

IPSP02Y - Essential Competition Law

Assignment 3 - Exam

Nyameko Lisa

May 19, 2017

Declaration

- I know that plagiarism is to use someone else's work and pass it off as my own.
- I know that plagiarism is wrong.
- I confirm that this assignment is my own work.
- I have acknowledged in the bibliography accompanying the assignment all the sources that I have used.
- I have not directly copied without acknowledgement anything from the Internet or from any other source.
- I have indicated every quotation and citation in a footnote or bracket linked to that quotation.
- I have not allowed anyone else to copy my work and to pass it off as their own work.
- I understand that if any unacknowledged copying whatsoever appears in my assignment I will receive zero per cent for the assignment.
- I am aware of the UNISA policy on plagiarism and understand that disciplinary proceedings can be instituted against me by UNISA if I contravene this policy.
- I indicate my understanding and acceptance of this declaration by entering my name hereunder:
 - Name: **Nyameko Lisa** (Student Number: **7874-909-3**)

NOTE

Please note that footnotes will be denoted as ¹ and will appear at the bottom of the page. References will be denoted by [1] and will appear at the end of the document.

¹This is a footnote.

1 Identify three forms of unlawful competition which are applicable in the given scenario. [6]

Brian may seek relief, amongst other grounds, on the basis of:

- **Passing off**, in light of the similarities of the registered trademarks both companies operate under, as per [article 10^{bis}(3)(1)][1], [article 2(1)][2] and [article 16(1)][3].
- *Damage another's goodwill or reputation*, specifically the **Dilution of their goodwill or reputation**, in regard to the lessening of distinctive character or advertising value of the CHICKENBITE trademarks, as well as the appearance and presentation of the product, as per [article 3(2)][2]
- **Unfair competition in respect of secret information**, where Danny unlawfully acquired the memory stick with the recipe discovered by Brian, as per [article 39(2)][3] and [article 6(1)][2].

2 Advise Brian if he can succeed with an action for unlawful competition against Danny. [18]

2.1 Requirements for protection against unlawful competition based on Passing Off

The plaintiff, Brian, may argue that the conduct of the respondent, Danny, amounts to unfair competition with respect to the trade name of his enterprise, the registered of the goods he is selling (fried and grilled chicken), and is trying to represent to the public that the respondent's enterprise and goods are related to or affiliated with those of the plaintiff's. Intent of nor actual confusion is required, simply the reasonable likelihood of such confusion arising.

Brian may seek an interdict for the respondent to cease trading under his registered trademark CHIC 'N BITE and cease producing goods that are similar to the plaintiff's, if he can prove:

- **CHICKEN BITE has acquired with the public a reputation associated with his goods, services and or business.** This follows naturally given that his outlets are well-known across South Africa and considered to produce tasty grilled and fried chicken.
- **CHIC 'N BITE's conduct is likely to deceive or confuse the public.** This also follows naturally given that the names are so similar and that he directly copied the spice mixture.

There exist a number of examples in the context of South African case law that have qualified for the protection against unlawful competition based on passing off. *In the interests of non-repetition, kindly refer to the end sub-section which follows, sub-section 2.2, for detailed descriptions of said examples.*

2.2 Requirements for protection against unlawful competition based on Damage (Dilution) of Goodwill or Reputation

The plaintiff, Brian, may argue that the respondent Danny, acted unlawfully with respect to a concealed misappropriation within a competitive context and can apply to seek an interdict with respect to the defendant's enterprise to cease to trade with under their trade name and trade mark. To succeed in such an action the plaintiff must present the following:

- CHICKEN BITE outlets are well-known across South Africa, the trade name and trademark CHICKEN BITE has indeed **acquired and reputation and advertising value** in terms of the enterprises tasty grilled and fried chicken.

