

The role of reputation in trade mark infringement

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1 Introduction

The recent decision of the supreme court of appeal in *PepsiCo v Atlantic Industries* illustrates our courts' failure to properly engage with the issue of the reputation of a trade mark in the assessment of whether there has been trade mark infringement, and to provide guidance in respect of the effect it may possibly have in assessing whether there is a likelihood of deception or confusion.¹ There appears to be a lopsided approach to the issue of the reputation of a trade mark between the application of sections 34(1)(a) and (b), on the one hand, and, section 34(1)(c), on the other hand, of the Trade Marks Act (the act).² As will be illustrated in this article, while the reputation of a trade mark is central to a trade mark infringement claim pursuant to section 34(1)(c), the possible effect of a trade mark's reputation for an infringement claim pursuant to sections 34(1)(a) or (b) is less than clear.

This article identifies a possible reason for the unsatisfactory manner in which the reputation of a trade mark features in South African trade mark infringement claims – more particularly, in relation to sections 34(1)(a) and (b) – and seeks to provide an appropriate area in which the reputation of a trade mark may have a role in the assessment of trade mark infringement claims.

2 The PepsiCo case

In the *PepsiCo* case, the appellant, PepsiCo Inc (PepsiCo), applied for the registration of a word mark PEPSI TWIST and a device mark incorporating the words PEPSI TWIST for non-alcoholic drinks in class 32.³ PepsiCo was the registered proprietor of the word marks PEPSI and PEPSI-COLA.⁴ The respondent, Atlantic Industries (Atlantic), was the registered proprietor of the trade marks TWIST, LEMON TWIST and DIET TWIST in the same class of goods.⁵

Atlantic opposed the applications on the basis of sections 10(3) and 10(14) of the Trade Marks Act but given the court's conclusion on the basis of section 10(14), it was unnecessary for it to consider the objection based on section 10(3).⁶ Given the similar language in sections 10(14) and 34(1) the cases dealing with section 34(1) may be used as guidance for the interpretation of section 10(14)⁷ and vice versa. In other words, for the purposes of this article the case is akin to a trade mark

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¹ (983/16) 2017 ZASCA 109 (15 Sept 2017).

² Act 194 of 1993.

³ the *PepsiCo* case (n 1) par 2.

⁴ the *PepsiCo* case (n 1) par 1.

⁵ the *PepsiCo* case (n 1) par 1.

⁶ the *PepsiCo* case (n 1) par 3, 15 and 16.

⁷ the *PepsiCo* case (n 1) par 18.

infringement in which Atlantic is claiming that PepsiCo's proposed trade marks are infringing its registered trade marks. For completeness it should be noted that PepsiCo unsuccessfully sought the expungement of Atlantic's trade marks pursuant to section 24, claiming that they wrongly remained on the register as they fell foul of sections 10(2)(a) and (b), namely that the word "twist" was a common English word which was descriptive of the kind, quality or characteristics of the goods in relation to which marks were used, rather than being distinctive.⁸

As PepsiCo's proposed trade mark PEPSI TWIST was not identical to Atlantic's registered marks the court had to determine whether there was sufficient similarity between the relevant trade marks so as to create a likelihood of deception or confusion.⁹ The court held that use of the PEPSI TWIST mark with the TWIST element no less prominent than the word PEPSI, and in relation to identical products created a likelihood of deception or confusion.¹⁰ Under fair and reasonable notional use, PepsiCo could depict TWIST with greater prominence than PEPSI, which is what it did in the device mark.¹¹ The parties could depict TWIST in similar styles and this was in fact that case.¹² While consumers may not have been confused into thinking that PEPSI TWIST originated from a party other than PepsiCo, consumers could be confused about whether or not that PepsiCo was the origin of beverages under the name TWIST.¹³ Also, consumers may not always have both parties' products in front of them when making purchases. Consumers wanting a "Pepsi Twist" could drop "Pepsi" and simply ask for a "Twist".¹⁴

The use of a composite trade mark consisting of a company name (the "primary brand"), that is, PEPSI, and a third party's registered mark (the "sub-brand"), that is, TWIST, may not result in giving the composite mark a semantic value which is conceptually different to the semantic value of the sub-brand.¹⁵ This is the case because the sub-brand may have retained its distinctive nature, even though it may not constitute the dominant element in the composite mark.¹⁶ In the case of identical or similar goods the average consumer may still be confused that there is an economic link between the trade mark proprietor of the sub-brand and the trade mark proprietor of the primary brand.¹⁷ As support for the aforementioned approach the court relied on the decision in the *Medion* case of the European court of justice.¹⁸

It is important to note that the *Medion* case did leave open the possibility that a composite mark of the aforementioned nature may not result in a likelihood of deception or confusion between the composite mark and the third party's trade mark (that is, the sub-brand), which also forms part of the composite mark.¹⁹ When assessing whether there is a likelihood of confusion between the composite mark and the sub-brand, the composite mark must be considered as a whole, as that is how

⁸ the *PepsiCo* case (n 1) par 4, 6 and 14.

⁹ the *PepsiCo* case (n 1) par 17.

¹⁰ the *PepsiCo* case (n 1) par 27.

¹¹ the *PepsiCo* case (n 1) par 24 and 26.

