article 39, has also stipulated a replica of the provisional measures as stated in TRIPS agreement. However, the design of the proclamation in articulating the provisional measures envisages poor draftsmanship as compared to the TRIPS. Essentially, it conflates provisional measures with interim injunctions, which have distinct natures and different conditions for their imposition, while temporary injunctions are governed separately under the TRIPS Agreement.

The proclamation outlines a scenario in which the order of provisional measures may be granted ex-parte, meaning on the application and in the presence of the trademark owner alone, without

[138] Tatjana Z. Kamilovska, 'Interim Measures in IP Litigation from the Macedonian Perspective', (2013), Iustinianus Primus Law Review, Vol. 4, p 3
[139] Ibid, 4
[140] TRIPS Agreement, Article 50(1)

prior notice to the defendant. This is permissible when a delay could likely cause irreparable harm and the applicant has demonstrated a significant risk of evidence being destroyed.[141] Such an ex-parte proceeding is designed to catch the defendant off guard, preventing them from destroying or removing crucial evidence related to the alleged infringement. Consequently, the applicant has the responsibility to prove that any delay would result in harm that cannot be remedied by monetary compensation and that essential evidence will be destroyed by the defendant.

The imposition of the measure solely in the presence of the right holder does not imply that the alleged infringer lacks recourse regarding the imposition. The proclamation includes several procedural requirements and protective clauses against abusive applications, ranging from the right to contest its imposition to the entitlement to compensation for any harm suffered by the defendant.[142] The defendant is required to demonstrate that the provisional measure is unfounded or that the applicant has failed to justify its imposition. In addition to the shortcomings in the design of the proclamation, certain procedural requirements are absent compared to the TRIPS agreement. The TRIPS agreement mandates that a successful applicant must initiate the main proceeding leading to a decision on the merits of the case within a specified timeframe, with failure to do so resulting in the revocation of the measure.[143] However, the proclamation does not explicitly impose such an obligation on the applicant.

As discussed above, the basic aim of imposing provisional measure is to safeguard the interest of the right holder from irreparable harm and to preserve evidence by prohibiting the defendant from continuing an acts of infringement and seizing the infringing goods. However, implementation of provisional measures is not without hitches. Sometimes, the defendant is not willing to cooperate with the imposition of the provisional measures by encroaching with relevant evidence or goods against which the measure is passed. In this regard, the proclamation has clearly call for the application of search and seizure rules of both civil and criminal procedures laws.[144] Under article 32(2) of the criminal procedure code, a police officer has the authority to conduct a search of the defendant's premises without first obtaining a search warrant from the court. This can occur when the defendant enters the premises, disposes of items related to an offence, or when there is

[141] The Proclamation, Article 39(2)
[142] Ibid, Article 39 (6), (7)
[143] TRIPS Agreement, Article 50(6)
[144] The Proclamation, Art. 39(5)

reasonable cause to suspect that items which may serve as material evidence are present provided that officer must have good grounds to believe that any delay in securing a search warrant could result in the removal of such items. Under this rule, searches and seizures conducted by a police officer are permissible in accordance with Article 26(3) of the FDRE constitution. It permits the limitation of an individual's (defendant's) right to privacy, as such interference serves the legitimate aim of crime prevention.

Nevertheless, the application for provisional measures is at a level that can be said to be nonexistent in litigation for trademark infringement in Ethiopia. In an interview with Mr. Malefiya Tesera, a practicing lawyer in the Federal Courts, reveals that trademark owners usually prefer to apply for permanent injunctions in the course of the main proceeding rather than request provisional measures.[145] He claims that unless measures are imposed promptly, applying for provisional measures in cases of intellectual property infringement will put the alleged infringer in a better litigation position than the right holder. For this reason, interim measures are not in the plaintiff's best interest because they cause unnecessary delay and a prolonged court proceeding.[146] On the other hand, courts are, sometimes, erroneously applying the provisional measures provision to resolve trademark infringement suit. For example, in a case between *Altami General Trading (et.al) vs. Shemsiya Yesuf*, the Federal High Court specifically cited article 39(2) of the proclamation to order the destruction of the infringing goods seized at the Mile-Semera Custom Office from entering into the channel of commerce after eight months of full proceeding in the presence of the defendant.[147]

4.3 Preliminary Injunction

As the terminology suggests, a preliminary injunction is a provisional enforcement method primarily sought to prevent ongoing infringement during the full trial proceedings and the final verdict on the merits of the case. Although it is temporary like a provisional measure, its imposition is subject to more stringent and convincing conditions. The duration of this injunction is limited to the interim period between the initiation of the case and the final judgment on the merits, which can significantly impact lost sales and profits, reputation, and other exploitation of trademark

[145] Interview with Mr. Malefiya Tesera, Attorney and Consultant at Federal Courts, interview conducted on January 10, 2024
[146] ibid
[147] Altami General Trading (et.al) vs. Shemsiya Yesuf, Federal High Court, Tor hayiloch Bench, File No. 199513, 2012

rights.[148] Therefore, it is regarded as a highly valuable remedy in our country's practical context, where the time between the initiation of proceedings and the judgment often spans years. Additionally, the practical challenges of assessing the defendant's profits and the lack of established rules for determining the royalty scheme in Ethiopia make the interlocutory injunction a preferred remedy. However, the law places the burden of establishing certain conditions for granting interlocutory injunctions on the plaintiff, while their effectiveness as a means of obtaining interim relief is hindered since meeting those prerequisites often requires prolonged investigations involving a detailed examination of the particulars of the case.[149] According to article 39(3(a)) of the proclamation, the court shall weigh four standards when determining whether to grant or deny the motion for preliminary injunction in an action for restraining the defendant from an act of infringement:[150]

a) *If the threatened interest cannot be addressed by awarding damages*

The governing principle is that the court should first consider whether the plaintiff succeeds at trial in establishing his/her right to permanent injunction and whether he/she would be adequately compensated by an award of damages for the loss he/she would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of application and the time of trial.[151] If damages would redress the injury inflicted and the defendant would be in a good financial position to pay them, no injunction should normally be granted, and therefore, the plaintiff bears the burden of establishing that the defendant is not in a good financial position to recompense damages.[152]

b) *If the threatened interest is imminent*

The court requires a plaintiff to demonstrate, by the introduction of admissible evidence and with a clear likelihood of success, that the harm is real, imminent, and significant, not just speculative, or potential.[153] An interlocutory injunction cannot be ordered for harm whose occurrence is not certain. However, this doesn't mean that the plaintiff will not be granted an order for interlocutory

