

## IS OUR TRADE MARK LAW NOW OUT OF STEP WITH THE EC?

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:50 - Last Updated Wednesday, 21 December 2011 21:30

---

My article suggesting that the Trade Marks Act of 1993 permitted brand comparative advertising was published in the September 1996 issue of De Rebus. It caused some controversy among trade mark practitioners and the bulk of them took the opposite view, although I was never quite able to understand their reasons for this. At all events, the Cape case of *Abbott Laboratories and others v. UAP Crop Care (Pty) Limited and others*, 1999(3)SA624 referred to my article, and those (in other publications) by two of the authors of the Act, Chris Job and Owen Dean, and concluded that comparative advertising does indeed infringe under this Act. Regrettably, there was no appeal. In my opinion, Cleaver J, who decided the case, misconstrued the meaning of the word "use" in the context of Section 34 in particular and of the Act as a whole. The recent judgment by Van Dijkhorst, J in *Abdulhay M Mayet Group (Pty) Limited v. Rennassa Insurance Co Limited and another* 1999(4)SA 1039(T) (Case No. 21447/98) repeated this misconception because his Lordship said:

"Although Section 2(2) of the Act deals with the use of a mark it does not give a definition of the word "use". The word "use" therefore bears its ordinary meaning namely "the Act of using a thing for any (esp. a profitable) purpose; .... Utilisation or employment for or with some aim or purpose".

It is my belief that the word has a technical meaning within the context of the Trade Marks Act, as dealt with in my earlier article, and it is a technical meaning well recognised by our own courts in the past as well as those around the world. But I digress.

Returning to Cleaver, J's judgment in the *Abbott Laboratories* case, the startling thing from my point of view is to be found on page 635 of the reported judgment at C where he states: "As I have already pointed out, there has been a shift in our legislation to elevating the distinguishing feature of a trade mark as its main purpose. The point of departure for interpreting the South African Act is accordingly not the same as that for interpreting the United Kingdom Act".

He then goes on to state at page 836:

"Finally, when comparing the United Kingdom legislation with our own, it must be remembered that the United Kingdom Act of 1994 implemented an EC Directive which makes simple comparisons of the Act with our Act somewhat hazardous

. [My emphasis]. For the above reasons, and having regard to the changes brought to our law in the 1993 Act and the reasons for these changes, I am not prepared to accept this portion of Jacob J's judgment as a basis for finding that comparative advertising is permitted in terms of our law".

I describe this as "startling" for a number of reasons. First, our law in this field has always

## IS OUR TRADE MARK LAW NOW OUT OF STEP WITH THE EC?

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:50 - Last Updated Wednesday, 21 December 2011 21:30

---

closely followed that of the United Kingdom and UK authority has been much used over the last 100 years in the interpretation of our various Trade Mark Acts up to the 1963 Act, which were closely modelled on the UK legislation. So was our 1993 Act. Cleaver J's judgment strongly implies a belief on his part that our law was changed in 1993 in some way other than in compliance with the European Directive. The memorandum on the objects of the Trade Marks Bill 174 of 1993 published in the Government Gazette at the time indicates the exact opposite. An extract is reproduced below:

South Africa's most important trade partners, the members of the European Community, are rapidly moving towards the modernization and harmonization of their trade mark legislation. The first European Directive of the European Community to bring the legislation concerning trade marks of the member countries into agreement (89/104/EEC) dated 21 December 1988 – "The European Directive") is of particular importance in this regard. The European Directive requires members of the European Community to amend their domestic legislation relating to trade marks to ensure that such laws are in accordance with the provisions of the Directive. The British White Paper on the Reformation of the Trade Marks Law, dated September 1990, is also of importance. It sets out the manner in which the United Kingdom proposes to amend its Trade Marks Act of 1938 so as to bring it into line with the European Directive.

The Bill takes several of the above-mentioned developments and requirements into account and proposes amendments to the South African law on trade marks that will bring it into accordance with the European Directive in cases where such principles and proposals are reconcilable with South African requirements ....

"A new test for registrability of a trade mark, that is, of being "capable of distinguishing", is introduced in clause 9. This definition accords with the European Directive". A single test for registrability is therefore being proposed and there will no longer be any distinction made between trade marks for purposes of registration in Part A and Part B of the register.