¹² the *PepsiCo* case (n 1) par 24 and 28.

¹³ the *PepsiCo* case (n 1) par 28.

¹⁴ the *PepsiCo* case (n 1) par 31.

¹⁵ the *PepsiCo* case (n 1) par 32 and 34.

¹⁶ the *PepsiCo* case (n 1) par 33.

¹⁷ the *PepsiCo* case (n 1) par 33 and 34.

¹⁸ *Medion AG v Thomson Multimedia Sales Germany & Austria GmbH* 2005 C-120/04, 6 Oct 2005.

¹⁹ the *PepsiCo* case (n 1) par 28 and 29.

the average consumer would normally perceive the mark, which means that there may be a dominant part of the composite mark.²⁰

It is submitted that in assessing whether there was a dominant part of a composite mark the reputation of the primary mark would be a factor that ought to have been considered. However, the court in the *PepsiCo* case held that it is “doubtful” whether the reputation of the registered mark PEPSI (which it regarded as extraneous matter) could be taken into account for purposes of determining whether there is a likelihood of deception or confusion under section 10(14).²¹

Interestingly, the court did speculate whether the reputation of a primary mark (that is, a company name or mark) could be taken into account; if the court could take the reputation of the primary mark into account it would mean that the average consumer would consider a product with the composite mark (that is, PEPSI TWIST) to be a product of the proprietor of the primary mark.²² In the particular case this would arguably have meant that it would have resulted in there being no likelihood of deception or confusion between the applicant’s proposed PEPSI TWIST mark, and the respondent’s TWIST mark. Unfortunately the reputation of the primary mark was not properly considered.²³ It is important to note that this article does not as a matter of fact, suggest that the court in the *PepsiCo* case was incorrect in its finding that there was a likelihood of deception or confusion. Given that it is a factual matter the court could still have reached that conclusion if it had considered the reputation of the PEPSI trade mark.

3 *Section 34(1)(c) (or section 10(17))*

As already indicated, currently, the reputation of a trade mark features expressly in relation to the extended (or anti-dilution) protection provided for in section 34(1)(c) of the act.²⁴ It may therefore be instructive to briefly discuss the protection provided for pursuant to section 34(1)(c). Doing so will help to illustrate why our approach in respect of the reputation of a trade mark in relation to sections 34(1)(a) and (b) does not dovetail very well with the protection provided by section 34(1)(c). Our application of the provisions dealing with trade mark infringement, namely sections 34(1)(a), (b) and (c) should provide a coherent and consistent approach to the role of reputation in infringement cases which does not appear to currently be the case.

Section 34(1)(c) provides extended protection to well-known trade marks, and it, importantly for our purposes, provides such protection notwithstanding the absence of confusion or deception.²⁵ The traditional form of trade mark protection – that is, the forms of trade mark infringement provided for in sections 34(1)(a) and (b) – is concerned with the prevention of a diversion of custom, and is concerned with the

²⁰ the *PepsiCo* case (n 1) par 28 and 29.

²¹ the *PepsiCo* case (n 1) par 25.

²² the *PepsiCo* case (n 1) par 28.

²³ the *PepsiCo* case (n 1) par 26.

²⁴ “Dilution” is often used as a generic term for the harm which s 10(17) and 34(1)(c) of the act seek to address, but rather confusingly “dilution” is sometimes also used to refer to a specific form of harm which the sections seek to address namely the causing of detriment to the distinctive character or reputation of a well-known trade mark. Thus it is preferable to use the expression “extended protection” to describe the protection provided for by these sections, and reserve the term “dilution” for the specific form of harm, that is, the detrimental use.

²⁵ S 10(17) of the act is the equivalent provision relating to possible grounds on which there could be an opposition to a trade mark application. Given the similar language in s 10(17) and 34(1)(c) of the act the legal position concerning s 10(17) will be the same as described in respect of s 34(1)(c).

badge-of-origin function of a trade mark.²⁶ It is concerned with confusion-based forms of trade mark infringement. In contrast, the extended protection provided for in section 34(1)(c) is concerned with preventing free-riding and protecting the advertising, investment or communication functions of a trade mark. Section 34(1)(c) seeks to preserve a trade mark's distinctiveness or reputation (goodwill), by preventing the misappropriation of, or harm to, its commercial magnetism and selling power.²⁷ Briefly put, section 34(1)(c) strives to protect the unique identity and reputation of a registered trade mark.²⁸ Its jurisdictional basis is not confusion-based infringements, but the reputation of a trade mark.