[148] Tatjana Z. Kamilovska (n139), 3
[149] Ibid. 6
[150]The Proclamation, Article 39(3)
[151] Smoot, T, 'Stranger Picketing: Permanent Injunction or Permanent Litigation?' (1956) American Bar Association Journal, 42(9), 817-888. p 890
[152] Id
[153]Thomas M. Williams, 'Winter v. NRDC: A Stricter Standard for Irreparable Harm in Trademark Cases' (2009) 91 J Pat & Trademark Off Soc'y 571, 573

injunction unless he/she proves the existence of the actual damages caused by an act of infringement. In a trademark case, irreparable harm is presumed upon showing the likelihood of success on the merits of the case. The reason for the trademark presumption of irreparable injury is that once a probability of proving likelihood of confusion at trial is shown, the trademark owner's business goodwill and reputation are at greater risk, and therefore, a temporary injunction needs to be passed.

c) The prima facie strength of the action

The plaintiff needs to show a strong likelihood that it would prevail over the merits of a case to claim temporary injunctive relief before the court. In order to prove the fact that there is a real prospect of success for the plaintiff in his/her claim, he/she is required to prove prima facie right—the ownership of a valid trademark—by producing a validly registered certificate of registration and the defendant's lack of any validly established legal right in relation to the infringed trademark.[154] But the production of a valid certificate is not conclusive proof of the strength of the case unless the defendant's act of infringement creates a likelihood of confusion. One may argue that as our trademark law grants ownership through a registration method, it will place the owner of the registered mark (plaintiff) in a better litigation position as opposed to proving ownership on the basis of prior use.

d) The gravity of the prejudices a decision for or against may cause to either of the parties.

This was the balance of convenience, which could be described as whether the injury to the plaintiff if the injunction were refused would be outweighed by the injury suffered by the defendant if the injunction were granted.[155] According to an interview made with Judge Mesele Nigussie, Federal First Instance Court trade and investment bench Judge, the court shall take into account other conditions in deciding the gravity of prejudices a decision for grant or refusal of the preliminary injunction will cause to the parties.[156] For instance, the court may resolve itself into a consideration of the prospects of success in the main action to decide who the balance of convenience favors, according to him. The stronger the prospects of success in the merits of the

[154] J. Thomas McCarthy, 'Are Preliminary Injunctions Against Trademark Infringement Getting Harder to Achieve? (2009), Intellectual Property Law Bulletin, p 4
[155] Ibid, p 7
[156] Interview with Judge Mesele Nigussie, Federal First Instance Court, trade and investment bench Judge, interview conducted on February 23, 2024 (Piassa, Addis Ababa)

case, the less need there is for the balance of convenience to favor the Plaintiff, and the weaker the prospects of success in the merits of the case, the greater the need for the balance of convenience to favor him.[157] The court are required to make a deep investigation of all these factors to make sure that granting or refusal of the order will place parties in an equal position.[158]

Despite the great importance of the interlocutory injunction in protecting the ongoing infringement, the practice shows that preliminary injunction rarely requested by the plaintiff in civil suit. Sometimes, the final damage imposed on the defendant by the court may not reimburse the infringement occurred during the proceeding. The case between *IN-N-ouT BURGER vs. Saleamlak Andarge*[159] is a good example in this regard. In 2008 E.C., the Plaintiff instituted the civil suit before the Federal High Court against the Defendant for unathorized use of the registered mark, *IN-N-ouT BURGER,* and requested the payment compensation i.e. profit acquired by the Defendant between 2004 and 2009. In 2013 E.C., the court, after almost six years of proceeding, awarded the plaintiff with only ETB 150,000.00 (one hundred and fifty thousand birr) and passed an injunction order effective from the date of judgment. In this case, the Plaintiff requested the court to include defendant's profit gained during those years of proceeding i.e. net profit from 2010-2012 E.C accounting years in assessing the damage. However, the court declined plaintiff's request and assessed the damage based on the profit acquired before the institution of litigation. From this case, one can simply infer that the plaintiff's disregard of interlocutory injunction cost it not only marks' goodwill and reputation but also caused the loss of defendant's net profit for three years that could have been awarded by the court because the infringement occuring during the proceeding is nearly equal to the infringement before the institution of the claim.[160]

4.4 Civil Remedies

Infringement of a registered trademark may also follow civil liability under the Ethiopian trademark law. According to Article 40 of the proclamation, civil remedies take the form of a permanent injunction and the accounting of profits.

[157] Ibid
[158] The Proclamation, Article 39 (3c)
[159] *IN-N-ouT Burgers vs. Saleamlak Andarge*, Federal High Court, Lideta Civil Bench, Civil File No. 161729, 2013
[160] The letter written from Addis Ababa City Government Revenue Authority shown both annual gross sales and net profit acquired by the Defendant has been constantly increasing at higher rate during the infringement before initiation of suit.

4.4.1 Permanent Injunction

As its name implies, a permanent injunction is one of the final remedies granted by the court in favor of the plaintiff after establishing the defendant's alleged infringement of the plaintiff's exclusive trademark rights. It is the most common and preferred civil remedy in trademark infringement litigation, as it prevents the defendant from future infringement while simultaneously protecting the general public from confusion and deceit.[161] The rights of the trademark owner remain vulnerable to future infringement by the defendant or others unless the ultimate injunction order is issued to a victorious plaintiff in a trademark infringement action.

In all trademark rights infringement cases, a permanent injunction is by far the most significant remedy in practice. Typically, a successful plaintiff will be entitled to a final injunction. The trademark infringement actions filed in federal courts make this clear. In nearly every case where the plaintiff proved that their trademark rights were being violated, the courts issued an injunction order prohibiting the defendant from using the infringing trademark or signs, including the cancellation or alteration of the infringing trade name or firm name that the defendant had registered with the Addis Ababa Trade Bureau or the Ministry of Trade. In addition, courts are also permanently preventing the defendant from using the infringing mark in any advertisement or promotional materials. More importantly, in the case of *Inter-Continent Hotel Corporation vs. Simachew Kebede and GH Semex P.L.C.*, the court, in addition to preventing the use of an infringing mark, ordered the cancellation of the defendant's infringing use of websites (domain name) containing the plaintiff's registered mark.[162]

4.4.2 Monetary Compensation and Quantification Approaches

Building a mark having a good reputation and goodwill usually comes with greater cost and effort by owners, let alone the cost incurred in the process of registering marks. In addition to a permanent injunction, the law provides the payment of monetary damages for the illegal or unlawful use of a registered trademark. In contrast to copyright regime, only economic rights are granted to the owner by trademark registration and protection. Since any infringement on a trademark will result in a loss of the trademark's market value and a decline in sales, which will

[161] ibid
[162]Intercontinent Hotel Corporation vs. Simachew Kebede and GH semex PLC, Federal High Court Lideta Civil bench, File No. 134178, 2011

ultimately result in a loss of profits for the trademark owner—a loss that is classified as material damage—there are no claims for moral harm in trademark infringement cases.[163] Nonetheless, in certain cases involving trademark infringement, attorneys sought the court to award moral damages. For example, in the case of *Enderas National P.L.C., vs. Enderas Property Administration P.L.C*, the plaintiff's, with no stipulation of established copyright over its mark, separately sought payment of moral damages for unlawful utilization of its registered mark, along with material compensation.[164] This suggests the existence of gaps even among the legal practitioners in understanding and demanding the enforcement of the trademark rights.

