

Straying from trade mark law principles a cause for concern



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The Supreme Court of Appeal (SCA) has been blessed for the past few decades by having in its ranks judges who have experience and expertise in the field of Intellectual Property (IP) Law.



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One thinks of judges like Chris Plewman and Louis Harms who had a wealth of experience in handling IP cases while practising as advocates at the bar and in hearing such cases both in Provincial Divisions as well in the SCA. This factor contributed substantially to the quality of IP judgments emanating from the SCA generally being of a high standard. The development of IP law in South Africa benefited from this situation. Alas, with the recent retirement of Louis Harms, the bench at the SCA has been denuded of judges who can be regarded as IP experts.

The paucity of IP experience on the bench is regrettably beginning to show. In recent times the SCA has given three IP judgments in trade mark cases which, it is respectfully submitted, have been wrongly decided and are not in harmony with the principles of trade mark law and practice.

Pioneer v Bothaville Milling

In *Pioneer Foods (Pty) Limited v Bothaville Milling (Pty) Limited* [2014] ZASCA 6 (12 March 2014) the court was faced with a passing off case. The dispute related to the get-up of the packaging of maize meal products. Pioneer's product was the market leader and the label of the product was a particular combination of the word STAR, the device of a star, other wording and a certain colour combination.

The court was satisfied that the label enjoyed the requisite repute to support a claim of passing off. Bothaville's corresponding label was a similar combination of the words WHITE STAR, the device of a star, other wording and the same colour combination. At first blush the labels and general get-ups of the two products were substantially similar (if not virtually indistinguishable without a careful study and analysis).

The evidence showed that the details of the features of Pioneer's label were not unique to its product and that each of such features, when standing alone, was arguably non-distinctive. This, together with the differences in the details of the features of Bothaville's label as compared to the Pioneer label, caused the court to conclude that the two products would not be confused with each other by virtue of their similarities of get-up.

The court went to some lengths to demonstrate that there were differences between the two labels and in particular that the two star devices had differences in their appearances and shapes while the presence of the word WHITE in the Bothaville word mark served to distinguish it from the word STAR per se.

Effect of labels

There is a plethora of case law which affirms that in these circumstances one is concerned primarily with the overall effect and impression of labels and that differences in detail are less important. The courts have been at pains to state that it is not correct to dissect and analyse labels, concentrating on their differences, particularly when must take into account the imperfect perception and/or recollection of the average consumer who might have seen the one product and thereafter some time later sees the other product; he may not have the benefit of seeing them side by side and have the opportunity to compare the labels meticulously.

In comparing the two labels the court must also have regard to the fact that the average consumer may realise that the one product is not the other product, but may think that because of their similarities, the two products may emanate from the same producer or trade source; in other words that the two products are so to say 'horses from the same stable'. That form of confusion on the part of the consumer is sufficient to constitute passing off. Could the WHITE STAR maize meal be part of the same product range as the STAR maize meal?

It is submitted that if the court had correctly applied the principles outlined above it would have found that the use of Bothaville's label on its product constituted passing off of Pioneer's label.

Zonquasdrif case

In *Mettenheimer and Another v. Zonquasdrif Vineyards CC and Other* 2014(2) SA 204(SCA) the court was called upon to decide whether wines and grapes for wine making are similar goods for trade mark infringement in terms of section 34(1) (b) of the Trade Marks Act. The court considered whether, in the light of Mettenheimer's registered trade mark ZONQUASDRIFT in respect of wine, the use by vineyards of the trade mark ZONQUASDRIF in relation to grapes was use of a similar or identical mark in relation goods that are so similar to wine that confusion or deception was likely to result.

As the two marks in question were for all practical purposes identical, the crisp issue for decision was whether wine and wine grapes are 'similar goods' in the relevant context. It is fair to say that it is common knowledge that the principal ingredient of wine is the juice from wine grapes.

In answering this question the court had regard to the British decision in *British Sugar plc v Robertson's & Sons Ltd* 1996 RPC 281. In this case the court had to determine whether toppings for desserts and a sweet spread were similar goods. In reaching its decision the court considered the following factors:

- the uses of the respective goods,
- the users of the respective goods,
- the physical nature of the respective goods,
- the respective trade channels through which the goods reach the market,

- in the case of self service, whether they were likely to be found on the same shelves, and
- the extent to which the goods are competitive.

The goods in question were consumer food products sold primarily through supermarkets to the same customers, and applying these criteria, the court, perhaps rather surprisingly, decided that they were not similar goods. Whatever the court's decision on the likelihood of confusion may have been, the criteria used to arrive at this decision were sensible and correct, given the nature of the respective goods.