This is in accordance with the British White Paper

. Part A and Part B of the register will therefore fall away, save for the existing trade mark registration . [

My emphasis

]

The perceived 'evil' that led to the EC Directive was that different theories of law applied in different countries to trade marks and, with the global market, and more pertinently, the common market, it was felt necessary to harmonise these laws. Trading partners were also encouraged to harmonise and this brought about changes in both South Africa and Australia.

As Cleaver J pointed out in his judgment (and as I pointed out in my 1996 article):

"(a) The provisions of S34(1)(a), (b) and (c) are more or less identical to S10(1), (2) and (3) of the United Kingdom Trade Marks Act, 1994; and

1. The provisions of S34(2) are more or less identical to the provisions of S11(2) of the United Kingdom Act."

## IS OUR TRADE MARK LAW NOW OUT OF STEP WITH THE EC?

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:50 - Last Updated Wednesday, 21 December 2011 21:30

---

He goes on to say:

"However, as Jacob J pointed out at 298 (line 5) in his judgment, the language of S11(2) is virtually the same as that of article 6 of the EC directive and that directive notes that the function of a trade mark is:

"in particular to guarantee the trade mark as an indication of origin".

Jacob, J accordingly had regard to this purpose when construing S11(2) and that is no doubt why he said that honest comparative use "would in no way affect his mark as an indication of trade mark origin". Cleaver J was referring to and quoting from the judgment of Jacob J in the English case of *British Sugar PLC v. James Robertson & Sons Limited* [1996] RPC 281 and the following part of the judgment by Jacob J: "Second, I think one must distinguish between a use of the mark by way of an honest comparison and other uses. I see no reason why the provision does not permit a fair comparison between a trade mark owner's goods and those of the defendant. The comparison would have to be honest, but provided it was and was part of a genuine indication of, for instance, quality or price, I think it would be within the provision. Such honest comparative use might well upset the mark's proprietor (proprietors particularly do not like price comparisons, even if they are true) but would in no way affect his mark as an indication of trade origin. Indeed the defendant would be using the proprietor's mark precisely for its proper purpose, namely to refer to his goods. I can see nothing stated in the purpose of the directive indicating that trade mark monopoly should extend to the point of enabling a proprietor to suppress competition by use of his trade mark in this way".

This follows the approach of the courts in the United States, Australia, Canada and, I believe, in Europe. The laws are "harmonised" and trade mark jurisprudence throughout the developed world is almost universally of this view. A trade mark must be capable of distinguishing, if it is to be registered, but it also and critically functions as a badge of origin. The definition of a trade mark in the South African Act of 1993 reads as follows:

"'Trade mark', other than a certification trade mark or a collective trade mark, means a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person".

This is very similar to the definition in the United States Trade Marks Act, the Lanham Act, which defines the term as follows:

"The term "trade mark" includes any word, name, symbol or device or any combination thereof

—

1. used by a person, or

1. which a person has a *bona fide* intention to use in commerce and applies to register on the principle register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate

## IS OUR TRADE MARK LAW NOW OUT OF STEP WITH THE EC?

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:50 - Last Updated Wednesday, 21 December 2011 21:30

---

the source of the goods, even if that source is unknown".

The Community Trade Mark requires that a mark needs to be a "sign" capable of graphic representation and goes on to state:

"... the relevant sign is capable of performing the basic function of a trade mark. That function in economic and legal terms, is to indicate the origin of goods or services and to distinguish them from those of other undertakings".

Finally, the UK definition reads as follows:

““Trade Mark“ means any sign capable of being represented graphically which is capable of distinguishing the goods or services of one undertaking from those of other undertakings”.

It will be seen that there is no difference in concept between all of these definitions. Indeed, if anything it is the English definition – which makes no reference (unlike the South African definition) to a connection in the course of trade – which may have justified Cleaver J's rather startling conclusion. A trade mark remains a badge of origin that can function only if it is capable of distinguishing.

This comes into closer focus if we consider the type of right granted under the various trade marks Acts and the nature of trade mark infringement. The most lucid explanation of this that I have been able to find is from a US appeal case in the seventh circuit of the United States Court of Appeal, *James Burrough Limited v. Sign of the Beefeater Inc.*, where, at page 274, the court said:

"The statement of findings below twice includes a finding of no trade mark infringement, followed by separate finding of no likelihood of confusion. But the concepts are inseparable.

A "trade mark" is not that which is infringed. What is infringed is the right of the public to be free of confusion and the synonymous right of a trade mark owner to control his product's reputation".

