

# Trademark challenges in South Africa

**With signs that the courts are adopting a more restrictive approach towards trademark rights, there have been some clear challenges for brand owners in protecting their marques**

The last year has seen considerable trademark activity in South Africa, not all of it favourable for rights holders. We saw, for example, signs that the courts were adopting a more restrictive approach towards trademark rights, with some judges keeping an eye on competition law and policy. Last year was also the year in which South Africa said farewell to its leading IP judge, Louis Harms, who retired after many years' service in the Supreme Court of Appeal. There are already signs that his expertise will be sorely missed.

Given that most trademark cases involve either infringement actions or oppositions, it is no surprise that most of 2013's trademark judgments dealt with likelihood of confusion. In a number of cases the goods or services were identical and the only issue was whether the trademarks were similar.

## Similar trademarks

*Shimansky v Browns The Jewellery Store* was an infringement case dealing with the issue of whether the trademark registration for EVOLYM for jewellery had been infringed by the mark EVOLVE, also for jewellery. The court found that it had not, finding no visual, phonetic or conceptual similarities between the two marks. Although a little surprising, the judge seemed to have been influenced by the fact that the word 'evolym' is simply 'my love' spelt backwards.

In *Distell v KZN Wines* the issue was whether a whisky trademark registration for KNIGHT'S GOLD (with disclaimers for both words) and another for a label comprising various features including the name 'Knight's' had been infringed through the use of the trademark BLACK KNIGHT for whisky. The court held that no infringement had taken place, giving much weight to the fact that there is, apparently, a discerning purchaser involved in such purchases. The judge found that: "even though whisky is a popular drink, it is not a cheap drink... a consumer is likely to exercise circumspection and a greater degree of care in making a purchase... whisky drinkers take pride in the product and... they are able to distinguish... a source of origin."

The Supreme Court took a different approach in *Orange v Orangeworks*. This was a trademark opposition dealing with the

issue of whether a local accounting software firm was entitled to register the mark ORANGEWORKS for software in the face of an earlier application by the international telecommunications company for the mark ORANGE, which also covered software. The court held that the local firm was not entitled to register ORANGEWORKS, as there was a likelihood of confusion, with 'orange' being an arbitrary and distinctive name in the context of software, and with it also being the dominant feature of the later trademark.

However, there were some interesting aspects to the judgment. One of these was the finding that the discerning purchaser test was not appropriate, with the judge stating: "I have no doubt that computer software for accounting is indeed purchased with considerable care, but confusion need not be lasting for it to disqualify a mark from registration. It is sufficient if it is confusing only for a short time, sufficient to attract initial interest, albeit that the confusion might later be cleared up." Unfortunately, this reference to initial (short-lived) confusion was almost a throwaway line and was not discussed further. Nor indeed was there any discussion on what, if any, special considerations arise in cases where one trademark totally incorporates another.

The Supreme Court of Appeal considered another trademark infringement matter in *Adidas v Pepkor*. The question at issue was whether retail store Pepkor was infringing Adidas' three-stripe trademark registrations by using a four-stripe motif on trainers. The court held that it was, rejecting two strange defences. The first was that stripes are used on shoes for decorative purposes rather than for trademark purposes, with the result that there is not the required trademark (origin-indicating) use. The court gave this short shrift: "It seems to me that it will be very difficult to persuade a court that any mark applied to goods for 'embellishment' or 'decoration'... is not applied for the purposes of distinguishing the goods... If the use creates an impression of a material link between the product and the owner of the mark there is infringement, otherwise not."

The second defence was that because the Adidas trademark is so well known, no one would be confused if they saw a four-stripe shoe. The court found that: "The fact that the first appellant's three stripes trademarks are famous, does not justify a finding that there is no likelihood of deception or confusion because purchasers of the goods will see immediately that the respondent's marks are not the first appellant's marks. In my view the contrary is true. The more distinctive the trademark is, or the greater its reputation, the greater the likelihood that there will be deception or confusion where a similar mark is used on a competing product."

### Similarity of goods

In *Due South* it was the similarity of the goods, not the marks, that was at issue. This was a trademark opposition focusing on whether the owner of retail chain Due South – which had registrations for the DUE SOUTH mark in 14 different classes – could successfully oppose an application to register the same trademark in four different classes. The court found that the opposition had to fail because there was insufficient overlap between the goods and services. Some of its more interesting and controversial findings were as follows:

- It opted for the old UK *British Sugar (Treats)* test, rather than the more holistic approach adopted in more recent cases. Under this test, one decides whether the goods are similar based on facts such as uses, users and trade channels. If they are not, then the matter is closed. However, if they are, then additional factors must be considered.
- It placed considerable emphasis on the fact that there is a classification system, with the (somewhat radical) suggestion that there will seldom, if ever, be similarity if the goods or services fall into different classes.
- There was a suggestion that goods and services will seldom be similar: “You cannot compare the production and sale of articles to be used in some activity to the service rendered by using those goods.”
- Dealing with retail services in Class 35, the court rejected the argument that retail services (without limitation) are similar to any goods, as this would in effect allow someone to have an absolute monopoly.
- The court went on to make some interesting comments about intellectual property and monopolies. It was unimpressed that the retail chain had registrations in 14 classes – practically one-third of the classes available – emphasising that companies should register trademarks only for those goods or services for which they genuinely intend to use their trademark. The judge found that: “The importance of only claiming protection in classes in which the applicant intends to function is underlaid by an anti-monopoly policy. In modern times South Africa and countries with comparable intellectual property rights have sought to limit monopolies.”