Criteria may be apposite

These criteria may be apposite in deciding whether consumer foodstuffs, which, while having some common characteristics, are similar to the extent that the use of similar marks in relation to them is likely to cause confusion. However, it is submitted that they are wholly unsuited to determining whether one product which is the discernible principal ingredient and the source of the character of another product is similar to that other product for the present purposes. This must be viewed against the background that many, if not most, wine producers use their own grapes in producing their wine.

The finished product versus principal identifiable ingredient is a wholly different issue compared to two foodstuff products which have characteristics in common. It is submitted that where one product is a beneficiation of another and has the other as its most prominent component, there is a strong likelihood that the use of virtually the identical trade marks on the respective products will be likely to cause confusion. Put simply, a person who is aware of the existence of ZONQUASDRIFT wine and comes across ZONQUASDRIF wine grapes is likely to think that the two commodities come from the same source or have a trade link.

The British Sugar criteria can play no role in this thought process and cannot have any application as the circumstances of the respective comparisons are vastly divergent and different considerations arise. To test the proposition, surely a person who comes across LOUIS VUITTON leather supplied to clothing or luggage producers for use in manufacturing their products is likely to make a connection with LOUIS VUITTON luggage or clothing! Yet this comparison will hopelessly fail the tests set forth in the British Sugar case.

Similar goods

This illustrates the point that the British Sugar criteria are not universal in their application and are inapposite for the finished product/component situation. They should not have been applied in the ZONQUASDRIF case and the court should, it is submitted, have found that wine and wine grapes are similar goods for the purposes of section 34(1)(b) of the Trade Marks Act, and that the use by Vineyards constituted infringement of the registered trade mark ZONQUASDRIFT.

It was argued by Zonquasdrif that wine grapes are purchased by wine makers and not by the public, whereas wine is bought by consumers in general, thus negating the likelihood of confusion. This may be true but wine makers can include amateurs who may assess the quality of ZONQUASDRIF grapes by reference to ZONQUASDRIF wine.

Moreover, if Mettenheimer used his mark in conjunction with a statement that his wine is made from his own grapes, as he would be entitled to do in terms of the principle of notional use of his registered trade mark, this would make the existence of ZONQUASDRIF grapes coming from a different source all the more likely to cause confusion.

As a question of trade mark policy, section 34(1)(b) of the Trade Marks Act replaced and substituted the system of defensive registrations provided for in section 53 of the Trade Marks Act, 1963. In terms of Section 53 a trade mark proprietor could register his trade mark defensively in relation to goods for which he had no intention of using the mark where the use of that mark (or a similar mark) on those goods would be 'likely to be taken as indicating a connection in the course of trade between (those goods) and the proprietor of the registered trade mark'.

Defensively registered

Wine marks could, and in practice were, registered defensively in respect of grapes, and with justification. The same principle applies to wine and wine grapes under section 34(1)(b) of the current 1993 Act. They are similar goods as contemplated by the section. In the premises the court ought to have held that the use by Zonquasdrift of the trade mark ZONQUASDRIFT in relation to wine grapes infringed the registered trade mark ZONQUASDRIF in respect of wine.

Societe Des Produits Nestle SA and Another v International Foodstuffs Co and Others [2014] ZASCA 187 (27 November 2014) dealt, inter alia, with a claim of trade mark infringement in respect of the 'shape' of the well-known KIT KAT chocolate product (registered trade marks entailing two or four vertically tapering 'fingers' of confectionary conjoined by a base). The registrations upon which reliance was placed were representations, in relief, of the shape of the KIT KAT product as sold to the public (in wrappers).

The marks were said to be two dimensional representations of three dimensional objects. International sold chocolate products having the same shape depicted in the registrations, under the trade mark BREAK. The court held that the registered trade marks were valid and that the use of the controversial shape by International for its product constituted trade mark infringement. The registered marks were attacked on the basis that the shape of the goods in question was functional and that they were thus invalid.

Counter-claim refused

This counter-claim was refused. The latter decision of the court is arguable (in other international jurisdictions the corresponding marks were found to be invalid on account of being functional) but, on the premise that the marks were valid, the infringement decision is supported.

There was a further basis on which International attacked the registered trade marks. It dealt with an amendment of the trade marks on which the infringement case was founded. The applications to register the marks were filed in 1999. The subject matter of the applications were simply illustrations in relief of the four and two finger, respectively, products unaccompanied by any written elucidation of the nature of the marks. They were filed in respect of a wide range of goods falling into class 30, the confectionary class.

