

# Study unit 10

## Infringement

### Overview

In this study unit, you will find out how registration of a trade mark protects the proprietor against use of the mark by other persons, and what types of unauthorised use is prohibited. We will explain the three ways in which a mark can be infringed. We will then deal with circumstances when use of a trade mark is not viewed as infringement. Finally, we will deal with a new form of infringement — the protection of a well-known foreign mark in a country where it is not registered.

### Learning outcomes

After completion of this study unit, you should be able to -

- ☐ explain why registration makes it easier to protect a trade mark against unauthorised use
- ☐ distinguish the three different forms of infringement
- ☐ set out the various circumstances when use does not constitute infringement
- ☐ describe what protection is given to well-known foreign marks

### Setting the scene

Thandi's restaurant is very successful, and she has opened three branches of 'Crunchy Munchy'. She has obtained registration of the name as a mark in service class 42 for providing of food and drink, restaurants and fast food outlets. She is also proprietor of the mark THANDIBANDI, which is the menu name for her special fried chicken wings, in class 29, and uses as menu name, but has not yet registered, the name 'Mommawoppa' for chickenburgers.

### Discussion

#### *What is infringement?*

The traditional concept of infringement is when one person uses the mark of another, without his permission, to identify

his own goods or services. This is akin to the common law delict (tort) of passing off. However, an action for infringement of a registered trade mark is easier to institute than one for passing off of an unregistered mark, as registration confers various benefits. They are:

- ☐ a registered mark can be protected by an infringement action even if not currently in use (for a limited period),
- ☐ it is not necessary to prove ownership, reputation or goodwill in an infringement action, and
- ☐ actual or potential damage need not be proved.

Most countries give a wider definition of infringement in legislation than that covered by the traditional concept, and these different types of infringement are set out below in 10.2. We will once again use the South African Act of 1993 as basis for discussion.

Note that a person is not entitled to institute proceedings for infringement of a trade mark if the mark is not registered under the Act. Also, no registered trade mark will affect the rights of any person to bring an action at common law (sect 33). This has implications for both parties to litigation — the plaintiff may institute action for passing off rather than infringement despite having a registered trade mark, and an alleged infringer can counterclaim, or also institute action, based on passing off of his own unregistered trade mark.

### *Activity 10.1*

Thandi's trade mark MOMMAWOPPA is not yet registered. Susan, who also owns a restaurant, likes the name and starts using it in her restaurant on chickenburgers. What, if anything, can Thandi do to stop Susan?

### *Discussion*

### *Acts constituting infringement*

The 1993 Act covers three types of infringement.

In the first instance, the rights acquired by the registration of a trade mark are infringed by 'the unauthorized use in the course of trade in relation to goods or services in respect of which the mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion' (s 34(1)(a)).

This first type of infringement occurs where some person other than the registered proprietor uses a mark which is either identical or confusingly similar to the registered trade mark in relation to goods or services for which the trade mark is registered. The allegedly infringing mark must be used as a trade mark that is for the purpose of indicating the origin of the infringer's goods or services. This means that the use of the allegedly infringing mark must create an impression of a material link between the infringer's goods or services and the proprietor of the trade mark. Use of the mark for purely descriptive purposes will not create such an impression and will therefore not infringe (*Verimark (Pty) Ltd v BMW AG* 2007 (6) SA 263 (SCA); *Commercial Auto Glass (Pty) Ltd v BMW AG* 2007 (6) SA 637 (SCA)).

An infringement can occur where the infringer uses a mark which is either identical to a registered trade mark or so nearly resembles it as to be likely to cause deception or confusion. The phrase 'likely to cause deception or confusion' has been discussed in the context of section 10(12) and (14) (see Study Unit 6 above). However, it should be noted that in infringement proceedings the onus is upon the plaintiff to show a probability of deception or confusion (see, for example, *Bata Ltd v Face Fashioned CC* 2001 (1) SA 844 (SCA); *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 (3) SA 563 (SCA)).

The infringing use must be unauthorised. Consent of the proprietor is a good defence to an infringement action (*Protective Mining & Industrial Equipment Systems (Pty) Ltd v Audiolens (Cape) (Pty) Ltd* 1987 (2) SA 961 (A)).

Finally, the infringing use must be in relation to the goods or services for which the trade mark is registered.

Secondly, the rights acquired by the registration of a trade mark are infringed by

'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' (s 34(1)(b)).

This second type of infringement is not limited to the identical goods or services for which the trade mark is registered, but is extended to cover similar goods or services.