- The respondent, Danny, in establishing CHIC ‘N BITE, used **without the consent** of the plaintiff, a **name and / or trademark** very similar to the plaintiff’s, in relation to the enterprise, goods and services or the respondent. The plaintiff did not authorise the respondent to make use of the information on his memory stick.
- Through the registering of the trademark CHIC ‘N BITE and the use of the secret spices in establishing his enterprise, the respondent has impaired the plaintiff’s goodwill or at least threatens to impair the goodwill of the plaintiff name and / or mark, through dilution of the advertising value and / or distinctive character of the plaintiff’s name or mark.

The plaintiff should be advised that this will likely be treated as an action for unlawful competition based on Passing Off as described above. No reported South African decision has seen relief granted based on this form of unfair competition.

For example *Federation Internationale de Football & others v Bartlett & others* [4]. This case involved concealed misappropriation between related enterprises, specifically the organizer of the soccer World Cup and respondents misrepresenting that they were holder’s of the Soccer World Cup USA 1994, licensing rights in South Africa. The court held that character merchandising was prevalent in South Africa and that the advertising values of the associated names, characters or insignia in the products used could be exploited to boost sales. The court granted an interdict on the basis of passing off, likely to cause injury or damage to the goodwill of the plaintiff as the respondents had misrepresented that they were holders of the World Cup licensing rights in South Africa.

Another example of concealed misappropriation between related enterprises concerned *Capital Estate & General Agencies (Pty) Ltd & others v Holiday Inns Inc & others* [5]. In which the plaintiff *Holiday Inn* applied for an interdict to restrain the respondent from misusing the distinctive name to cause confusion and misappropriate the advertising value in respect of a name for the respondent’s shopping centre and duplex apartments. The court granted an interdict on the basis of passing off.

2.3 Requirements for protection against Unfair Competition in respect of secret information

The plaintiff must show that the information is:

- **Confidential:** The spices used to prepare the plaintiff’s chicken was discovered by the plaintiff after he visited India, Brazil and Portugal. This information was neither public knowledge nor released in the public domain. The respondent only gained access to this knowledge from the plaintiff’s flash drive, which he may also allege was stolen by the respondent in a combined matter.
- **Has trade value:** The respondent used the same mixture of ingredients to manufacture his own spices for his chicken. Given that the plaintiff’s outlets are well known for their tasty grilled and fried chicken, it follows naturally that the confidential information of the plaintiff has significant trade value to the respondent as he is a rival competitor.

There are a number of examples in South African case law that have qualified for the protection of secret information, specifically in regards to a manufacturing process *for example Harvey Tiling Co (Pty) Ltd v Rodomac (Pty) Ltd \ Another 1977 (1) SA 316 (T)*. Another example that was successfully tried as a matter for the protection of secret information, was *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd & others*, [6], where judge Dijkhorst was famously quoted that this branch of law was designed to “address the schemes of geniuses bent upon reaping what they have not sown.” One last successful example which qualified for the protection of secret information was *Stellenbosch Wine Trust Ltd & another v Oude Meester Group Ltd, Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd*

Et another [7], where Judge Diemont stipulated that one is acting unlawfully and dishonestly when he ‘filches’ information from a competitor, devised through the skill and industry of that competitor for his own profit.

3 Discuss whether the approach followed by South African courts / law complies with the requirements imposed by international conventions and other instruments. [26]

3.1 Passing off

Due to its significance and importance, this particular form of unlawful competition receives great attention in the international instruments, [article 10^{bis}(3)(1)][1], [article 2(1)][2] and [article 16(1)][3], all make reference to it.

In particular the Model Provisions stimulates that / ‘Any act or practice, in the course of industrial or commercial activities, that causes, or is likely to cause, confusion with respect to another’s enterprise or its activities, in particular, the products or services offered by such enterprise, shall constitute an act of unfair competition. ’ / Moreover neither actual confusion nor the intent to confuse is required as per [article 2(2)][2] where particular articulation the following is specified:

- a trademark [article 2(2)(i)][2],
- tradename [article 2(2)(ii)][2], or
- the appearance or presentation of a product or services is specified.