4.2.2.1 Accounting of profits

An accounting compensates the trademark owner for losses suffered as a result of the infringement while also depriving the infringer of any improperly reaped benefits. It is on the assumption that recovering an equitable share of the infringer's profits serves as a 'rough measure' of the likely harm that the mark owner incurred because of the infringement, while also preventing the infringer's unjust enrichment and deterring further infringement."[165] The proclamation has stipulated the defendant's profit as compensation for material damages resulting from infringement which is commonly termed as 'accounting of profits'. It stated that: -

> "*The amount of compensation… shall be equal to the net profit derived by the defendant from the use of the trademark……"*[166]

However, difficulties in this area are not minor, particularly with regard to the determination and quantification of damage caused by trademark infringement based on the accounting of the profits. There is no assistance contained in Art.40 (1) to deal with the complex issue of quantifying the damages suffered as the result of an intellectual property infringement. It is difficult to determine the accurate defendant's profit for reason either attributable to the defendant him/herself or the reason beyond the defendant's act. The defendant may not be willing to disclose his financial statements and sometimes the financial audit of the defendant is only conducted solely based on the financial documents produced by the defendant. So, what could be the fate of the plaintiff who

[163]WIPO Advisory Committee on Enforcement, the Quantification of Damages in Cases of IP Infringements, Thirteenth Session Geneva, September 3, 2018, p 9
[164] Enderas National P.L.C., vs. Enderas Property Administration P.L.C., Federal First Instance Court, Lideta Civil Bench, File No. 171664, 2011
[165] *Venture Tape Corp. v McGillis Glass Warehouse* 540 f.3d 56 (1st Cir. 2008)
[166] The Proclamation, Article 40(1b) and (2)

proved the infringement but failed to furnish relevant evidence to prove the defendant's net profit? Here, it is indispensable to evaluate the existing legal framework which may help the plaintiff to establish the defendant net profit.

A. The Financial Reporting Proclamation No. 807/2014

The proclamation is designed to establish the sound, transparent, and reliable corporates financial disclosure in both private and public sectors. It defined 'financial statements' as an interim or final balance sheet, profit and loss account, statement of change in equity, cash flow statement and explanatory notes.[167] The plaintiff who is successful in establishing the liability may rely on the financial reports submitted to the Board by the reporting entities to prove the defendant's net profit. However, there exist problems which render such system ineffective and inadequate to strength the enforcement of trademark infringement in assessment of monetary compensation. First, it has exonerated public bodies and micro-enterprises from the list of reporting entities, and they are not obliged to prepare financial reports.[168] Such exclusion will render the infringement suit involving those entities will make the Plaintiff attempt to collect their profit challenging. Second, even those entities who bear legal obligation to prepare statements, it will not be an easy for every plaintiff to have an access to those financial reports prepared by them. The proclamation, under article 11(4), enables only those individual who can prove the existence of right or vested interest upon payment of prescribed fee to inspect or take copy of those financial report. Here, the problem is the proclamation has failed to indicate who is considered to have the right or vested interest in a specific reporting entity in the eyes of the Accounting and Auditing Board of Ethiopia, an organ to receive and register financial statements from the reporting entities. Thus, absence of objectively indication as to the notion of right or vested interest in the proclamation will create another difficulty to ascertain the profit of the infringer. Besides such legal challenges, studies indicate that the corporate financial disclosure in Ethiopia is very much below the average compliances of developing countries in terms of quality and frequency of financial reports.[169]

B. The Federal Tax Laws

The Federal income tax proclamation No. 979/2016 requires taxable income of business to be determined on the basis of financial statements prepared by the tax payer according to generally

[167] The Financial Reporting Proclamation No. 807/2014, Art 2(10)
[168] Ibid, Art. 2(18)
[169] Zemenu Bitew, 'Corporate Financial Reporting and Disclosure Practices in Ethiopia' (2015), A Thesis for the Partial Fulfillment Executive MBA Program., Addis Ababa University, p 44

accepted accounting standards for the purpose of taxation. The same proclamation obliges Category 'A' and 'B' tax payers shall keep books of accounts prepared in accordance with financial accounting reporting standards and their tax declaration shall be accompanied by profit and loss statement and balance sheet for the year.[170] This means those taxpayers are required to prepare these two financial statements in accordance with standards adopted by the Board and they should submit these financial statements to the tax and revenue authority as part of their declaration. However, the problem is that it is not plain for the plaintiff to have such declaration by taxpayer (defendant) from tax and revenue authority. In this regard, the tax law spell out the duty of keeping the tax information confidential. According to article 8 of the tax administration Proclamation No. 983/2016, the tax officer is obliged to maintain the secrecy of all documents and information received in his official capacity, and disclosure of such documents to third party is only permitted with the written consent of the person or organization concerned.[171] This would be inconceivable for the plaintiff to obtain such information as the defendant cannot possibly provide information that could be used against him in a lawsuit.

C. Commercial Registration and Business Licensing Proclamation No. 980/2016

According to Article 26(8) of the proclamation, business entities that are share companies or private limited companies are required to have an auditor audit their financial statements each fiscal year and to provide reports. While it is unclear to what body these firms should submit their reports, it is possible to conclude that the Ministry of Trade, which is in charge of registering and overseeing them, will receive them. The proclamation does not, however, state if the Ministry of Trade must provide those reports to the individual who requests them. Nor the terms and conditions under which the relevant body or other interested party would have access to such financial accounts. Again, these companies are not put under the legal duty to disclose their financial report in their business offices nor are required to publish them in newsletters.

