IN THE CONSTITUTIONAL COURT OF SOUTH AFRICA

HELD AT CONSTITUTIONAL HILL

ON THE ROLL: 8 MARCH 2005

CCT CASE NO. 42/04

In the matter between:

LAUGH IT OFF PROMOTIONS CC Applicant

and

SOUTH AFRICAN BREWERIES INTERNATIONAL (FINANCE) B.V. t/a SABMARK INTERNATIONAL Respondent

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RESPONDENT'S HEADS OF ARGUMENT

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A. INTRODUCTION

1.

The respondent opposes the applicant's application for special leave to appeal against the dismissal of its appeal by the Supreme Court of Appeal ("the SCA"). In that appeal the SCA upheld the finding made by the Cape of Good Hope Provincial Division granting an interdict against the applicant from infringing the respondent's registered trade marks in terms of s 34(1)(c) of the Trade Marks Act, 194 of 1993 ("the Act"). The present applicant was the respondent in the appeal before the SCA.

2.

The SCA granted an order which amended (in non essential respects) the original order granted by the Cape of Good Hope Provincial Division. The order of the SCA reads as follows:

"The following order issues:

(a) Save as indicated in para (b) the appeal is dismissed with costs, including the costs of two counsel.

(b) The order of the court below is amended to read:

'The respondent is interdicted from infringing registered trade marks 91/9236 and 91/9237 of the applicant by using in the course of trade and in relation to goods or services the mark depicted in Annexure A7. The respondent is to pay the costs of the application, including the costs of two counsel." [1]

B. A SYNOPSIS OF THE PRINCIPAL FINDINGS OF THE SCA

3.

The SCA made numerous factual and legal findings which are important in regard to the adjudication of this appeal. We submit that these findings will show that the SCA correctly carried out its obligations under s 39(2)of the Constitution of the Republic of South Africa, 108 of 1996 ("the Constitution") when interpreting s 34(1)(c) of the Act by promoting the spirit, purport and objects of the Bill of Rights. The SCA's findings are summarized in paragraphs 5 to 9 below.

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[1] Vol 4, p 310, para [42] read with Annexure S7, Vol 1, p 36

4.

THE APPROACH TO TRADE MARK INFRINGEMENT

4.1 The SCA held that in spite of some judicial resistance, trade marks are intangible or incorporeal property. The fact that property is intangible does not make it of a lower order. Our law has always recognised incorporeal property as a class of things.[2]

4.2 Intellectual property rights have no special status. The Constitution does not accord them special protection and they are not immune to constitutional challenge. Their enforcement must be constitutionally justifiable.[3]

4.3 Section 34(1)(c) of the Act protects the economic value of a trade mark, more particularly its reputation or its advertising value or selling power.[4]

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2 Vol 4, p 290, para [10]

3 Vol 4, p 292, para [11]

4 Vol 4, p 293, para [13]

5.

INTERPRETATION OF s 34(1)(c) OF THE ACT

5.1 In order to establish infringement in terms of s 34(1)(c) of the Act, the owner of a trade mark must establish:

a. The unauthorised use by the defendant of a mark;

b. In the course of trade;

c. In relation to any goods or services;

d. The mark must be identical or similar to a registered trade mark;

e. The mark must be well known in the Republic; and

f. The use of the defendant's mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered mark.

5.2 Paragraphs a. to e. are not in issue, however. Insofar as paragraph f. above is concerned, the SCA held that it "must, obviously, be interpreted in the light of the Constitution and its application must be such that it does not unduly restrict a party's freedom of expression. This requires a weighing-up of the freedom of expression and the trade mark owner's rights of property and freedom of trade, occupation or profession. [5]

5.3 Some limitation should be found or implied in the provision or in its application insofar as it may be required by a balancing of divergent rights and interests.[6]

5.4 The express terms of s 34(1)(c) place important limitations on the scope of the section. These limitations are the following:

5.4.1 The section provides protection to well-known marks only;

5.4.2 The prohibited use must be "in the course of trade". This accords with the position in the USA and the European Community Directive 89/1988 of