These goods included items such as cocoa which, being a powder, could not possibly have the shape depicted in the applications. It was and is the practice before the Registrar of Trade Marks that when a mark sought to be registered took the form of stripes on shoes, containers, shapes of goods and the like (i.e. unconventional marks) the representation of the mark on the application form would be accompanied by a written description indicating the essential nature of the mark.

This is a sensible, indeed an essential, practice, as in the absence of a written description identifying the nature of the mark, it might be thought to be simply a visual or device mark - in other words the picture itself affixed to the application - and not a characteristic or feature illustrated in the picture, such as stripes on shoes.

Given the fact that the applications in question were not accompanied by any elucidation of the nature of the mark and that the goods covered by it included items in powder form, the obvious and logical deduction to be made from the application was that the marks were device marks illustrating the product, such as may be found on a label comprised in a wrapper.

Applications defective

Nestle apparently realised that, if they wanted to register the shape of the product as a trade mark, their applications were defective and in 2000 they applied to amend their applications by the insertion of the following written description or elucidation: 'The mark consists of the distinctive shape or appearance of the goods'. The Registrar allowed this amendment in terms of his power conferred in section 16(5) of the Trade Marks Act to permit an application for amendment upon such conditions as he may think fit.

Section 25 of the Trade Marks Act, dealing with registered trade marks, empowers the Registrar to allow an amendment to a trade mark provided it does not substantially affect the identity of the mark. The rationale for this section is that it is not

competent or right that retrospective rights are granted in a mark which is then substantially different to the original mark. Although this section does not apply to pending applications, in the writer's experience the Registrar has adopted the approach over the years of following the same principle in considering amendments to pending applications.

There is good reason for this because a trade mark, when registered, has effect from the date of the application, and by allowing an amendment to an application that substantially affects the identity of the mark, Registrar essentially grants retrospective rights (dating back to the application date) in what is a different mark. There is therefore no difference in effect between allowing a substantial amendment to a pending application and to a registration.

The 1963 Trade Marks Act did not cater for the registration of shape marks. This is illustrated by the fact that an application to register the well-known shape of the WEBER kettle barbeque (a distinctive shape which had already been successfully enforced in a passing off claim) under that Act had been refused by the court on the grounds that it did not qualify as a registrable mark.

Different types of marks

A device mark illustrating the shape of that product would have been registrable under the 1963 Act, but not a shape mark, because they are totally different types of marks. In refusing to register the shape mark, it was never suggested that the application could proceed as one for a device mark, and correctly so, as the two types of marks were poles apart. They were the proverbial 'apples and oranges'.

Shape marks as a form of registrable trade mark were introduced in the 1993 Trade Marks Act. They are a category of mark entirely separate and distinct from device marks. Accordingly, an application to amend a device mark by transforming it into a shape mark substantially affects the identity of the device mark - indeed creates a new and different mark - and ought not to be allowed by the Registrar in terms of section 25 of the Trade Marks Act.

International applied to review the decision of the Registrar to allow the amendment. This application was refused, wrongly so, it is submitted. The crisp issues in the review application were the nature and effect of the amendment and whether the Registrar was empowered and justified to make it.

The first point to be determined was precisely what was the nature of the marks that were the subjects of the trade mark applications? International argued that they were device marks because they were not stated to be shape marks, as they ought to have been, if that was the type of mark sought to be registered. There was nothing about the applications to suggest that the subject marks were anything but conventional device marks.

Common cause

Nestle, on the other hand, argued that the marks were necessarily shape marks because they portrayed the appearance of the products. The court accepted Nestle's argument. It was common cause that the nature of the marks should be determined objectively. I have no argument with this, save to say that the determination should be made *ex facie* the application. It is not competent to rely on evidence pertaining to the market place in making this determination.

The average person consulting the register in respect of the marks or seeing them advertised in the Patent Journal (the amendments were only effected to the applications after they had been advertised), including someone who might be based overseas, would probably not be aware of the circumstances or state of the particular market in South Africa, nor would the Registrar when examining the applications in the course of their prosecution.

The court, however, relied on evidence provided by market surveys performed some four years after the applications were filed (the evidence was filed in support of a passing off claim comprised in the litigation) in interpreting the nature of the marks, when filed, as being shape marks. It accepted as conclusive of this point that the public, when shown the illustration of Nestle's product and asked whether it called any product to mind, recognised the KIT KAT product.

Apart from any other considerations, this evidence does not support the proposition that, when shown a pending trade mark application illustrating the applicant's product, a person will necessarily conclude that the application relates to a trade mark that is the shape of the product. The fact that the public may (four years after the filing of the trade mark applications) recognise that a product shown to them is the KIT KAT product, does not mean that it will believe that a trade mark application dating from four years previously, depicting that product, constitutes a shape trade mark application and not an application for a device portraying the product.