The trademark proclamation has stipulated a provision that shifts the burden of proof to the defendant to alleviate the trademark owner's difficulty in ascertaining the extent of the infringer's profit from the infringement. Article 40(3) of the proclamation stated that: -

[170] The Income Tax Proclamation no-979/2016, Art 82(1) and 83 (5(a))
[171] Federal Tax Administration Proclamation No. 983/2016, Art 8 (2, i)

> "*The whole of net profit derived from the sale of the defendant's goods and services in connection with the use of the trademark shall be attributed to the use of the trademark unless the defendant proves that part of the profit is attributive to <u>other market factors.</u>"*

Here, the plaintiff is required to prove only the total amount of the defendant's profit and need not worry about what portion of those profits are attributable to other factors. Once he/she establishes the infringer's sales, it is entitled to an award based on them unless the infringer can prove appropriate deductions and show which portion of the profit is not attributable to the infringing use of the trademark. If the infringer fails to provide evidence of their costs or necessary expenses, the total net income from the sale of the infringing goods or services shall be deemed to be profit gained from the infringing use of the trademark, and therefore, the whole profit shall be awarded to the trademark owner.

Nonetheless, the practice before the courts seems derogated from the damage assessment scheme provided under the proclamation, and the monetary relief rarely served its purposes. In the case of *IN-N-ouT BURGER vs. Saleamlak Andarge,* the plaintiff requested from the court the payment of ETB 510,000.00 as profit acquired by the defendant. The court, after establishing the infringing use of the mark, ordered the revenue authority to state the defendant's profit for the period of infringement, and the authority responded by stating the net profit acquired over those years as ETB 3,147,085.00. On the other hand, the defendant has not produced any evidence that shows the profit is not attributable to the plaintiff's mark in the proceeding. However, the court, by considering equity, awarded the plaintiff about 4.5% of the total net profit gained by the defendant, less than the award requested by the plaintiff, which is miles away from being considered adequate compensation.

4.2.2.2 Exclusion of compensation by proving actual damage from the Trademark proclamation

The fundamental purpose of the damage remedy is to make the plaintiff whole for his/her proven loss or injuries. Therefore, compensatory damages—monetary relief designed to reimburse the plaintiff for their loss—is the component that is most true to the fundamental purposes of damages.[172] Under the TRIPS agreement, claim of compensation by proving the actual damages

[172] Ross, Terence P. 'Intellectual property law: damages and remedies' (2000), Law Journal Press, p 12

suffered by the IP right holder is the principle. The Agreement, in Article 45.1, prescribes that "judicial authorities shall have the authority to order an infringer to pay to the right-holder damages adequate to compensate for the injury that the right-holder has suffered because of the infringement." This is a particularly important provision because it clearly states as an obligation that the damage shall be an adequate compensation and not be merely symbolic.[173]

The trademark proclamation, unlike copyright law, does not explicitly grant the owner the right to seek compensation for actual damages incurred due to the infringing actions of the perpetrator (e.g., funds diverted from the owner to the infringer or lost sales due to the acts of infringement). Therefore, a question is whether the profit accounting rule established under trademark law prevents courts from applying the civil code general rule when the plaintiff seeks monetary damages by demonstrating the actual loss incurred due to the defendant's actions.

For one thing, infringement of trademark rights constitutes a tortious act, as it represents an offense against legally protected rights or a clear violation of an explicit provision of law, as stipulated under Article 2035 of the civil code. Thus, the methods for assessing compensation adopted under the tort provisions of the civil code will serve as supplementary rules in evaluating the material damages inflicted on the trademark owner due to the defendant's actions in case the trademark laws failed to provide such method of assessing damages. On the other hand, the trademark proclamation, under Article 48, only addresses the non-applicability of laws or practices that are inconsistent with the matters it governs. Moreover, the expression under Article 40 (1b) of the proclamation states "..... the defendant to compensate the damage inflicted on the claimant due to the infringement (በመብቱ መጣስ ምክንያት በከሳሹ ላይ የደረሰዉን ጉዳት እንድክስ) implies that the plaintiff has the right to claim compensation by demonstrating the actual damages incurred due to the defendant's actions. Therefore, we cannot identify any reason that prevents courts from applying the general rules of the civil code in assessing damages, provided that the plaintiff has substantiated the damages suffered in terms of lost sales or a decrease in sales volume, and such damages are attributable to the defendant's actions.

The practice shows that there exist uneven practice courts and splits among courts in the determination of the monetary award under different circumstances and in consideration of equity.

[173] WIPO, Enforcement of Intellectual Property Rights, WIPO National Workshop for Judges, Riyadh, December 13 to 15, 2004, p 8

In the case, *Inter-Continent Hotel Corporation vs. Simachew Kebede and GH Semex P.L.C,* the plaintiff requested the court the payment of one-million-birr profit acquired by the Defendants for misleading use of its registered trademark as the name of their hotel, '*Inter-continental Addis Ababa*'. The court ordered the Ethiopian Custom and Revenue Authority to state the second defendant's net profit gained during the period of infringement i.e. more than 10 years. However, the court's attempt to get the net profit was unfruitful as the authority only responded by indicating the defendant's gross sale without specifically stating the net profit because the defendant's hotel is not tax registrant as it operates under the second defendant. The court, finally, resorted to the general tort law and ordered payment of seven hundred and fifty thousand birr to the plaintiff by considering the difficulty of assessing the exact amount of damages pursuant to article 2102 of the civil code. In this case, besides the argument as to the adequacy of the award, the court's attempt in assessing the damages equitably is irreprehensible as the plaintiff has failed to ascertain the net profit gained from the infringement or the actual damages sustained due to the infringement.

On the other hand, in the case of the *Hybrid Design PLC* vs. *BIZA Ride Transport S.C*[174], in *ex-*parte *proceeding,* after establishing the infringing use of the plaintiff's registered trademark, *Ride*, the court denied the request for payment of compensation based on equity by specifically stating that the Plaintiff, apart from proving the likelihood of confusion, it failed to produce evidence showing the damages incurred or lost profits as a result of the defendant's infringing use. The similar conclusion has been reached in another case involving the plaintiff.[175] In stark contrast, the other bench of the same court denied the plaintiff's request for payment of compensation up on showing the actual damages sustained from the infringing use in the case of *Firzigi Woldekiros Tesfaye vs. Natnael Aseffa Alemu*[176]. In this case, the Plaintiff requested the reimbursement of ETB 200,000 lost profits for two years of infringement, and he further demanded the court to ascertain it form the relevant tax authority. Finally, the court denied the relief by stating that compensation for trademark infringement shall not be awarded unless the plaintiff proved the defendant's profit acquired from the infringing use of his mark.[177]

[174]Hybrid Design PLC vs. BIZA Ride Transport S.C, Federal First Instance Court, Lideta 5th trade bench, File No. 286329, 2013

[175]Hybrid Design PLC vs. ZEBRA Ride Transport S.C, Federal First Instance Court, Lideta 5th trade bench, File No. 286333, 2013

[176]Firzigi Woldekiros Tesfaye vs. Natnael Aseffa Alemu, Federal First Instance Court, Lideta 4th trade bench, File No. 281768, 2013

[177]The court hold similar stands in the case of Hybrid Design PLC vs. Seregela Taxi Service PLC, Federa First Instance Court, Lideta Bench, file no. 286331, 2014.