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5 Vol 4, p 297–298, para [21]

6 Vol 4, p 298, para [22]

the Council of the European Communities;

5.4.3 The use must be in relation to goods or services;

5.4.4 An important limitation is that a defendant may not take "unfair advantage" of the distinctive character or repute of the mark. This allows for a proper balancing of freedoms, rights and interest.[7]

5.5 Section 34(1)(c) also prohibits a defendant from acting in a manner which is "detrimental to" the distinctive character or the repute of the registered trade mark. The word "detrimental" is not qualified in express terms. However, it is inconceivable that any detriment could suffice and it is implicit that detriment, in order to be actionable, has to be unfair in the sense that the relief sought may not unfairly or unduly encroach on the rights of others – including the freedom of expression.

5.6 Another qualification is that as the law concerns itself with matters of substance, accordingly insubstantial prejudice to the trade mark owner is not

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[7] Vol 4, p 298, para [22]

enough.[8]

6.

INFRINGEMENT IN TERMS OF s 34(1)(c) OF THE ACT

6.1 The T-shirt manufactured by the applicant which the SCA found to be objectionable employs the general lay-out and colours of the respondent's registered trade marks, but conveys a different message. The words "Black Label" are replaced with the words "Black Labour" and "Carling Beer" is replaced with "White Guilt". The laudatory part of the label is replaced by "Africa's Lusty Lively Exploitation Since 1652" and "No Regard Given Worldwide". The message thus conveyed is as follows:

8 Vol 4, p 298–299, para [23]

“BLACK LABOUR WHITE GUILT, AFRICA’S LUSTY LIVELY EXPLOITATION SINCE 1652, NO REGARD GIVEN WORLDWIDE.” [9]

6.2 The message on the applicant’s T-shirt was found to be materially detrimental to the repute of the respondent’s trade marks.[10]

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9 Vol 4, p 290, para [5]

10 Vol 4, p 301, para [28]

6.3 The applicant attempted to find the answer to the question of detriment by contending that South African Breweries did not establish that there was a loss of sales as a result of the applicant's T-shirt sales, but on the other hand, it accepted that s 34(1)(c) of the Act does not require proof of actual loss, but only the likelihood of loss.[11]

7.

FREEDOM OF EXPRESSION AND s 34(1)(c) OF THE ACT

7.1 The SCA stated that it was important to note what s 34(1)(c) does not forbid and the extent to which it does not impinge on freedom of expression. The applicant is free to use its "caricature" in the course of trade subject to a proviso: it may not use it in relation to goods or services. The applicant may use it in relation to goods or services by placing the "caricature" on T-shirts, flags or whatever provided it is not so used in the course of trade. The SCA mentioned that these considerations approximated to the approach of the Canadian Courts where it was found that the caricature of an employer's trade mark used by a trade union during

[11] Vol 4, p 301, para [27]

a labour dispute did not amount to trade mark infringement.[12]

[12] Vol 4, p 302, para [30]

7.2 The applicant may also declaim the message about Black Labour and White Guilt from rooftops, pulpits and political platforms; and it may place the same words (without appropriating the registered mark's repute) on T-shirts and sell them. In other words it's freedom of expression is hardly affected.[13]

7.3 The availability of an adequate alternative avenue to exercise one's freedom of expression is a relevant factor to consider in the context of the balancing of competing rights.[14]

7.4 Courts are in general not amused by parodies which are either sex or drug related even if they are clever or funny, simply because the prejudice to the trade mark tends to outweigh the freedom of expression. Unfair or unjustified racial slurs on a trade mark owner (even if not hate speech or approximating it), should in general not be countenanced, more so in a society such as ours.[15]

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13 Vol 4, p 302, para [30]

14 Vol 4, p 302–303, para [30]

15 Vol 4, p 303, para [31]

7.5 Another factor to be taken into account is the predatory intent of the defendant. T-shirts are primarily a marketable commodity and not only a communication medium. It is not the applicant's case that the T-shirts were used otherwise than in the course of trade. It is also not the applicant's case that the mark on its T-shirts was not used in relation to goods. On the contrary, the applicant is in the business of marketing clothing. Using well-known marks for the marketing of its goods is the whole basis of the applicant's commercial existence.[16]

7.6 Purely derisory parody of a trade mark should not be entitled to protection.[17]

8.