What constitutes a "well-known mark" is not defined for purposes of sections 34(1)(c) or 10(17). However, our courts have held that the interpretation given to the expression in the context of section 35 of the act, which concerns foreign, unregistered, well-known trade marks could appropriately be applied to the interpretation of "well known in the Republic" for purposes of section 34(1)(c) of the act.²⁹ As determined in *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd*,³⁰ a trade mark is "well known" if it has a reputation such as that required for the common law of passing off. Such reputation must extend to a substantial number of members of the public or persons in the trade in question.³¹

For purposes of this article we are not concerned with the issue of whether this form of extended protection is desirable, appropriate, or, indeed, whether our courts have correctly applied section 34(1)(c). Given the fact that the act does provide for this form of extended protection this form of protection does suggest something, or has an implicit, logical fact (or, at the very least, an assumption) at its core. That implicit fact is that the extended protection is needed because confusion-based infringement, as provided for in sections 34(1)(a) and (b), does not provide adequate protection in the case of well-known trade marks (that is, those that have a reputation). More particularly the confusion-based infringement provisions are inadequate because the requirement that the plaintiff prove that there is likelihood of deception or confusion may not always be able to be satisfied despite the fact that plaintiff's trade mark has the required reputation. In fact, as will be suggested below, it may very well be that it is *because of* the reputation of the plaintiff's trade mark that the plaintiff is unable to satisfy the requirement of proving that there is a likelihood of deception or confusion as a consequence of the use of the allegedly infringing trade mark.

While it is the case that section 34(1)(c) prevents the use of a well-known trade mark in the Republic on goods or services other than those for which the mark is registered (that is, goods or services which are dissimilar to those for which the particular trade mark is registered)³² it is important to note that the extended protection is also available in respect of the same (or similar) goods or services for which the well-known trade mark is registered. The court in the *Albion Chemical* case stated – correctly so, it is submitted, – that section 34(1)(c) applies to the

²⁶ Mostert and Mostert "Protection of well-known trade marks under the new act" 1995 *De Rebus* 443.

²⁷ Webster and Morley "Bars to registration" in *Webster and Page: South African Law of Trade Marks* (2015) par 6.27 and 12.28; Lapter "Virtual realities: brand recognition 2.0 – 15 minutes to fame" 2011 *Intellectual Property Magazine* 19.

²⁸ *Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae)* 2006 1 SA 144 (CC) 163.

²⁹ *Triomed (Pty) Ltd v Beecham Group plc* 2001 2 SA 522 (T) 556.

³⁰ 1997 1 SA 1 (A).

³¹ the *Triomed* case (n 29) 556. See also *Safari Surf Shop CC v Heavywater* 1996 4 All SA 316 (D) 327.

³² the *Triomed* case (n 29) 555.

same (or similar) goods or services because: first, it is consistent with the wording of the provision, and second, if it applied only to dissimilar goods or services it would lead to the absurd situation that the proprietor of a well-known mark has less protection in relation to the goods or services for which the mark is registered than it has in respect of goods or services for which it is not registered.³³ The European court of justice has also held that the equivalent provision in article 5(2) of the the European Union's Trade Mark Directive³⁴ provides protection to trade marks "with a reputation" in relation to goods or services which are identical (or similar) to those for which the mark is registered.³⁵

The fact that section 34(1)(c) provides protection to the use of identical or similar marks in relation to goods or services which are identical (or similar) to those for which the mark is registered is important, if the provisions of sections 34(1)(a) and (b), on the one hand and section 34(1)(c) on the other hand, are to properly dovetail, as it is submitted, should be the case. More specifically the need for section 34(1)(c) is of vital importance if a trade mark owner of a well-known trade mark is unable to establish an infringement claim in relation to identical (or similar) goods or services pursuant to sections 34(1)(a) or (b), for which its trade mark is registered due to the fact that the allegedly infringing use does not give rise to a likelihood of deception or confusion. Importantly for the purposes of this article the reason for there possibly being no likelihood of deception or confusion, it is submitted, may be due to the reputation enjoyed by the well-known trade mark. In other words section 34(1)(c) is important because there may be cases in which the reputation of a well-known mark actually negates the likelihood of deception or confusion which would leave such trade mark without protection under sections 34(1)(a) or (b) as those sections require that there be a likelihood of deception or confusion. This scenario was clearly contemplated in the *Albion Chemical* case which is why the court in that case held that it would be absurd if it was the case that section 34(1)(c) could not apply in respect of the same (or similar) goods or services for which the plaintiff's trade mark was registered.³⁶

The aforementioned position was stated in rejection of the contrary view expressed in the earlier *Triomed* case. In the *Triomed* case the court stated that section 34(1)(c) is not intended to protect a proprietor of a well-known trade mark who could not prove the requirements of sections 34(1)(a) or (b) – such as presumably not being able to satisfy the requirement of having to establish that there is a likelihood of deception or confusion – in respect of the same (or similar) goods or services as those for which the trade mark is registered.³⁷

4 Sections 34(1)(a) and (b) (section 10(14))

As illustrated above, our courts have accepted that the proprietor of a well-known trade mark – that is, a trade mark which has a reputation – may have a possible infringement claim pursuant to section 34(1)(c), whereas it may not have been able to bring a successful infringement claim pursuant to sections 34(1)(a) or (b). On

³³ *Albion Chemical Co (Pty) Ltd v F A M Products* CC 2004 6 SA 264 (C) 271.

³⁴ directive 2008/95/EC of the European parliament and of the council of 22 October 2009 to approximate the laws of the member states relating to trademarks (codified version).

³⁵ *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd* 2003 C-408/01, 23 Oct 2003.

³⁶ the *Albion Chemical* case (n 33) 271.