The widened scope of infringement protection is consistent with international requirements to include 'similar' goods or services (see, for example, article 16.1 of TRIPs, which requires that the owner of a mark must be able to prevent unauthorised use on goods or services which are 'identical or similar to those in respect of which the trade mark is registered where such use would result in a likelihood of confusion' and article 5(1)(b) of the European Directive 'similarity of goods or services'). It also aligns South African trade mark legislation with developments in its common law, which has resulted in a common field of activity no longer being viewed as prerequisite of a successful passing off action (see, for example, *Capital Estates and General Agencies (Pty) Ltd v Holiday Inns Inc* 1977 (2) SA 916 (A) and *Royal Beechnut (Pty) Ltd v United Tobacco Co Ltd* 1992 (4) SA 118 (A)). Also, by extending infringement rights in this way, the Act gives the proprietor the same rights in respect of infringement which he enjoys, to prevent the unauthorised registration of a confusingly similar mark (s 10(14)).

The main problem with section 34(1)(b) is that the exact meaning of the term 'similar' is unclear. Note that the term is subject to an important qualification: the test is whether the goods or services are so similar that in use there exists a likelihood of deception or confusion. In applying this test, the court will have to take all the surrounding circumstances into consideration. In particular, the following criteria will be taken into account:

- ☐ the nature and composition of the goods
- ☐ the origin of the goods
- ☐ the respective uses of the goods
- ☐ the trade channels through which the goods are bought and sold
- ☐ the classes of likely customers

(See *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales & Promotions (Pty) Ltd* 1991(4) SA 850(A).)

To determine whether infringement has taken place, the combined effect of the similarity of the respective marks and the similarity of the respective goods or services must be such as to give rise to a likelihood of deception or confusion (Webster & Page par 12.23). In *New Media Publishing v Eating Out Web Services CC* 2005 (5) SA 388 (C) 394 the court explained: "There is, it seems to me, an interdependence between the two legs of the inquiry: the less the similarity between the respective goods or services of the parties, the greater will be the degree of resemblance required between their respective marks before it can be said that there is a likelihood of deception or confusion in the use of the allegedly offending mark, and *vice versa*."

Thirdly, the rights acquired by the registration of a trade mark are infringed by

‘the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark 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 confusion or deception’ (s 34(1)(c)).

This is a completely new concept in South African trade mark legislation, and was, once again, introduced to conform to with international developments. This third type of infringement is known as ‘dilution’ and generally happens when a well-known mark is used to promote goods or services which are different to those for which registered. A good example of dilution is use of the trade mark ‘Rolls Royce’ to imply excellence in unrelated fields ie the ‘Rolls Royce of chocolate’, ‘Rolls Royce’ for clothing.

The TRIPs agreement requires members to protect registered marks which are used on goods or services which are not similar to those in respect of which a trade mark is registered ‘provided that the interests of the owner of the registered trademark are likely to be damaged by such use’ (article 16(3)).

The European Directive also contains a similar provision (article 5.2), on which the provisions of the UK Act of 1994 are based. This states that an infringement action may be instituted if a mark is used on dissimilar products or services

‘where the mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage or, or is detrimental to, the distinctive character or the repute of the trade mark (section 10(3)).

Note the following remarks about the South African anti-dilution provision:

- ☐ The proprietor has the same right in respect of infringement as he has to prevent the unauthorised registration of such marks (s 10(17).
- ☐ The offending mark need not be used in relation to the same or similar goods or services for which the trade mark is registered. In fact, use on unrelated goods or services is sufficient. Therefore, the parties need not be trade rivals.
- ☐ Public deception or confusion as to origin, sponsorship or association of the goods or services is not a requirement.
- ☐ The use of the offending mark must be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark. Any detriment relied on must also amount to unfairness in the context of the case (*Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International & another* 2006 (1) SA 144 (CC)).
- ☐ The registered trade mark must be well known in South Africa. This is a question of fact. The phrase ‘well known in the Republic’ in the anti-dilution provisions may well be given a meaning different from the meaning of the phrase in the Paris Convention provisions. Where a trade mark is used on goods which are available in only one part of the South Africa, it is sufficient if the trade mark is well-known in that part of the South Africa (see *Safari Surf Shop CC v Heavywater* [1996] 4 All SA 316 (D)).
- ☐ The most common form of dilution is so-called dilution by blurring. This arises from the unauthorised use of a well-known trade mark in relation to noncompeting goods or services. This leads to the gradual consumer disassociation of the trade mark from the trade mark proprietor's product. The more the trade