PARODY

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16 Vol 4, p 303, para [32] read with Vol 1, Annexure "S8", p 40–43 (information on the applicant's internet site) read with Vol 2, p 175, para 8.5; p 233–242

17 Vol 4, p 304, para [33]

8.1 A finding that an allegedly infringing work is a parody does not conclusively establish that its use of the senior work is fair. In order to determine whether use constitutes fair use all relevant factors have to be taken into account. One such factor is the purpose and character of the use. The use of a copyright work to advertise a product, even in parody, is treated with less indulgence than the sale of the parody itself. In Canada, on the other hand, parody is not regarded as fair use of a copyright work.[18]

8.2 Satire, on the other hand, differs from parody since it does not comment on the senior work and cannot be considered to be a comment or criticism of the copyright work.[19]

8.3 Parody cannot ***per se*** be a defence against trade mark infringement in terms of s 34(1)(c) of the Act. It is, however, a factor that has to be considered in determining whether a defendant's use of a mark contrary to the provisions of s 34(1)(c) is constitutionally protected.[20]

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[18] Vol 4, p 305, para [36]

[19] Vol 4, p 305, para [36]

[20] Vol 4, p 306, para [37]

9.

CONCLUSION OF THE SCA

The SCA found that the applicant was using the reputation of the respondent's well-known trade mark, which had been established at considerable expense over a lengthy period of time, in the course of trade in relation to the goods to the detriment of the repute of the trade mark without any justification. Such use and detriment was held to be unfair and constituted an infringement of s 34(1)(c) of the Act. The SCA's conclusion ended with the words that:

"The appellant's reliance on freedom of expression is misplaced. It did not exercise its freedom, it abused it." [21]

C. THE FACTS

[21] Vol 4, p 309, para [41]

10.

Whilst the respondent agrees that the facts which are relevant to the determination of the issues before this Honourable Court are common cause, the respondent does not agree that the applicant's summary of the facts set out in the applicant's heads of argument are complete or correct in every respect. The respondent disputes the contents of paragraphs 13, 14 and 15 as those paragraphs contain legal contentions, as well as the last sentence of paragraph 22 because it is submitted that the respondent's supplementary grounds of opposition to the applicant's application for leave to appeal are relevant.

11.

In addition to the facts set out by the applicant, the respondent wishes to add the following common cause facts for consideration by this Honourable Court:

11.1 The applicant's ability to sell its T-shirts and make money is founded essentially upon using the reputation attaching to the trade marks of others, including those of the respondent. In the radio interview that Mr Nurse (the applicant's sole member) gave on 23 May 2002, he acknowledged that the T-shirts of the applicant would not have any commercial value if they were not sold by making use of the brand or trade mark of the respondent. (This was prior to the

filing of the applicant's answering affidavit on 18 June 2002.)[22]

11.2 After the respondent had filed its grounds of opposition to the applicant's application for leave to appeal, the applicant's deponent Mr Nurse stated in an affidavit dated 22 October 2004 (in another matter between the two parties) that:

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[22] Vol. 1, p 72, para 53;
Vol. 2, p 171–172, para 3-4;
Annexure "S12", p 216, line 12 – p 217, line 12

"Since leaving Rhodes University at the end of 2000, my ideas and activities have developed and changed. The first respondent (i.e. the present applicant) **ceased producing the T-shirts which gave rise to the first application** (i.e. the present matter) **and I formed a business association with Chris Verrijdt. The first respondent** (i.e. the applicant) **became and remains dormant."** [23]

11.3 The applicant does not dispute that it is a dormant entity, but it attempts to extricate itself from this difficulty by stating that:

"It is highly probable that in the event of this court granting special leave to appeal and upholding the appeal, the applicant will recommence trading." [24]

Under these circumstances the applicant cannot have a legal or commercial interest in continuing with this litigation or in the present appeal. It is according submitted that for this reason alone this Honourable Court should not entertain the appeal since the matters raised are merely academic.