CHICK ‘N BITE has introduced a false affiliation between themselves and the plaintiff. It follows that the two enterprises have the same or similar trademarks and tradenames, thus consumers may assume that a relationship exists between the two. Similarly with regards to the presentation of products and services and the associated marketing and advertising may lead to confusion amongst consumers. These considerations presented in the international instruments are in are agreement with South African case law, as was shown in the examples described above in sub-section 2.2 and references to South African case law, [4]–[6].

3.2 Damage (Dilution) of Goodwill or Reputation

As per [article 3(1)][2] provides the general framework for unlawful competition that is likely to damage another’s goodwill or reputation. Whereas [article 3(2)][2] specifically focusses on dilution as it pertains to another’s goodwill, in particular the result of damage to goodwill or reputation of the plaintiff’s CHICKEN BITE enterprise, by dilution by the respondent’s of the applicant’s:

- trademark as per [article 3(2)(a)(i)][2],
- tradename as per [article 3(2)(a)(ii)][2],
- presentation of products or services , as per [article 3(2)(a)(v)][2]

Again where the similarities in trademark and trade name could result in confusion of the public and where the respondent could exploit the marketing and advertising enjoyed by the applicant.

Moreover [article 3(2)(b)][2], specifically articulates how for the purposes of the model provisions the lessening of the distinctive character or advertising value of a trademark or presentation of the products

or services implies the dilution of their goodwill and / or reputation.

In the context of concealed misappropriation within an competition setting, the international instruments corroborate South African case law, specifically as was described for the case involving [4], discussed in sub-section 2.2.

3.3 Secret information

Although [1] does not provide and substantive treatment for secret information with regards to unfair competition, pertinent provisions are accommodated within [article 39(1)][3] through the stipulation [article 10^{textnormal{bis}}][1]. Moreover [article 39(2)][3] provides the framework to prevent unlawful competition through the use of secret information by, either being used by, disclosed to or acquired by others without their consent in a manner contrary to honest practices, provided:

- the information is **indeed secret and not generally know**, as per [article 6(i)][2] and [article 39(2)(a)][3], the applicant satisfies this condition as he discovered the mixture of spices,
- the information must have **commercial value**, as per [article 6(ii)][2] and [article 39(2)(b)][3]. The applicant satisfies this requirement as his enterprise is well-known and popular for its tasty chicken,
- Lastly, as per [article 6(iii)][2] [article 39(2)(c)][3], the applicant was required to **keep the information secret** subject to reasonable circumstances. The respondent could argue that the applicant failed to satisfy this requirement, while in a separate (or an extended) matter, the applicant could argue that the respondent *stole* the memory drive with the secret recipe from him during the convention.

Within the context of secret information as it pertains to unlawful competition, the international instruments corroborate South African case law, for the most part. Where they may be perceived to perhaps deviate very slightly, is that the intentional instruments set the onus on the plaintiff to ensure that he has provided adequate safeguards in ensuring that their secret information is indeed kept secret.

References

- [1] Paris Convention for the Protection of Industrial Property, 1883. [Online]. Available: http://www.wipo.int/treaties/en/text.jsp?file_id=288514.
- [2] Model Provisions on Protection Against Unfair Competition, 1996. [Online]. Available: [ftp://ftp.wipo.int/pub/library/ebooks/wipopublications/wipo_pub_832\(e\).pdf](ftp://ftp.wipo.int/pub/library/ebooks/wipopublications/wipo_pub_832(e).pdf).
- [3] Agreement on Trade-Related Aspects of Intellectual Property Rights, 1994. [Online]. Available: https://www.wto.org/english/tratop_e/trips_e/trips_e.htm.
- [4] *Federation Internationale de Football & others v Bartlett & others*, 1994 (4) SA 722 (T).
- [5] *Capital Estate & General Agencies (Pty) Ltd & others v Holiday Inns Inc & others*, 1977 (2) SA 916 (A).
- [6] *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd & others*, 1981 (2) SA 173 (T).
- [7] *Stellenbosch Wine Trust Ltd & another v Oude Meester Group Ltd, Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd & another*, 1972 (3) SA 152 (C).