³⁷ the *Triomed* case (n 29) 555.

the basis of the foregoing it will be demonstrated why the court's decision in the *PepsiCo* case, more specifically, its concern about whether the reputation of a trade mark may be considered in a trade mark infringement claim pursuant to sections 34(1)(a) or (b) (or 10(14)), was incorrect. The reputation of a trade mark is a factor which the court may consider in trade mark infringement claims particularly in the case of a well-known trade mark. Section 34(1)(a) and (b), provide as follows:

- “(1) The rights acquired by registration of a trade mark shall be infringed by –
- (a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion;
 - (b) the unauthorized use of a mark which is identical or similar to the trade mark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion ...”

It is instructive what our legal writers and our courts have considered to be the requirements that a successful plaintiff in a trade mark infringement case has to establish under section 34(1)(a) or (b) of the act. According to Rutherford a plaintiff under section 34(1)(a) has to establish the following: (i) unauthorised use, (ii) in the course of trade (iii) of the plaintiff's registered trade mark, or of a *confusingly-similar* mark, (iv) as a trade mark and (v) in relation to goods or services for which the plaintiff's trade mark is registered.³⁸ For purposes of this article, it is requirement (iii), namely, the use of a confusingly-similar mark (that is, where the relevant marks are not identical), that will be central. In other words we can assume that the allegedly infringing trade mark is not identical to the plaintiff's registered trade mark. For completeness the only difference between section 34(1)(a) and (b) is that subsection (a) is concerned with use of the allegedly infringing mark in relation to goods or services in respect of which the trade mark is registered, whereas subsection (b) is concerned with the use of the allegedly infringing mark in relation to goods or services which are so similar (but not identical) to the goods or services in respect of which the plaintiff's trade mark is registered so as to result in the mark's use creating the likelihood of deception or confusion.³⁹ For purposes of the issue being discussed in this article, we can confine ourselves to section 34(1)(a) which like section 34(1)(b) deals with confusion-based infringements. Having said that it is not possible for a simultaneous infringement under section 34(1)(a) and (b) in a given situation, because section 34(1)(a) concerns infringement in respect of identical goods or services for which the plaintiff's trade mark is registered whereas section 34(1)(b) extends to similar goods or services rather than for the same goods or services for which the trade mark is registered.⁴⁰ However, there may be some references to section 34(1)(b) where appropriate.

The list of criteria for a successful trade mark infringement claim provided for by Dean and Dyer⁴¹ is almost identical to that provided for by Rutherford and hence also includes the requirement of having to establish the use of a confusingly-similar trade mark by the defendant. *Webster and Page*⁴² and the *Adams & Adams*:

³⁸ Rutherford “The law of trade marks” in Van der Merwe et al *Law of Intellectual Property in South Africa* (2016) 162.

³⁹ *Lucky Star Ltd v Lucky Brands (Pty) Ltd* (4890/2014) 2014 ZAWCHC 197 (18 Dec 2014) par 14. See also *Lucky Star Ltd v Lucky Brands (Pty) Ltd* 2017 2 SA 588 (SCA) par 13.

⁴⁰ *Commercial Auto Glass (Pty) Ltd v BMW AG* 2007 6 SA 637 (SCA) 643.

⁴¹ Dean and Dyer (ed) *Dean & Dyer: Introduction to Intellectual Property Law* (2014) 140 and 149.

⁴² Webster and Morley “Infringement” in *Webster and Page* (n 27) par 12.7.

*Practitioner's Guide to Intellectual Property Law*⁴³ also in essence provide for an almost identical description of the criteria which a plaintiff has to establish pursuant to section 34(1)(a) and (b). In relation to the specific issue under consideration it is stated that the plaintiff has to show use of “a mark so nearly resembling it as to be likely to deceive or cause confusion”.⁴⁴ This is of course the equivalent of requirement (iii) above namely the use of a confusingly-similar mark.

The supreme court of appeal relatively recently held that pursuant to section 34(1)(a), a plaintiff in a trade mark infringement case has to establish: (i) its trade mark registration; (ii) unauthorised use in the course of trade by the defendant of an identical mark or a mark so nearly resembling its registered trade mark as to be likely to deceive or cause confusion and (iii) in relation to the goods or services in respect of which the mark is registered.⁴⁵ It is interesting that the court's stated criteria are even more condensed than those of the various legal commentators. The criteria as listed by the aforementioned legal writers arguably reflect the previous case law such as the *Abbot Laboratories* case.⁴⁶ In the *Abbot Laboratories* case the court in essence listed the same requirements as set out by legal commentators except for the fact that the defendant's allegedly infringing mark had to be used as a trade mark.⁴⁷ Importantly for our purposes both our courts and our legal commentators list the requirement that a plaintiff has to establish use by the defendant of a confusingly-similar trade mark.

It is submitted that the reason why our courts have not properly considered the role of the reputation of trade marks in confusion-based infringements such as in the case of section 34(1)(a) is that they have failed to distinguish the two distinct requirements that a plaintiff has to establish: first, that the defendant's allegedly infringing trade mark is similar to the plaintiff's registered trade mark, and second, that the use of the defendant's trade mark results in a likelihood of deception or confusion.⁴⁸ These are two distinct requirements that have been wantonly collapsed into an enquiry assessing whether the defendant's trade mark is confusingly similar to the plaintiff's registered trade mark. In fact rather bizarrely in the case of an infringement claim under section 34(1)(b) the supreme court of appeal has collapsed the two requirements of that section into an enquiry into confusingly-similar goods. In other words the enquiry as to whether or not there is a likelihood of deception or confusion has been made part of the enquiry as to whether the defendant's goods or services are similar to those for which the plaintiff's trade mark has been registered.⁴⁹ Again, while these two enquiries may be related⁵⁰ they are best considered to be distinct issues.