Relying on evidence of distinctiveness in passing off proceedings in order to decide objectively what the nature is of a trade mark affixed to an application for registration is, with respect, a non sequitur.

Subject matter

Further, the fact that the subject matter of a trade mark application illustrates the appearance of the product in relief does not necessarily mean that the trade mark must be a shape trade mark. There are many product labels used and registered which comprise pictures, even photographs, of the applicant's product. Such marks are device marks. It is, with respect, equally a non sequitur to say that because a trade mark application comprises a picture of a product in relief it must be a shape trade mark.

In addition, it is accepted practice that representations of shape trade marks in applications to register them should show more than one perspective of the goods in order to give a complete and proper picture or impression of the shape of the goods. The contentious applications showed only one perspective of the goods.

In my respectful submission the court erred in finding that the applications as filed were, when objectively viewed, *ex facie* the documents, shape trade marks and should have found that they were device trade marks in the absence of any indication that they purported to be unconventional shape trade marks. The fact that Nestle elected subsequently at a later stage to incorporate in the applications a written explanation that the marks purported to be shape trade marks is significant.

In the premises, the application to amend the trade mark applications had the effect of converting them from applications for device trade marks to applications for shape trade marks. As discussed above, such a change of identity of a trade mark is very substantial and in effect amounts to the creation of a new trade mark sought to be registered.

Discretion is unfettered

The court held that section 25, which inhibits the Registrar from allowing amendments which substantially change the identity of a trade mark, does not apply to pending applications but only to registered trade marks. This is correct on the wording of the section, but as discussed above the ratio for applying the principle to registered trade marks applies equally to pending applications.

The court said that the Registrar's discretion to amend pending applications is unfettered. The court did, nevertheless, concede that the Registrar should exercise caution when exercising his discretion in allowing a substantial amendment to a pending mark and that if injury or prejudice will result to another party, or to the public, it should not be allowed. This is perhaps an indirect way at arriving at the principle enshrined in section 25. The court found, however, that no substantial amendment had been allowed.

Unfortunately, the premise on which the court based its finding that no substantial amendment had been made is, as discussed above, faulty. In arriving at its decision the court made the statement that the making of the endorsement to indicate that the marks were shape marks 'constituted a limitation in that the marks were limited to a three dimensional shape'. This is, with respect, a startling proposition. It suggests a fundamental lack of understanding of the relationship between a conventional device mark and an unconventional shape mark.

As previously discussed, a device mark and a shape mark are two entirely separate and different species of trade marks.

There are indeed provisions in the Trade Marks Act which apply to shape marks and not to device marks or other conventional trade marks and to this extent shape marks are sui generis as compared to device marks. To contend that by belatedly describing a pending trade mark as a shape mark amounts to introducing a limitation into the scope of the trade mark suggests that a shape mark is comprised within some other trade mark of broader scope (a device or label?) and that by designating it as a shape trade mark one then reduces or concentrates the ambit of the trade mark.

Narrowing the scope

This is clearly not so. If the court was implying that by converting a device mark (or some other unspecified species of trade mark) to a shape mark one is simply narrowing the scope of what could otherwise have been obtained by registering that trade mark, it was clearly employing faulty reasoning. The flawed reasoning makes the court's decision that the amendment was not substantial all the more open to criticism.

A shape mark is not a species of the genus device mark or any other type of trade mark. It is a separate and distinct type of trade mark on a par with the other types of trade marks such as word marks and device marks. A shape trade mark cannot be extracted from another broader trade mark.

To some up, it is submitted that on a proper construction of this matter Nestle's, wittingly or unwittingly, filed applications that when objectively interpreted were device marks. When they sought to amend the applications to claim shape marks, those amendments would have the effect of substantially altering the identity of the marks.

Proper exercise of discretion

In a proper exercise of his discretion (guided by the principle enshrined in section 25) the Registrar ought to have refused the amendment and perhaps have suggested to Nestle that, if it wished to register shape marks, it must file fresh trade mark applications. The court ought to have decided that the Registrar did not apply his mind correctly in allowing the amendment, and should have set it aside.

This would have meant that the subject marks on which the infringement claim was based were device marks and the court should have refused the infringement claim since it is unlikely that the shape of International's product would be confused with Nestle's device mark.

The straying from the straight and narrow of trade mark law principles by the SCA in the cases discussed above is a cause for concern and it does not bode well for the future development of this area of the law.

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Professor Owen Dean is a former partner and chairman of Spoor & Fisher, specialist intellectual property solicitors, and holds the chair of intellectual property law at Stellenbosch University.

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