mark is used in relation to other products, the less likely it is to focus attention on the proprietor's product. Its unique identity and impact on consumers will become blurred. Although consumers will not be deceived or confused as to the origin of the respective products in relation to which the mark is used, the offending use will erode the commercial magnetism and selling power of the mark and dilute its reputation and distinctive character. In a claim for dilution by blurring, the detriment relied on by the trade-mark proprietor must be unfair and must be substantial in the sense that it is likely to cause substantial harm to the uniqueness of the trade mark (*Verimark (Pty) Ltd v BMW AG* 2007 (6) SA 263 (SCA)). Dilution may also arise from the unauthorised use of a well-known trade mark in relation to inferior products which leads to an unfavourable association in the public mind. In *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International & another* 2006 (1) SA 144 (CC), the Constitutional Court pointed out that the purpose of section 34(1)(c) is to protect the commercial interests of the proprietor of a well-known registered trade mark by prohibiting use which, although not giving rise to confusion or deception, still materially undermines the repute of the mark. In a claim of dilution by tarnishment, any detriment relied on by the trade-mark proprietor must be unfair. Also, it must be substantial in the sense that it must be likely to cause substantial harm to the uniqueness and repute of the mark. The likely detriment must amount to material harm in the commercial sense, that is, economic and trade harm.

- ❑ Remember to distinguish this provision, which protects well known South African registered marks, from the provisions of section 35, which protects well known foreign marks which are not registered in South Africa (see below).

### *Activity 10.2*

Indicate for what form of infringement Thandi could sue in the following instances:

- ❑ A third party Susan opens a fast food outlet and restaurant also called 'Crunchy Munchy' without Thandi's permission.
- ❑ Susan does not use 'Crunchy Munchy' as the name of a restaurant but as the menu name for her fried prawns.
- ❑ Thandi's restaurants become so successful in South Africa that a lot of people say 'Lets go Crunchy Munchy' when they mean that they want to buy fast food.
- ❑ John, who owns a clothes shop, advertises his shop as the 'Crunchy Munchy of clothing'.

### *Discussion*

### *Exclusions*

Section 34(2) lists the situations in which the use of a registered trade mark does not amount to infringement. They include the following:

- ❑ The bona fide use by a person of his own or of his predecessor's name, or of the name of his or his predecessor's place of business does not amount to an infringement (s 34(2)(a)). This use must also be consistent with fair practice. This exclusion does not apply to the name of any juristic person whose name was registered after the date of registration of the trade mark. In *J Goddard & Sons v RS Goddard and JS Metz & Co* 1924 TPD 290 the court held (with reference to the corresponding section under the Trade Marks Act of 1916) that where a person, with knowledge of prior use of the same name by another, uses his own name in circumstances which is likely to cause deception, such use cannot constitute bona fide use.
- ❑ The use by any person of any bona fide description or indication of the kind, quality, quantity, intended purpose, value, geographical origin, or other characteristics of his goods or services, or the mode or time of production of the goods or rendering of the



services will not amount to an infringement (s 34(2)(b)). Again the use must also be consistent with fair practice.

In *Plascon-Evans Paints (Pty) Ltd v Van Riebeeck Paints* 1984 (3) SA 623 (A), 644 Corbett JA explained the meaning of the corresponding section in the previous Act as follows:

‘...without attempting to give an exact definition of what constitutes a *bona fide* description for the purposes of s 46(b), it seems to me that what the legislature intended to safeguard by means of the provisions of the subsection is the use by a trader, in relation to his goods, of words, which are fairly descriptive of his goods, genuinely for the purpose of describing the character or quality of the goods: the use of the words must not be a device to secure some ulterior object, as for example where the words are used in order to take advantage of the goodwill attaching to the registered trade mark of another.’

Use as a trade mark cannot constitute descriptive use for the purposes of this exception (*Standard Bank of SA Ltd v United Bank Ltd* 1991 (4) SA 780 (T)).

- ❑ A trade mark will not be infringed by the bona fide use of a trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods including spare parts and accessories, or the rendering of services (s 34(2)(c)). Again the use must also be consistent with fair practice.
- ❑ A trade mark will not be infringed by the importation into or distribution, sale or offering for sale, in South Africa of goods to which the trade mark has been applied by or with the consent of the proprietor (s 34(2)(d)). This exclusion makes it clear that the parallel importation of ‘grey goods’, even those made by a licensee, is not trade mark infringement. This principle is in line with *Protective Mining & Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd* 1987 (2) SA 961 (A).
- ❑ The bona fide use by any person of any utilitarian features embodied in a container, shape,

configuration, colour or pattern which is registered as a trade mark will not amount to an infringement (s 34(2)(e)).