There appears to be no good reason why the assessment of the likelihood of deception or confusion has been collapsed into the test for assessing whether the relevant marks are similar (in the case of section 34(1)(a)) or why the assessment of whether the relevant goods or services are similar has been collapsed into the requirement of whether there is a likelihood of deception or confusion (in the case of section 34(1)(b)). The only reason for these “collapsed enquiries” appears to be

⁴³ Du Plessis (ed) *Adams & Adams: Practitioner's Guide to Intellectual Property Law* (2011) 171.

⁴⁴ Webster and Morley (n 42) par 12.7.

⁴⁵ the *Lucky Star* (SCA) case (n 39) par 4.

⁴⁶ *Abbott Laboratories v UAP Crop Care (Pty) Ltd* 1999 3 SA 624 (C).

⁴⁷ the *Abbot Laboratories* case (n 46) 636.

⁴⁸ See for example *Bata Ltd v Face Fashions CC* 2001 1 SA 844 (SCA) 850-851; *Adidas AG v Pepkor Retail Ltd* (187/12) 2013 ZASCA 3 (28 Feb 2013) par 19.

⁴⁹ the *Lucky Star* (SCA) case (n 39) par 11.

⁵⁰ the *Lucky Star* (SCA) case (n 39) par 11.

possibly due to an unduly literal approach to the interpretation of the statutory provisions without any attempt to read the provisions in a logical manner. It is not clear why in the case of section 34(1)(a) the assessment should not involve a two-step enquiry: first, that an assessment is made as to whether or not the allegedly infringing mark is similar to the registered trade mark, and second, if it is found to be similar whether that similarity gives rise to a likelihood of deception or confusion. In fact in principle, the assessment of whether the allegedly infringing mark is similar to the registered trade should be the same for purposes of sections 34(1)(a) and (b). Notwithstanding the fact that there is a subtle difference between the wording used in sections 34(1)(a) and (b), it has been arguably correctly noted that “nothing turns on the different words used”.⁵¹ Section 34(1)(a) uses the expression a mark “so nearly resembling” the registered trade mark whereas section 34(1)(b) refers to a mark “mark similar to” the registered trade mark. Moreover, our courts have on more than one occasion stressed the fact that when making a comparison between the relevant marks in trade mark infringement proceedings the enquiry is confined to the relevant marks, and no regard should be had to other features of the getup or other indications of origin of the goods.⁵²

The illogicality of our courts’ collapsed enquiries is made more apparent when we consider the difference between the two aforementioned assessments in particular the requirement of having to establish a likelihood of deception or confusion under sections 34(1)(a) and (b). On the one hand our approach to section 34(1)(a) indicates that the determination of whether the relevant marks are similar depends on whether there is likelihood of deception or confusion. In contrast under section 34(1)(b) it is the determination of whether the relevant goods or services are similar that depends on there being a likelihood of deception or confusion. Logically one would have thought that even in the context of an infringement pursuant to section 34(1)(b) the issue of whether the relevant marks are similar (or the extent of their similarity) is no less important than the similarity of the relevant goods or services to the issue of whether there is a likelihood of deception or confusion. For some inexplicable reason, for purposes of section 34(1)(b), the similarity of the relevant marks does not feature as prominently in the assessment of whether there is a likelihood of deception or confusion as would logically be expected. The European court of justice has held that the assessment of the similarity of the relevant trade marks is distinct from the assessment of whether the relevant goods or services are similar.⁵³ It is important to note that the comparison of the relevant trade marks to determine if there is a sufficient similarity between the marks, as a distinct requirement, means that the enquiry remains directed only at a comparison between the plaintiff’s registered mark and the allegedly infringing mark as such.⁵⁴ There is no question of the introduction of extraneous matter or distinguishing features outside of the respective marks.⁵⁵

It is submitted that the assessment of whether there is a likelihood of deception or confusion should be a distinct requirement, and that the reputation of the registered

⁵¹ Webster and Morley (n 42) par 12.22.

⁵² See eg *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd* 1976 1 SA 530 (T) 535; the *Adidas AG* case (n 48) par 23; *Tiger Food Brands Intellectual Property Holding Co Ltd v Sunnyfield Packaging Co (Pty) Ltd (No 2)* 2008 BIP 158 (N) 165-166; *Yair Shimansky v Browns the Diamond Store Proprietary Limited* (9/2014) 2014 ZASCA 214 (1 December 2014) par 20.

⁵³ *Ferrero SpA v OHIM* 2011 C-552/09 P, 24 March 2011 par 68.

⁵⁴ the *Adidas Sportschuhfabriken* case (n 52) 531.