4.2.2.3 Royalty as an Alternative Measure of Damages

The payment of royalty emerged as a measure of compensation paid to the successful plaintiff in IP civil litigation based on the reasonable value of a trademark license that the infringer should have paid. The copyright amendment proclamation has defined royalty as *'fee payable to the owner of the work protected under the proclamation by the user of such work for commercial purposes.*[178] The underlying principle behind the determination of a reasonable royalty rate is that the selected royalty rate represents a reasonable indication of the value for use of the trademark.

The simplest way to determine a reasonable royalty for assessing the compensation is an established royalty between the right holder and the alleged infringer has previous or existing licensing agreement, if one exists.[179] But in the absence of established royalty, courts may set the reasonable royalty on a "hypothetical negotiation" between a willing trademark owner and a willing licensee as of the date that the infringement began.[180] The USA Federal District Courts and the Court of Appeals for the Federal Circuit, in this regard, have often cited the ***so-called Georgia-Pacific factors***[181] to determine how much a reasonable licensee would have been willing to pay the owner for the use of the trademarks, and it has been in use for more than half a century in determining reasonable royalty in an IP infringement claim.[182]

The trademark proclamation has provided a clear stipulation in which the trademark owner may recover a reasonable royalty as an alternative measure of damages that represents its actual loss or the infringer's unjust enrichment. It states that: -

> " ..... *or the amount of royalty the defendant could have been charged had he used the trademark under the terms of a license contract* "[183]

[178] Copyright amendment proclamation art 2(31)

[179] Nicholas A. Gowen and Peter V. Baugher, 'Recovering Damages for Trademark Infringement', (2013), Illinois Bar Journal, Vol. 101, p 3. also available at www.isba.org accessed on February 2, 2024

[180] Ibid, p 4

[181] *Georgia-Pacific Corporation vs. United States Plywood Corporation, 318 F. Supp. 1116, S.D.N.Y. 1970).* Available at https://ocw.mit.edu/courses/15-628j-patents-copyrights-and-the-law-of-intellectual-property-spring-2013/4cc3dba57900b7323687c8d37aae732d_MIT15_628JS13_read36.pdf. Accessed on February 5, 2024. The court originally developed those 15 factors in order to decide cases involving patent infringement. The right holder's royalties prior to the alleged infringement, royalty rates for similar patents in the market, the type and extent of the license—that is, whether it is exclusive or non-exclusive, restricted or unrestricted in territory—the commercial relationship between the owner and the alleged infringer—that is, whether they are competitors in the same market—the patented invention's established profitability—the commercial success of the patent, the extent of the infringer's use of the patent, and the qualified experts' opinions are some of these factors.

[182] Hon. Arthur J. Gajarsa, William F. Lee, and A. Douglas Melamed, 'Breaking the Georgia-Pacific Habit: A Practical Proposal to Bring Simplicity and Structure to Reasonable Royalty Damages Determinations' (2018), Texas Intellectual Property Law Journal, Vol. 26, P 55

[183] The proclamation, Article 40(2)

The plaintiff seeking monetary relief is at liberty to seek compensation based on either the accounting of profits or reasonable royalty, whichever is higher. However, the proclamation do not provide any specific guidance for calculating reasonable royalty damages based on hypothetical negotiations. Nor the existing judicial jurisprudence has no help in establishing rules and factors to assess damages by employing the royalty scheme. Moreover, the absence of legislative guidelines in determining the royalty scheme in the trademark regime coupled with the absence of a system for valuing and assessing the commercial value of IP rights, make it difficult for the courts to utilize the reasonable royalty method in settling trademark infringement suits. For instance, in the case of *IN-N-ouT BURGER vs. Saleamlak Andarge*, the Court, after establishing the trademark infringement, tried to employ the royalty method to assess the compensation to be paid by the defendant.[184] It ordered EIPA to determine the annual royalty that would have been gained by the plaintiff had it licensed its trademark. However, the authority responded to the court by stating that, in the first place, it is not mandated to determine the reasonable royalty accrued by the right holder through a licensing arrangement, and secondly, the authority has no expertise to professionally assess the annual royalty. Accordingly, the court's attempt in this regard was fruitless, and it resorted to another method of awarding damages. In this regard, Mr. Elias Tiruneh, in an interview, also explained that they have sometimes received requests from IP owners for trademark licensing negotiations and IP rights collateralization in addition to court orders.[185] In addition to the absence of a mandate, they have been rejecting such questions in order to prevent any arbitrary valuation of the royalty, which could result in overvaluation or devaluation, which in turn hampers the financial interests of the parties to the litigation, he added. According to him, recently, the Authority signed a memorandum of understanding with the National Bank of Ethiopia to develop guidelines for the valuation of IP rights for the purpose of IP collateralization. He also added that the Authority has received the mandate to develop and draft the valuation guidelines, which help the national bank issue a directive that would allow IP rights holders to collateralize and borrow money from banks.[186] Mr. Abirdu Birhanu also explained that even though there has been an argument among experts as to whether the Authority shall take a mandate to value IP rights, currently there is coordination and understanding between the IP owners, the Authority,

[184] Interview with Mr. Elias Tiruneh, Intellectual Property Customer Service, Lead Executive at EIPA (Addis Ababa, April 02, 2024)
[185] ibid
[186] ibid

and financial institutions, basically the National Bank.[187] Such initiation will have a greater impact on the disposition of trademark litigation, provided that the authority has worked hard to create awareness among the IP owners and produce well-qualified experts in the valuation of the IP rights.

4.5 Criminal Remedies

4.5.1 Pre-Criminal Code of 2004/Trademark Proclamation

There was an attempt to criminalize the trademark counterfeiting and piracy as economic and commercial offenses in 1952 penal code[188]. It included intentional infringements of marks, declarations of origin, design or model, and infringements of literary or artistic copyright and provided lenient punishments of simple imprisonment and fine. It has also empowered the court to impose secondary penalties, including the seizure of the objects, goods, or works that are infringements, as well as proceeds of sale or performance.[189] However, prosecution of such crimes is only through the private initiation of the rights holders as they are regarded as crimes upon a complaint and thus, the state is no longer interested in the prosecution of such crimes.