In an earlier part of the judgment it is stated:

"In the consideration of evidence relating to trade mark infringement, therefore, a court must expand the more frequent, one-on-one, contest-between-two sides, approach. A third party, the consuming public, is present and its interests are paramount. Hence infringement is found when the evidence indicates a likelihood of confusion, deception or mistake on the part of the consuming public. Infringement does not exist, though the marks be identical and the goods very similar, when the evidence indicates no such likelihood". [My emphasis]

In the *Abbott Laboratories* case, it was common cause that there was no confusion. Cleaver J said at page 628:

"I should make it clear that in the brochure the second respondent in no way attempts to pass its product off as that of the first applicant, nor does it hold out that **PERLAN** is identical to **PRO MALIN**

, as was the case with the first respondent in 1997. The second respondent makes it quite clear

## IS OUR TRADE MARK LAW NOW OUT OF STEP WITH THE EC?

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:50 - Last Updated Wednesday, 21 December 2011 21:30

---

that the mark

### **PROMALIN**

is the property of the first applicant for at the foot of the first page of the brochure the following appears: "

### **PROMALIN**

and

### **PROVIDE**

are registered trade marks of Abbott Laboratories, Chicago, USA.""

So it is clear that there was no deception or confusion among the consuming public, the third party who the US courts say is paramount. As is clear from the judgment referred to above, the UK courts would have taken the same view. I have it on good authority that those in Australia and Canada would also have taken the same view. There is no use as a trade mark, there is no deception and there is no confusion. Following the reasoning in the case of *Protective Mining and Industrial Equipment Systems (Pty) Limited v. Audio Lens (Cape) (Pty) Limited* referred to in the judgment, our courts should, in my view, also have agreed under the previous Trade Marks Act that there is no infringement.

Cleaver J, however, says:

The "badge of origin" element of the trade mark is no longer at the forefront and has been replaced by the distinguishing capability of the mark. It would seem that, in seeking to persuade me that the respondents have not infringed the applicant's marks, Mr. Louw has in effect highlighted the "origin" element of the mark, which is clearly acknowledged in the brochures, but has overlooked the distinguishing element of the marks".

The judge has, in my opinion, made a distinction which is devoid of difference. The trade mark provides a ready means of telling the goods of one party from those of another. It is no longer considered important that the persons whose goods are thus distinguished should necessarily be known to the public. It is important, though, that the goods are distinguished.

A person "uses" a trade mark, whether it be his or that of another, when he applies it, or has it applied, to goods or services so that the public can distinguish those goods from those of his competitors. He does not "use" the trade mark when he refers to his competitor's goods by the "handle" that distinguishes them – the competitor's trade mark. He certainly does not confuse the public as to whose goods are whose.

It has long been my view that the 1993 South African Trade Marks Act was a piece of ill considered legislation that made changes to our law not necessary to the implementation of the EC Directive, which South Africa voluntarily sought to implement. The Act is host to conflicting doctrines of trade mark law and infested with vague terms that render interpretation enigmatic. Many laymen laugh and say that this is the case so that lawyers can make more money as more matters will inevitably be referred to litigation. Frankly, it is good for no one. Our courts are overloaded already, and a more insidious problem is that, when lawyers cannot accurately predict the outcome of cases, the esteem in which the public holds them inevitably declines and legal uncertainty makes the law, right or wrong, a luxury for the extremely wealthy. That hardly promotes the small and medium enterprise to which South Africa is supposed to be committed. This judgment, in stating that the UK law can no longer be used as a compass to the interpretation of ours, serves only to multiply those uncertainties and, in direct conflict with the

## IS OUR TRADE MARK LAW NOW OUT OF STEP WITH THE EC?

Written by Ron Wheeldon

Wednesday, 21 December 2011 18:50 - Last Updated Wednesday, 21 December 2011 21:30

---

Constitution of South Africa, muzzles the right of freedom of commercial speech. It must be incorrect. With South Africa emerging from its isolation and rejoining the world as a whole it is difficult to believe that the legislature – while stating its intention to harmonise South African trade mark law in accordance with the EC Directive – actually sets about taking South Africa, for the first time in her post 1820 history, out of step with her most important trading partners!

The original draft of the Bill made it clear that brand comparative advertising was lawful. In view of the grave doubts created by this judgment and its inevitably far reaching consequences, it is time for the legislature to make its will known by amending this Act intelligently to ensure that it can only be interpreted as being in harmony with the EC Directive.