⁵⁵ the *Lucky Star* (SCA) case (n 39) par 30.

trade mark where it exists may be a factor which could be taken into account. If the assessment of the likelihood of deception or confusion is a distinct requirement, with the reputation of the registered trade mark as a factor for consideration, it would allow for a coherent dovetailing of the confusion-based infringement provisions (namely sections 34(1)(a) and (b)) and the extended protection that well-known trade marks enjoy (pursuant to section 34(1)(c)) under the act. For example, it is submitted that it is factually possible that in a trade mark infringement claim under section 34(1)(a) the following requirements are satisfied: (i) the use of the allegedly infringing trade mark has not been authorised by the plaintiff, as owner of the registered trade mark which has allegedly been infringed, (ii) it has been used in the course of trade, (iii) it is similar to the registered trade mark either visually, aurally or conceptually, (iv) it has been used as a trade mark and (v) it has been used in relation to goods or services for which the plaintiff's trade mark is registered. Notwithstanding the aforementioned it is possible that due to the reputation of the plaintiff's well-known trade mark, there is no likelihood of deception or confusion. In other words it is submitted that due to the reputation of a trade mark it may actually be less likely that consumers may be deceived or confused. Other legal commentators have also made this submission.⁵⁶

Our courts have held that the determination of whether there is a likelihood of deception or confusion is primarily a question of impression and involves a value judgment.⁵⁷ It must be based on the facts of the particular case bearing in mind that the essential function of a trade mark is to serve as a badge of origin.⁵⁸ In determining whether there is a likelihood of deception or confusion there are accepted considerations (or principles of comparison⁵⁹) which are used to make the necessary value judgement. The assessment of the trade marks must be from the perspective of the hypothetical notional consumer of the relevant products, when fairly and normally used in commerce and as they will be encountered in the market place. The notional consumer is a person of average intelligence and proper eyesight who buys with ordinary caution.⁶⁰

To illustrate the possible impact of the reputation on the likelihood of deception or confusion, consider the following factual scenario. A sports shoe manufacturer, Heracles, is the proprietor of the well-known registered trade mark, HERACLES, which is applied to the side of its shoes. Heracles' sports shoes fall within the high-end, or luxury segment of the market for that type of good and retail for a minimum of R2 000. A budget retailer of clothing and footwear, Markoff, starts selling sports shoes bearing the trade mark HERA. Given the market segment that Markoff appeals to its sports shoes retail for no more than R200. Furthermore, given the materials used for the respective shoes – which are in any event irrelevant to a trade mark infringement claim – and more importantly the reputation of the HERACLES trade mark, no prospective purchaser or member of the public is likely to be confused or deceived into thinking that Markoff's product is that of Heracles. In other words while all the other requirements for a successful claim under section 34(1)(a) may

⁵⁶ Robinson *et al* "Trademark law harmonization in the European Union: twenty years back and forth" 2013 *Fordham Intell Prop Media & Ent LJ* 731 741-742.

⁵⁷ See *eg Orange Brand Services Ltd v Account Works Software (Pty) Ltd* (970/12) 2013 ZASCA 158 (22 November 2013) par 9 and 10; *Rodezandt Ko-Operatiewe Wynmakery Ltd v Robertson Winery (Pty) Ltd* (503/2013) 2014 ZASCA 173 (19 Nov 2014) par 5; the *Yair Shimansky* case (n 52) par 9; the *Tiger Food* case (n 52) 170.

⁵⁸ the *Orange Brand* case (n 57) par 9 and 10.

⁵⁹ the *Rodezandt* case (n 57) par 6.

⁶⁰ the *Rodezandt* case (n 57) par 5.

have been satisfied, there could be no likelihood of deception or confusion which means that Heracles will be unsuccessful in its trade mark infringement claim.

While this may suggest an unsatisfactory outcome, it must be borne in mind that this is the type of situation in which section 34(1)(c) becomes relevant as a cause of action, and illustrates the dovetailing of the confusion-based infringement provisions (namely, section 34(1)(a) and (b)) and the extended protection which well-known trade marks enjoy pursuant to section 34(1)(c) of the act. It is submitted that for this very reason – in the absence of a likelihood of deception or confusion – section 34(1)(c) comes to the fore. A trade mark proprietor of a well-known trade mark may be concerned that notwithstanding the absence of deception or confusion the use of a similar trade mark may be unfairly taking advantage of its trade mark, or that the use of a similar trade mark is unfairly detrimental to its trade mark.

By not appreciating the relevance of section 34(1)(c) in the overall structure of protecting proprietors of well-known trade marks and how the three subsections of section 34(1) perform complimentary forms of protection, there is a danger that it puts undue pressure on the courts (and litigants) to characterise alleged trade mark infringements as confusion-based infringements. There may be a temptation to shoehorn trade mark infringements into the requirements of section 34(1)(a) or (b) straining to satisfy the requirements, more specifically, the likelihood of deception or confusion. This has the danger that it will distort the yardstick by which we measure a requirement such as the likelihood of deception or confusion. There is no need for this, given the extended protection that exists for well-known trade marks.