4.5.2 Criminal Remedies under the Trademark Proclamation Vis-a-Vis the TRIPS Agreement

The TRIPS agreement has provided minimum criminal penalties and procedures in deterring the acts of trademark counterfeiting. It obliged the member states to criminalize, at least, the willful crimes committed against the trademark and copyrights on the commercial scale[190] and member states are given discretion to stipulate other *mens rea* standards other than 'willful' counterfeiting. The trademark proclamation under article 41(1) and (2) reads as:

> " .....*whosever intentionally or by gross negligence violates a right protected under this law shall be punished with rigorous imprisonment of a term not less than 5 years and not more than 10 years or rigorous imprisonment of a term not less than 1 year and not more than 5 years respectively."*

It has incorporated the requirement of 'intentional' and 'gross negligence' standards of moral culpability. The prosecution bears burden to proof not only the existence of infringement but also

[187] Interview with Mr. Abirdu Birhanu, Intellectual Property Tribunal Chairperson, EIPA (Addis Ababa, April 02, 2024)
[188] Penal Code Proclamation of 1957. Article 674.
[189] ibid article, 679
[190] TRIPS Agreement, Article 61

a burden to show whether the acts are committed intentionally or by gross negligence beyond a reasonable doubt. As compared to Article 61 of the TRIPS agreement, the trademark proclamation has gone further to punish negligent infringers of the trademark rights. The problem is that the proclamation hasn't indicated any circumstances to be regarded as gross negligence. Article 59 of the criminal code has included advertent negligence and inadvertent negligence as the only forms of negligence. Advertent negligence is when a person foresees the possibility of occurrence of the harm, however, disregards or rejects its occurrence whereas inadvertent negligence is when a person is not aware of possible harm and fails to take care required for the possible result of his/her actions.[191] In both forms of negligence, the prosecution has to prove criminal foresight and imprudence on part of the accused.[192] In criminal law, gross negligence is defined '*a conscious and voluntary disregard of the need to use reasonable care, which is likely to cause foreseeable grave injury or harm to persons, property, or both'*[193] It happens when a person knows that the way they act could endanger the lives of others, but they nevertheless choose to act that way. Therefore, we may conclude that the gross negligence form of moral element stipulated under the trademark proclamation has convergence with an advertent form of negligence incorporated under article 59(1(a) the criminal code.

The prosecutor cannot prepare his/her charge solely based on specific criminal provisions of the trademark proclamation. Instead, he/she must formulate the charge in relation to the specific rights protected under the substantive provisions of the trademark proclamation. Therefore, we need to examine the extent of protection and rights granted to trademark owners. It is essential to critically assess the actions of infringers against the specific limitations and exceptions outlined in the law, and thus, bona fide use of the trademark for non-trademark purposes does not warrant criminal prosecution. It would be absurd unless the fair use exceptions provided under the proclamation are meticulously applied, at least for the purpose of imposing a criminal sanction, as it could lead to someone facing rigorous imprisonment of five years or more while allowing others to exploit trademark rights without consequence.

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[191] Glory Nirmala K and Serkaddis Zegeye, 'Criminal Law I' (2009), teaching material, Justice and Legal System Research Institute, p 189-192

[192] Ibid

[193]Thomsons solicitors, available at https://www.thompsons.law/support/legal-guides/what-is-gross-negligence-manslaughter#:~:text=Criminal%20law%20defines%20gross%20negligence,breach%20of%20duty%20becomes%20criminal. accessed on March 22, 2024

4.5.3 Forms and Extents of Punishments

The penal provisions of the trademark proclamation indicate the application of the criminal code when a heavier penalty is stipulated therein. Article 720 of the criminal code penalizes both intentional and negligent infringement of marks, specifying that infringers may face lesser penalties than those outlined in the trademark proclamation. Article 41 of the trademark proclamation restricts the court's discretion in determining penalties, establishing a range of five to ten years for intentional violations and one to five years for negligent acts. Conversely, Article 720 of the criminal code imposes a maximum of ten years of rigorous imprisonment for intentional violations and a maximum of five years of simple imprisonment for negligent acts. In both scenarios, the imprisonment is rigorous. In this context, an individual may be sentenced to rigorous imprisonment of less than five years (up to one year of rigorous imprisonment as stated in the general part of the criminal code) if the act was intentional.[194] If committed negligently, the individual may face simple imprisonment of less than one year (up to ten days of simple imprisonment as outlined in the general part of the criminal code).[195] Therefore, the prosecution of trademark counterfeiting should be based on the criminal provisions of the trademark proclamation.

The other issue worth discussing is the forms of punishment outlined in the criminal provisions of the trademark proclamation. The copyright amendment proclamation has introduced fines as penalties aimed at providing protection that aligns with the ever-growing developments in copyright and neighboring rights.[196] Due to the increasing economic significance attached to these rights, infringers may benefit more than the actual owners, making the imposition of fines quite appropriate. The collaborative international study conducted clearly indicates that nearly all states have incorporated fines as a form of criminal punishment for trademark infringement in their criminal law or trademark statutes.[197] However, the trademark proclamation, in Article 41, has only provided imprisonment as the sole primary punishment. The objective of enhanced legal protection due to the ongoing developments in IP rights should also apply to trademark rights. This is particularly relevant given the significant increase in the volume and value of trademark

[194] FDRE Criminal Code of 2004, Article 108(1)
[195] ibid, Article 106(1)
[196] Proclamation to amend Copyright and Neighboring Rights Proclamation no. 872/2014, preamble, paragraph one.
[197] Merchant and Cloud a Technology & Innovation Law Firm, Criminal Liability for Trademark Infringement: A Collaborative International Study (2021)

infringement, driven by the rise in opportunities for infringement presented by the internet.[198] The writer recommends amending the criminal provisions of the proclamation to allow for fines to be imposed alongside imprisonment for both intentional and negligent counterfeiters. Finally, the trademark proclamation includes provisions for secondary penalties to be imposed in addition to the primary one, if deemed appropriate.[199]