- ☐ A trade mark will not be infringed by the use of a registered trade mark where such use is within the scope of a limitation entered in the register against the registered trade mark (s 34(2)(f)).
- ☐ The use of any identical or confusingly or deceptively similar trade mark which is registered will not amount to an infringement (s 34(2)(g)). (See *Triang-Pedigree (SA) (Pty) Ltd v Prima Toys (Pty) Ltd* 1985 (1) SA 448 (A)).
- ☐ The use or registration of an identical or similar mark by a prior user will not amount to an infringement (s 36 (1)).

### *Activity 10.3*

Can Thandi institute action for infringement in the following circumstances? If not, identify which subsection applies.

- ☐ A woman who is also called Thandi opens a hamburger den near a Crunchy Munchy shop and calls it 'Thandi's Big Burgers'.
- ☐ A shop selling crisps advertises them by saying 'these will really get you crunching and munching your way through a packet'.
- ☐ The same shop decides to call its crisps 'Crunchful Munchful Mouthfulls'. In Thandi's registration, she has disclaimed exclusive rights to the words 'crunch' and 'munch'.

### *Discussion*

### *Protection of well-known marks under the Paris*

## *Convention*

Owners of trade marks which become internationally famous face serious problems from world-wide infringement of these marks. Think of marks such as CHANEL and GUCCI and of how often one sees these marks applied to t-shirts and bags which have clearly not been made by the owners of these marks. If the trade mark is registered in the country concerned, the owner can institute infringement proceedings. However, if the trade mark is not registered because the owner does not trade in that specific country, he has serious problems because of the traditional view that a trade mark is territorially limited.

This problem was addressed by the Paris Convention, which, in article 6bis, requires that member countries must

‘refuse or cancel the registration, and to prohibit the use, of a trade mark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person being entitled to the benefits of this Convention and sued for identical or similar goods.’

Article 16(2) of the TRIPs agreement contains a similar requirement, and the English Act of 1994 has also introduced protection for well known marks for the first time in section 56.

Section 35 of the South African Act of 1993 prohibits the unauthorised use of unregistered trade marks which are well known in South Africa as being the marks of persons who are nationals of, domiciled in or have commercial establishments in convention countries whether or not such person carries on business, or has any goodwill, in the South Africa. These persons are entitled to restrain the use of a mark which constitutes a reproduction, imitation or translation of his well-known foreign trade mark in relation to goods or services which are the same as or similar to those for which the trade mark is well known, if such use is likely to cause deception or confusion. In determining whether a trade mark is well known in the South Africa, due regard must be given to knowledge of the trade mark in the relevant sector of the public including knowledge which has been obtained as a result of the promotion of the trade mark (s

35(1A)).

Note the following remarks about this section:

- ☐ This provision enables South Africa to discharge its obligations under article 6*bis* of the Paris Convention.
- ☐ The proprietor has a corresponding right to prevent the unauthorised registration of a mark which is in conflict in this way with his well-known foreign trade mark.
- ☐ These rights are given to the proprietor of an unregistered mark irrespective of whether or not he carries on business or has any goodwill in South Africa.
- ☐ The Act preserves local vested rights in trade marks acquired through continuous and bona fide use prior to 31 August 1991 or the date on which the foreign trade mark became entitled to such protection in the South Africa, whichever is the later date (s 36(2)).
- ☐ A mark will be regarded as well known if it has acquired a reputation in the South Africa among a substantial number of the class of persons (eg potential customers) interested in the goods or services to which it relates (see *McDonald's Corporation (Pty) Ltd v Joburgers Drive-Inn Restaurant (Pty) Ltd*; *McDonald's Corporation (Pty) Ltd v Dax Prop CC*; *McDonald's Corporations (Pty) Ltd v Drive-Inn Restaurant (Pty) Ltd & Dax Prop CC* 1997 (1) SA 1 (A)).

#### *Activity 10.4*

Thandi's restaurant name is also the name of a famous American fast food chain of outlets. Although Thandi was unaware of this when choosing the name Crunchy Munchy, most South Africans are aware of this.

- ☐ Can the American chain force Thandi to stop trading under that name?
- ☐ Would your answer differ if Thandi had started trading in 1990?

- ☐ Would your answer differ if only people who are actively involved in the restaurant trade are aware of the existence of the American chain, despite the fact that it is well known in America?