For the aforementioned reasons it is submitted that the court's view in the *PepsiCo* case, that it is doubtful whether the reputation of a registered mark (particularly a well-known trade mark) which it regarded as extraneous matter, may be taken into account when determining whether there is a likelihood of deception or confusion, is incorrect. In fact the supreme court of appeal *has* previously considered the reputation of a trade mark in the context of determining whether there was a likelihood confusion would be. For example, in the *Adidas v Pepkor* case the court rejected the possibility that the greater a trade mark's reputation, the less likely that there is the likelihood of confusion. The court claimed that the contrary is true, that is the greater the trade mark's reputation the greater the likelihood that there would be deception or confusion where a similar mark was used on competing products. It claimed that this was consistent with the position in other jurisdictions where the law is comparable with ours.⁶¹

However, while the reputation of a trade mark has been considered by our courts it is submitted that the ineluctable conclusion that there is a greater likelihood of deception or confusion the greater the reputation of a trade mark, is not correct.

5 Foreign case law

The *Adidas v Pepkor* case referred to European and American case law.⁶² In particular the court referenced the English court of appeal's decision in the *Specsavers* case, where it was stated that "that the reputation of an earlier mark [namely, the plaintiff's registered trade mark] is to be taken into account when determining the likelihood of confusion".⁶³ This is of course what this article considers to be the correct legal

⁶¹ the *Adidas AG* case (n 48) par 24.

⁶² the *Adidas AG* case (n 48) par 24 n 23.

⁶³ *Specsavers International Healthcare Ltd v Asda Stores Ltd* 2012 EWCA Civ 24 par 96.

approach in relation to the reputation of a trade mark. However, the European court of justice's decision, which is cited to support this position – the *Canon Kabushiki Kaisha* case – is not quite as categorical as stated in the *Specsavers* case.⁶⁴ The *Canon Kabushiki Kaisha* case in fact held that the reputation of the registered trade mark must be taken into account when determining whether the relevant goods or services are so similar as to give rise to a likelihood of confusion.⁶⁵ This is similar to our collapsed enquiry pursuant to section 34(1)(b). As already noted the assessment of whether the relevant goods or services are similar and whether there is a likelihood of confusion are related; if the registered mark has a reputation and if the marks are very similar, a lesser degree of similarity between the relevant goods or services may be sufficient for there to still be a likelihood of deception or confusion.⁶⁶ However, in *SABEL v Puma* the European court of justice held that there is a greater likelihood of confusion in the case of a registered trade mark with a reputation.⁶⁷ In other words a mark with a reputation enjoys broader protection than marks with a less distinctive character.⁶⁸

Importantly, notwithstanding the European court of justice's view that a registered trade mark with a reputation enjoys broader protection and increases the likelihood of confusion there is no presumption of a likelihood of confusion in the case of a trade mark with a reputation.⁶⁹ This is significant to a proposition which this article seeks to advance.

In the United States of America, which is a federal system, while there are differences in the factors which the courts take into account in determining whether there is the likelihood of confusion in trade mark infringement cases between the different federal circuit courts, all of them include the *strength* of the plaintiff's mark in their respective tests.⁷⁰ The United States second circuit court is considered to be the most influential court concerning the possible applicable factors for determining whether there is a likelihood of deception or confusion in trade mark infringement cases.⁷¹ In fact its list of factors which it set out in the *Polaroid* case started with the strength of the plaintiff's trade mark and then proceeded to include other factors such as the degree of similarity between the two marks the proximity of the products, the likelihood that the plaintiff will bridge the gap between the goods, actual confusion, whether the defendant acted in good faith in adopting its own mark, the quality of the defendant's goods and the sophistication of the consumers.⁷²

While it is the case that the strength of a trade mark is not directly analogous to its "reputation", a trade mark with a reputation – that is whether it is "famous" or "well known" – is undoubtedly a strong trade mark.⁷³ It has been claimed that what is of real significance is a trade mark's actual market strength rather than whether the mark is inherently distinctive.⁷⁴ Similar to the view expressed in the

⁶⁴ *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* 1998 C-93/97, 29 Sep 1998.

⁶⁵ the *Canon Kabushiki Kaisha* case (n 64) par 24.

⁶⁶ the *Canon Kabushiki Kaisha* case (n 64) par 19.

⁶⁷ *SABEL BV v Puma AG, Rudolf Dassler Sport* 1997 C-251/95, 11 November 1997 par 24.

⁶⁸ See also *Marca Mode CV v Adidas AG and Adidas Benelux BV* 2000 C-425/98, 22 June 2000 par 41.

⁶⁹ the *Marca Mode* case (n 68) par 39 and 41.

⁷⁰ Bone "Taking the confusion out of 'likelihood of confusion': toward a more sensible approach to trademark infringement" 2012 *Nw UL Rev* 1307 1315 and 1343.

⁷¹ Bone (n 70) 1320-1321; Halpern *et al Fundamentals of United States Intellectual Property Law* (2012) 317.

⁷² *Polaroid Corporation v Polarad Electronics Corporation* 1961 287 F2d par 492 495.

⁷³ Bone (n 70) 1342 n 205.

⁷⁴ Beebe "An empirical study of the multifactor tests for trademark infringement" 2006 *Cal L Rev* 1581 1639.

