

Own-label products causing a stir

 By [Rachel Sikwane](#)

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There was a bit of a stir in the British press recently, with certain companies complaining that the major UK supermarket chains are now using get-ups for their own-label products that are so similar to the get-ups used by the major brand owners that consumer confusion is inevitable.

An industry spokesman said this: 'Our research shows that consumers are more likely to buy own-label products if they look like brands. Brands survive by being distinctive and standing out, and retailers are free-riding on brands' reputations.'

Some of the examples given were particularly blatant, for example a shampoo called HERBAL ESSENCE alongside Boots' look-a-like shampoo called FRUIT ESSENCE (in both cases the colour pink is the dominant feature), or an olive spread called BERTOLI alongside Sainsbury's look-a-like olive spread (in both cases the get-up comprises a remarkably similar rural Italian scene).

The legal issues

Although this kind of practice is less common in South Africa, you may well have seen it on your travels - a supermarket own-label product that looks very similar to an established brand and that is stacked close to, or even alongside, the established brand. But have you ever wondered what legal issues are involved here?

If the owner of the established brand is unhappy with the supermarket's own-label product, it might sue for passing-off. In order to succeed in a passing-off case, a brand owner needs to establish that its brand has a reputation or goodwill, and that the other company is, by using a similar brand, falsely suggesting that there is a commercial connection and thereby causing damage. The fact that the goods in question will most likely be fast moving consumer goods (FMCGs) - so goods that are not very expensive and bought by all levels of society, including people who may be illiterate or semi-literate - will make confusion more likely. Another factor is that the goods will be bought in a supermarket environment, where the experience is often hurried and stressful.

What's in a name?

In a passing-off case, however, external factors that may reduce the likelihood of confusion are also taken into account. So, for example, the fact that the supermarket will probably have applied a trademark / brand name that is in no way similar to the name of the established brand will reduce the likelihood of confusion - locally, for example, Pick n Pay uses the trademark NO NAME for its own-label products, and Checkers uses the trademark HOUSEBRAND. The fact that own-label products have been around for many years and are well understood by the consumer will also make confusion less likely. So there's certainly no guarantee that the owner of an established brand will win a passing-off case, except perhaps if the copying has been particularly blatant.

Yet it's quite clear that a supermarket that tries to make its own-label product look similar to an established brand does so for a reason - it knows that the consumer is more likely to buy the own-label product if it is reminded of the established brand. So does that make it an act of unlawful competition? Passing-off is simply a form of unlawful competition, an area of law that recognizes that, although competition is lawful, there are limits, and conduct that oversteps the boundaries of acceptable competition is regarded as unlawful. Competition will, for example, be regarded as unlawful when it's unfair or dishonest, and when it offends against the general sense of justice of the community. In determining this, the courts will look at the morals and business ethics of the industry sector involved and they will consider the notion of fair play.

Trademark law

Examples of actions that have been held to amount to unlawful competition include stealing a competitor's trade secret or confidential information and copying a competitor's product simply with a view to putting the competitor out of business. Given that own-label products are very much the norm and the retail industry is fairly robust, it seems unlikely that a court would hold that a supermarket which sells an own-label product is competing unlawfully with the owner of the established brand, except perhaps in a case where the copying has been particularly blatant.

It's conceivable that the get-up of an established brand may enjoy copyright protection as an artistic work - in which case a copyright infringement case may be a possibility - but I suspect that cases like this will be very rare. That leaves us with trademark law. It is, of course, possible to register far more than just a name or a logo as a trademark, but the reality is that few companies do. This means that, provided the supermarket does not copy the registered brand name or logo, trademark infringement will normally not arise.

Take advice on trademark and design registration

But FMCG manufacturers should certainly bear in mind that the elements that are most likely to be copied in own-label products - colour, product or container shape, script stylization and perhaps even theme (like rural Italian countryside) - can sometimes be protected by way of trademark registrations. Colour can, for example, be registered where it's genuinely associated with a product, as yellow is with MTN and green is with BP. Likewise, product and container shapes that are unusual and not functional can be registered as trademarks (and indeed sometimes as registered designs). A company that wants to be in a position to take action against supermarkets that copy should therefore bear this in mind when it creates its branding, and it should take advice on trademark and design registration.

However, companies also need to consider the commercial realities. Is it likely that a company will ever take legal action against one of its biggest customers? Also, is it perhaps possible that supermarkets may in fact want to use the company as a manufacturer of their own-label products?

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Rachel Sikwane is a senior associate at Edward Nathan Sonnenbergs (ENS) and has six years' experience as an attorney in the intellectual property department. She specialises in trademark and copyright litigation, domain name disputes, company and close corporation name objections, ASA disputes as well as passing-off and unlawful competition matters. She also has experience in anti-counterfeiting matters.

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