

Trade mark dispute: SCA ruling gets to the *crax* of the matter

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31 Aug 2023

A recent Supreme Court of Appeal (SCA) judgment on the case of *National Brands Limited v Cape Cookies CC & Another [2023]* (12 June 2023) has shed light on the application of Section 10(17) of the Trade Marks Act 194 of 1993 (the Act) in opposition proceedings. The case provides essential guidance on how this provision of the law affects opposition to trade mark registrations.



Image source: [serezniy - 123RF.com](#)

The matter concerned Cape Cookies' application to register the trade mark 'Snackcrax' in class 30, covering savoury snack foods such as biscuits. The Snackcrax application was opposed by National Brands based on its prior registrations for Salticrax, Snacktime and Vitasnack, all in class 30, also covering savoury snacks.

The High Court found that National Brands had failed to establish sufficient grounds to stop Cape Cookies from registering its Snackcrax trade mark and therefore Cape Cookies succeeded before the High Court. However, this decision was overturned by the SCA.

Findings and comments made by the SCA

The opposition was based on several grounds found in section 10 of the Act. In considering this matter, the SCA only considered section 10(17):

Section 10(17) provides that a mark "*shall not be registered as a trade mark if it is identical or similar to a trade mark which is already registered and which is well-known in the Republic, if the use of the mark sought to be registered would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of deception or confusion*".

Section 10 (17) is known as the anti-dilution provision, as it seeks to do more than just protect the mark as a source

identifier, but it also seeks to protect the reputation, advertising value or selling power of a well-known mark.

There is no authoritative case that has dealt with the provisions of section 10(17), however there are several cases that have dealt with the application of the similar infringement provision, section 34(1)(c).



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In this particular case, the court referred to the *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International and Another (Laugh It Off)*, which is the leading case when it comes to a dilution inquiry in terms of section 34(1)(c). In this case it was held that in order to establish infringement in terms of section 34(1)(c), a party has to meet the following requirements:

- a. the unauthorised use by the defendant of a mark
- b. in the course of trade
- c. in relation to any goods or services
- d. the mark must be identical or similar to a registered trademark
- e. the trademark must be well known in the Republic, and
- f. the use of the defendant's mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark.

The first three points were not disputed. Furthermore, it had been conceded in argument before the High Court, that National Brands' Salticrax trade mark was well known in South Africa, meaning that the SCA only had to consider requirements (d) and (f).

(d) - the mark must be identical or similar to a registered trademark

At the outset, we must mention that Cape Cookies argued that section 10(17) only applies to goods that are different to those for which the mark had been registered. As a result, since both Salticrax and Snackcrax would cover savoury biscuits, National Brands was not entitled to rely on section 10(17).

The court rejected Cape Cookies' argument, stating that section 10(17) is not limited to matters involving different goods or services, but also covers similar goods and services.

The court then considered the similarity of the marks. In its considerations, the court applied the long-accepted approach the comparison of word marks. Thus, the court considered the visual, aural, and conceptual similarities between the marks, and considered factors such as the distinctive elements, overall impression, nature of goods or services, and consumer perception.

The court found that the dominant feature was the suffix 'crax'. This dispelled the arguments previously made by Cape Cookies, who submitted that the word 'crax' is an abbreviation of the word "crackers", which is an ordinary and descriptive word, and thus National Brands could not claim exclusive rights in this word. In considering evidence of language use, which included consulting various dictionaries, the court found that there was no basis for concluding that the word 'crax' was a word used in everyday language or that it was an abbreviation for crackers.



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Furthermore, the court concluded that the prefix 'Snack' does not serve to distinguish Snackcrax from Salticrax either visually or aurally, as both the prefix 'Salti' and 'Snack' are descriptive words. In considering the notional use of the marks, the court further determined that the marks would be used on identical goods, which would cause further confusion among consumers.



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(f) - the use of the defendant's mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark

In assessing whether Cape Cookies' use of the Snackcrax mark would be detrimental to or take unfair advantage of National Brands' reputation, the court made the following remark:

“ Concrete evidence of actual advantage or detriment is not required under 10(17). Only a likelihood need be shown ... I agree that, as opposed to bare assertions, facts supporting such an inference must be put up. ”

The court then went on to find that National Brands had proven that it had acquired a reputation in the Salticrax trade mark as a result of the time and money invested in marketing the brand. In this regard, the court considered, amongst other factors, that National Brands had spent more than R11m in advertising Salticrax over a 15-year period and as a result had achieved a strong market penetration.

Strong market penetration could be seen by the fact that, for example, the Salticrax product was sold in nearly 3,000 retail stores and in more than 270 convenience stores located at major fuel stations in South Africa, with nett sales for the product totalling around R670m in a period of 15 years. Due to this, the court held that the only inference that could be drawn from Cape Cookies' adoption of a mark incorporating 'crax' for identical goods was that it wanted to achieve market penetration at the expense of National Brands reputation.

In conclusion, the court found that if registration was to be allowed, use of Snackcrax would probably, or be likely to, take unfair advantage of the distinctive character or repute of Salticrax.

Conclusion

The judgment clarifies that Section 10(17) is not limited to cases of dissimilar goods or services but also extends to situations where the goods or services are also similar.

More importantly, it has clarified that evidence of actual harm is not a requirement under an enquiry in terms of section 10(17) and the type of evidence an applicant must adduce to show that registration of a conflicting mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of its trade mark.

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