Adidas v Pepkor case the American courts have considered there to be a greater likelihood of deception or confusion the stronger the plaintiff's trade mark.⁷⁵ In other words the stronger the plaintiff's trade mark the greater the scope of protection the plaintiff will enjoy in respect of its trade mark.⁷⁶ Thus, it is no surprise that it has been suggested that the strength of the plaintiff's trade mark is a very significant factor in a court finding that the allegedly infringing use gives rise to a likelihood of deception or confusion.⁷⁷

However, it has been noted that there is no "obvious" or as yet empirical relationship between the strength of a trade mark and the likelihood that the use of a similar trade mark will give rise to deception or confusion. Accordingly, it has been suggested that the greater protection afforded to trade marks on the basis of their strength is not appropriate.⁷⁸

6 Conclusion

The decision in *Adidas v Pepkor* clearly indicates that the court's decision in the *PepsiCo* case was incorrect in so far as it expressed doubt about whether the reputation of a trade mark could be taken into account when determining whether the use of the allegedly infringing mark resulted in a likelihood of deception or confusion. It is submitted that our courts have failed to properly identify the appropriate place for considering the reputation of the plaintiff's trade mark in confusion-based trade mark infringement proceedings. The reason for this is the unwarranted collapsed enquiries employed by our courts when considering trade mark infringements pursuant to sections 34(1)(a) and (b), instead of considering the likelihood of deception or confusion as a distinct requirement. It should not be collapsed into the test for assessing whether the relevant marks are similar (in the case of section 34(1)(a)), or the assessment of whether the relevant goods or services are similar (in the case of section 34(1)(b)).

Furthermore, when recognising the reputation of a trade mark it is submitted that contrary to the decision in the *Adidas v Pepkor* case, the courts should not be prejudging the effect of a trade mark with a reputation on the likelihood of deception or confusion. As illustrated there is no logical reason why the reputation of a trade mark should invariably lead to the conclusion that there is a likelihood of deception or confusion where a similar mark was used on competing products. This should be a factual matter, depending *inter alia* on the particular goods or services and the relevant market sector. After all, even in the *PepsiCo* case, while the court did not consider the reputation of PepsiCo's trade mark, it did suggest that if it were allowed to do so, it may have obviated the likelihood of deception or confusion.

SAMEVATTING

DIE ROL VAN REPUTASIE IN AANTASTING VAN 'N HANDELSMERK

Hierdie artikel oorweeg die toepaslike rol wat die reputasie van 'n handelsmerk moet speel by die beoordeling van 'n beweerde inbreukmaking op 'n handelsmerk in die Suid-Afrikaanse reg. Ons howe het daarin misluk om die kwessie behoorlik aan te spreek ten opsigte van die reputasie van 'n handelsmerk in die vasstelling van die waarskynlikheid of daar wel misleiding of verwarring kan wees.

⁷⁵ Halpern *et al* (n 71) 322; Beebe (n 74) 1633; Bone (n 70) 1343.

⁷⁶ Beebe (n 74) 1633.

⁷⁷ Beebe (n 74) 1613 and 1620.

⁷⁸ Bone (n 70) 1343 and 1363.

Dit wil voorkom of daar geen konsekwentheid is in hoe ons howe die reputasie van 'n handelsmerk oorweeg nie, wat lei tot 'n skeiding tussen die verwarring-gebaseerde vorme van inbreukmaking op 'n handelsmerk wat deur artikels 34(1)(a) en (b) van die Wet op Handelsmerke 194 van 1993 gereël word, sowel as die uitgebreide beskerming gereël deur artikel 34(1)(c) van die wet.

In hierdie bydrae beweer die outeur dat die rede vir die inkonsekwentheid rakende die rol van die reputasie van 'n handelsmerk gesoek moet word in die nalate om te herken dat die vasstelling van 'n waarskynlikheid van verwarring vir doeleindes van artikels 34(1)(a) of (b) 'n aparte vereiste is. Die vereiste om vas te stel of daar 'n waarskynlikheid van misleiding of verwarring kan wees, moet nie saamgesmelt word met die toets of die relevante merke soortgelyk is nie (in die geval van artikel 34(1)(a)), of die toets of die relevante goedere of dienste soortgelyk is nie (in die geval van artikel 34(1)(b)), soos dit voorkom dit tans die geval is. Dit is in die vasstelling van die aparte vereiste of daar 'n waarskynlikheid van misleiding of verwarring kan bestaan, wat die reputasie van 'n handelsmerk 'n relevante faktor is.

Verder, wanneer die howe die reputasie van 'n handelsmerk oorweeg, moet die howe nie die effek van die reputasie van 'n handelsmerk op die waarskynlikheid van misleiding of verwarring vooraf beoordeel nie. Daar is geen logiese rede waarom die reputasie van 'n handelsmerk noodwendig moet lei tot die gevolgtrekking dat daar 'n waarskynlikheid van misleiding of verwarring bestaan waar 'n soortgelyke merk op mededingende produkte gebruik word nie. Hierdie behoort 'n feitelike aangeleentheid te wees, afhangend, onder andere, van die spesifieke goedere of dienste en die relevante marksektor.

AUFGABE DES RECHTS – RICHTIG ZU SEIN

“Es gehört ebenso sehr zum Begriff des richtigen Rechts positive zu sein, wie es Aufgabe des positiven Rechts ist, inhaltlich richtig zu sein” – Gustav Radbruch *Grundzüge des Rechtsphilosophie* (1914) 172.