Despite the criminalization and imposition of stringent imprisonment for trademark infringement under both the criminal code and the trademark proclamation, practices in federal courts indicate that criminal remedies do not even play a secondary role compared to civil remedies. In most cases, individuals accused and convicted of trademark infringement have not served the penalties imposed. The courts issued a suspension order whereby the convicted individual will not serve time in prison, as the penalty imposed on him/her is suspended for a designated probation period. For example, in the case of *Federal Prosecutor vs. Zemenu Takele and Friends Soap Manufacturing Partnership and Zemenu Melese*, after two years of proceedings, the Federal High Court's 4th criminal bench imposed a fine of 10,000 birr in lieu of four years of rigorous imprisonment on the first accused (as it is a legal entity) and three years of rigorous imprisonment on the second accused. However, the court suspended the enforcement of the penalty and released him on probation.[200] The court granted the accused's request for probation based on the absence of a prior criminal record, his role as the father of two children supporting six family members, his spouse's unemployment, the potential danger his imprisonment would pose to the family, his lack of criminal foresight, and his participation in various voluntary activities. A similar ruling was made by the Federal High Court in the cases of *Federal Prosecutor vs. Habtewold Tefera*[201], *Federal Prosecutor vs. Hamid Seid*[202], *Federal Prosecutor vs. Fetiya Awel and 2 others*[203], *Federal Prosecutor vs. Birhanu Woldegarima and two others*[204]. Specifically, in the latter case, the court found all accessed guilty of intentional trademark infringement and sentenced them to three years

[198] Claus Eckhartt & Xavier F. Sabaté, Intellectual Property magazine, (2011), p 71 available at http://www.intellectualpropertymagazine.com/ accessed on March 23, 2024
[199] Article 43(3) of the Copyright Proclamation and Article 41(3) of the Trademark Proclamation. Both sub-articles in the same language states "The penalty, where appropriate, shall include the seizure, forfeiture, and destruction of the infringing goods and of any materials and implements used in the commission of the offense".
[200] Federal Prosecutor vs. Zemenu Takele and Friends Soap Manufacturing Partnership and Zemenu Melese (n155)
[201] Federal Prosecutor vs. Habtewold Tefera, Federal High Court, Lideta criminal bench, File No. 279468
[202] Federal Prosecutor vs. Hamid Seid, Federal High Court, Lideta Criminal Bench, File No. 266221, 2013
[203] Federal Prosecutor vs. Fetiya Awel and 2 others (n130)
[204] Federal Prosecutor vs. Birhanu Woldegarima and two others (n131)

of rigorous imprisonment after a year and a half of trial. However, it uniformly released them on the grounds that, aside from selling the infringing goods bearing the registered trademark in question, they did not manufacture or import them, and it was demonstrated during witness hearings that they gained only minimal profit from the sale of those goods.

On the other hand, in the case of *Federal prosecutor vs. Muhajir Musa*[205], the Federal High Court's 1st economic-related crimes bench found the accused guilty of willful infringement of trademark rights and sentenced him to three years of rigorous imprisonment after nearly three years of trial. In this case, the accused sought the suspension of the penalty, citing his lack of prior criminal convictions, family responsibilities, health complications, and participation in various voluntary activities. The court accepted all these factors as extenuating circumstances. However, it denied his request for suspension and ordered him to serve the sentence. In other criminal cases, the court has dismissed the cases because the accused failed to appear after being released on bail.[206]

The practice in federal courts generally indicates that trademark offenses are perceived as victimless crimes, with criminal penalties imposed on convicted individuals enforced only in exceptional circumstances. Consequently, it is difficult to argue that criminal prosecution for trademark rights violations is effective. This is further supported by the court's stance that crimes against the economic rights of trademark owners are categorized as simple crimes when assessing the level of the offense according to the Federal Supreme Court Sentencing Guidelines. On one hand, it appears to be viewed as an act against the financial interests of the trademark owner, and the public interest in criminalizing such acts seems to be waning. Furthermore, we can observe a division among benches regarding the enforcement of criminal remedies against trademark infringement.

4.5.4 Problems Related to the Criminal Enforcement of the Trademark Infringement

The violations of trademark rights have been investigated and prosecuted under the unfair competition acts by the Trade Competition and Consumer Protection Authority prior to the centralization of investigative and prosecutorial powers under the Ministry of Justice (formerly the

[205] Federal Prosecutor vs. Muhajir Musa (n128)
[206] Federal Prosecutor vs. Robel Hiruy, Federal High Court, Lideta Criminal Bench, File No. 265989, 2013. Federal prosecutor vs. Miftah Shikurla, Federal High Court, Lideta Criminal Bench, File No. 263354, 2013

Attorney General), as established by the Attorney General Establishment Proclamation No. 943/2016. According to **Mr. Belete Eshetu**, Federal Prosecutor at the Ministry of Justice, the investigation and prosecution of trademark violations before the establishment of the Attorney General were limited to cases involving the manufacturing, importation, or sale of goods bearing counterfeit registered trademarks, as well as the illegal manufacturing or sale of goods with unlawfully produced registered trademarks by competitors. Investigating officers were only responsive if the alleged infringer was found storing and distributing the infringing goods.[207] Mr. Malefiya Tesera, citing his own client's case, *IN-N-Out Burger vs. Saleamlak Andarge*, affirmed that his attempts to pursue criminal enforcement at that time were not welcomed; he noted that the investigating officer nearly refused to initiate a criminal investigation unless the defendant was found accumulating the infringing goods associated with the trademark in question. He further stated that the investigating officer would have been reluctant if the alleged infringer had no infringing goods to be seized during the search, and that infringement of trademark rights through mere use of the mark without affixing may not be investigated or prosecuted.[208] He also noted that the investigating officer sometimes requires the civil trial judgment against the defendant to initiate the criminal proceedings. Furthermore, during a forum organized by the EIPA for consultation with trademark rights holders, business communities, and representatives from the justice sector regarding trademark registration, protection, and infringement, the business community has been assertively stating that despite the explicit laws enacted to protect their rights, there are limitations. Specifically, they have argued that criminal enforcement fails to meet its objectives because infringements are not penalized with adequate deterrent effects.[209]

[207] Interview with Mr. Belete Eshetu, The Federal Prosecutor at Ministry of Justice, Economic Related Crimes Directorate, an Interview conducted on March 22, 2024
[208] Interview with Mr. Malefiya (n146)
[209] A consultation forum organized by the EIPA with holders of trademark rights, business communities, and representatives of the justice sector, January 30, 2024, Adama, Ethiopia

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

Despite the enactment of trademark law and the implementation of various enforcement mechanisms trademark owners in Ethiopia continue to face challenges related to counterfeiting and piracy. Trademark owners are granted exclusive rights to use their marks and prevent others from exploiting them during the protection period. Consequently, unauthorized use of a trademark exceeding the limitations set by law is deemed an infringement of trademark rights, resulting in both civil and criminal liability.