The second was the Supreme Court of Appeal’s judgment in *Zonquasdrift*. This was a trademark infringement action dealing with whether a registration for the mark ZONQUASDRIFT for wine was infringed through the use of the almost identical mark ZONQUASDRIF for wine grapes. To the surprise of many, the court held that no infringement had taken place because the goods were not similar. The judgment is not easy to follow. The court acknowledged that the two legs of the likelihood of confusion enquiry – the trademarks and the goods – are interdependent, and that a great deal of similarity between trademarks may cancel out

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a limited similarity between goods. However, it then proceeded to use the mechanical *British Sugar* approach, making reference to the fact that in the wine industry, wine is bought by the general public, whereas wine grapes are bought by specialist wine makers.

### Shape marks

In *Nestlé v Iffco* the court held that Iffco – which sold finger-shaped chocolate bars called Break – was not infringing trademark registrations belonging to Nestlé for the Kit Kat product shape or registrations for the slogans “Have a break” and “Have a break: have a Kit Kat”. The lengthy judgment dealt with just about everything – infringement, dilution, the special protection given to well-known trademarks and passing off.

It is, however, most likely to be remembered for two other reasons. The first is the fact that the counterclaim to cancel the Kit Kat shape registrations failed. The court did not accept the argument that the shape was necessary to obtain a technical result or that it resulted from the nature of the goods – the argument was that the trapezoidal shape was a necessary part of the moulding process, and that the technical result obtained was the easy release of the chocolate bars from the mould. Instead, the court accepted Nestlé’s claim that the shape was chosen for aesthetic reasons when it was introduced and that it was in fact technically difficult to achieve. In any event, the court felt that the shape was not exclusively dictated by function because the trademark registrations had non-functional, decorative and imaginative features, including the fingers themselves and the apron around the bottom of the edges.

Second, the court held that Nestlé had been entitled to amend one of its product shape trademarks during the application process by adding the wording: “The mark consists of the distinctive shape or appearance of the goods.” Iffco had argued that as this effectively transformed a logo trademark into a shape trademark, it fundamentally affected the nature of the trademark. The judge held that the prohibition on materially affecting the nature of the trademark applies only to registrations and not pending applications. If this finding stands, it is likely to have serious implications.

### Trademark use

The issue of whether allegedly infringing use is trademark use comes up a lot and featured in what was undoubtedly South Africa’s biggest IP story of the year – *BMW v Grandmark*. The issue in this matter was whether Grandmark was entitled to import and sell generic car parts suitable for use with BMW vehicles. This was primarily a registered design case and the Supreme Court ruled that BMW’s design registrations for items such as bonnets and grills were invalid because they were not aesthetic. This was because vehicle components “are not selected by customers for their appeal to the eye”.

There was also a trademark dimension, with BMW claiming that Grandmark had infringed the BMW mark by using it in various ways (eg, GORDON AUTO BODY PARTS CO LTD; MFG LOT: 1004A; GD471: BM3 SRS 92-05 HOOD). The court rejected this on the basis that this use was not likely to be interpreted as designating origin, so it was descriptive rather than trademark use. The court found that: “It can hardly be said that the trade mark is used as a badge of origin when the label states it to have a different origin. Moreover, the numbering surrounding and immediately following the mark clearly reflects its use to identify the component concerned.”

### Passing off

There was one passing-off decision worth mentioning, that of *Swartkops Sea Salt v Cerebos*. It involved *braai* (barbecue) salt – in a

# 2013

## Case law review

### Some final words

#### Plain packaging

There is increasing talk of Australian-style plain tobacco packaging legislation finding its way to South Africa. Although some believe that regulations requiring tobacco companies to represent their trademarks in small plain script and without logos will be unconstitutional – being an unlawful deprivation of property – retired IP judge Harms has suggested that such legislation will pass constitutional muster, especially

now that Australia’s highest court has sanctioned the Australian legislation.

Legislation banning the advertising of alcohol – which will seemingly also involve restrictions on the use of brands – is also in the offing. Expect plain packaging to become a big issue.

#### Traditional knowledge

South Africa has passed legislation regarding traditional knowledge, although the act still requires the president’s

signature. This controversial legislation amends the IP statutes rather than making traditional knowledge a *sui generis* right. It provides, among other things, that a “traditional term or expression” can be registered as a trademark by an indigenous community. It also provides for the registration of a geographical indication, which is defined as an indication which identifies goods as originating in a particular part of South Africa, where a quality is attributable to the geographical origin. This

seems geared towards products such as Rooibos, the red bush tea that originates in a particular part of the country.

#### IP policy

Finally, it is worth mentioning that in 2013 the authorities issued an IP Policy Document – a statement of intent, if you like. While this says little about trademarks, there are hints that the wait for the Madrid Protocol to apply to South Africa may be nearly over, which is good news for trademark owners.

country that has a National *Braai* Day, products such as this are taken seriously. The appeal court overruled the earlier court’s finding and held that there was likely to be confusion between the two products because of their get-ups. It berated the earlier judge for failing to give sufficient weight to the fact that there had been two instances of actual confusion, saying that evidence of this nature should not be discounted as few people can be bothered to complain about mistakes

with small purchases. It was also scathing of the first judge’s ultra-critical analysis of the two get-ups, saying with some astonishment: “This examination runs into eleven paragraphs of the judgment.” It went on to remind him that purchasers are seldom as astute. [WTR](#)

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