The proclamation envisions the term 'infringement' in very general terms under the enforcement provisions without defining or enumerating the grounds for infringement, merely providing a list of recognized trademark rights. Essentially, the lack of a definition for trademark infringement has created loopholes evident in the current trademark law, as it is argued that had the law included a definition for trademark infringement, it could have predetermined how and when infringement would be deemed to have occurred, considering various grounds and situations of violations. Furthermore, despite efforts to regulate the digital environment, the trademark proclamation has not adequately anticipated the risks associated with trademark violations occurring online. The computer crime and E-commerce proclamations appear to impose liability on internet service providers only for their direct participation or for their failure to remove infringing content, granting them a degree of freedom to operate in cyberspace.

The likelihood of confusion is the primary factor considered in the trademark laws of many states, not only in adjudicating cases of trademark infringement but also as a basis for determining the registrability of a mark, including grounds for refusal and invalidation of a registered mark. It is determined by factors such as similarity between trademarks, goods or services, and trademark distinctiveness. However, it is well understood that no single factor is sufficient to establish a likelihood of confusion, and they cannot be uniformly applied to every trademark in question. On the other hand, while the Trademark Proclamation does not explicitly permit coexistence agreements during trademark registration proceedings, unlike other jurisdictions, the autonomy of parties in transferring business without transferring the rights of the trademark associated with that

business—subject to the Authority's review—suggests instances of coexistence or concurrent use of similar or identical marks.

Due to the ambiguity in the trademark proclamation, the court's jurisdiction in resolving ordinary trademark disputes has become a contentious issue. Current practices in the Federal Courts indicate that courts are asserting jurisdiction in a manner inconsistent with the rules outlined in the Federal Courts proclamation. Furthermore, there are instances where courts completely refuse jurisdiction and dismiss the case on the grounds that they lack the authority to adjudicate trademark-related disputes. On the other hand, trademark infringements continued to be adjudicated by bodies other than regular courts under the competition regime. However, the lack of a functional link between the competition regime and the trademark proclamation resulted in unfavorable enforcement of trademark rights.

The imposition of provisional remedies, interim injunctions, civil and criminal remedies, and boarder measures has been adopted to enforce trademark rights in Ethiopia. The application for provisional measures is virtually nonexistent in litigation for trademark infringement in the country. Practice in the Federal Courts indicates that trademark owners typically prefer to seek permanent injunctions during the main proceedings rather than request provisional measures or preliminary injunctions, due to the lengthy court processes involved. This practice shows that a permanent injunction is often sought alternatively or alongside other remedies.

Regarding monetary remedies, the proclamation only mentions accounting for profits or reasonable royalties as methods to claim compensation for the infringement of a registered trademark. Unlike the copyright regime, the trademark proclamation fails to include claims based on proving the actual material damages suffered by the plaintiff. Additionally, due to the practical challenges of proving the defendant's profits and the lack of a statutory basis for determining royalties, monetary compensation rarely fulfills its intended purpose under the current trademark regime. Moreover, there are divisions among benches in evaluating and determining monetary compensation. Despite the criminalization of trademark infringement exceeding the standards set in the TRIPS agreement, practices in Federal Courts suggest that criminal remedies are not effective deterrents. In most instances, individuals accused and convicted of trademark infringement have not served the penalties imposed, as the penalties are suspended for a designated probation period. Furthermore, the trademark proclamation has only designated imprisonment as

the primary punishment, while the imposition of fines to deter infringers remains unaddressed under the trademark Proclamation.

5.2 RECOMMENDATIONS

Based on the research findings, the following recommendations are proposed to enhance the enforcement of trademark rights:-

- The subsequent amendment to the trademark proclamation must clearly define the term "trademark infringement" and enumerate the grounds for infringement to determine how and when infringement is said to have occurred.
- Due to the increasing use of the internet and electronic commerce, there is an urgent need for a regulatory response to tackle domain name disputes, cyber-squatting, and other cyber-related trademark violations. The trademark proclamation should be amended to offer relief to trademark rights holders against cyber-squatting; specifically, it should include provisions for injunctions and damages related to cyber-squatting.
- The jurisdiction of Federal Courts in adjudicating ordinary trademark infringements shall be clearly defined in the forthcoming amendment in a manner consistent with Federal Courts Proclamation No. 1234/2021. In addition, the Trade Competition and Consumer Protection Proclamation, through its amendment or implementing regulation, shall clearly establish a functional link to the Trademark Proclamation, thereby granting the Authority the necessary jurisdictional powers over trademark rights infringement under the Trademark Proclamation.
- Effective enforcement of trademark rights requires the availability of broader alternative remedies, ensuring that trademark owners are compensated for the material damage incurred, while also preventing infringers from retaining the benefits of their wrongdoing. Therefore, the upcoming amendment to the trademark proclamation shall need to include a claim for material damage upon proving actual damages as a primary alternative available to the owner of the trademark rights. However, courts should not wait for the revision of the trademark proclamation to apply the actual damages rule; instead, they should begin doing so by utilizing the general tort rules as enshrined under the civil code.
- The practice in federal courts generally reveals that trademark offenses are viewed as victim-less crimes, and the criminal penalties imposed on convicted individuals are enforced only in exceptional circumstances. As an organ with the primary objective of ensuring adequate legal protection for and exploitation of IP rights, EIPA shall collaborate closely with law

enforcement bodies, including the Judiciary, to provide and facilitate ongoing training for Police, Prosecutors, and Judges.

- Owing to the growing economic importance of trademark rights, infringers may gain more than the actual owners, making the imposition of fines quite fitting. Therefore, the criminal provisions of the proclamation need to be amended to permit fines to be imposed alongside imprisonment for both intentional and negligent counterfeiters.

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X. INTERVIEWS

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- Interview with Judge Mesele Nigussie, Federal First Instance Court, trade and investment bench Judge, interview conducted on February 23, 2024 (Piassa, Addis Ababa)
- Interview with Mr. Elias Tiruneh, Intellectual Property Customer Service, Lead Executive at EIPA (Addis Ababa, April 02, 2024)
- Interview with Mr. Abirdu Birhanu, Intellectual Property Tribunal Chairperson, EIPA (Addis Ababa, April 02, 2024)
- Interview with Mr. Belete Eshetu, The Federal Prosecutor at Ministry of Justice, Economic Related Crimes Directorate, an Interview conducted on March 22, 2024