11.4 The SCA found as a fact that the applicant accepted that it had no basis

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[23] Vol 4, p 351, para [2]

[24] Vol 4, p 354, para [9]

for attacking the employment practices of South African Breweries and that nowhere on the papers was any case made out for the exploitation of black labour by South African Breweries. On the contrary, in a radio interview shortly after proceedings were instituted, the applicant's deponent Mr Nurse said that:

"It's obviously not a statement about SAB and their labour practices." [25]

11.5 The trade mark owner is a Dutch company which forms part of the South African Breweries group of companies. The respondent holds the trade marks of the group. A local member of the group is the South African Breweries Limited which produces and sells beer under the Carling Black Label trade marks under licence from the respondent. These factual findings were made by the SCA.[26]

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[25] Vol 4, p 299–300, para [25]

[26] Vol 4, p 289, para [2]

11.6 In paragraph 75 of the applicant's heads of argument, the applicant contends that the Supreme Court of Appeal erred in finding that the applicant accepted that it had no grounds for attacking the employment practices of SAB. The applicant's submission is based on the contents of paragraph 39.3 of the respondents' replying affidavit.[27] It is submitted that the applicant's contention is erroneous and is based on an incorrect reading of paragraph 39 of the respondents' replying affidavit. For the purposes of clarity that portion of the replying affidavit is referred to below:

"The natural interpretation of the distorted trade mark is that there is labour exploitation and misuse by SAB, which is a delicate issue from the past and is one that SAB, above all commercial enterprises in South Africa, has taken steps to remedy and has remedied more effectively than any other major business in South Africa."

Properly interpreted this paragraph means that SAB has effectively remedied the wrongs of the past in regard to the exploitation of black labour in South Africa, not that SAB has remedied the wrongs committed by it in the past in regard to the exploitation of black labour within SAB. In any event this issue is not relevant in

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[27] Vol 2, p 188, para 39.3

view of the factual finding made by the SCA that the applicant has no basis for attacking the employment practices of SAB.

D. BRIEF HISTORY OF SOUTH AFRICAN TRADE MARK LEGISLATION

12.

Before dealing with the current legal situation, it is respectfully submitted that regard should be had to the historical origins of the law of trade marks in South Africa. In this regard reference is made to **Protective Mining & Industrial Equipment Systems (Pty) Ltd [formerly Hampo Systems (Pty) Ltd] v Audiolens (Cape) (Pty) Ltd 1987 (2) SA 961 (A) at 978E *et seq.*** (This case was decided under the previous Trade Marks Act.) South African law of trade marks has its origin in the law of passing off. Our statute law concerning trade marks has followed English law. As was found by the SCA, the court in the **Protective Mining Case (at 979A–C)** also identified trade marks as a species of property. At the passage cited the following is said:

"The use by manufacturers of distinctive marks upon goods which they have made is of very ancient origin, but legal recognition of trade marks as a species of incorporeal property was first accorded by the Court of Chancery

in the first half of the 19th century. The right of property in a trade mark has special characteristics. One, which it shared with patents and with copyright, was that it was a monopoly, that is to say, it was a right to restrain other persons from using the mark. To be capable of being the subject-matter of property a trade mark had to be distinctive, that is to say, it had to be recognisable by a purchaser of goods to which it was affixed as indicating that they were of the same origin as other goods which bore the same mark and whose quality had engendered goodwill. Property in a trade mark could therefore only be acquired by public use of it as such by the proprietor and was lost by disuse."

13.

The promulgation of the current Act was preceded by a Draft Trade Marks Bill. On 30 August 1991 the Bill was published for general information, comments and alternative proposals.[28] The accompanying explanatory memorandum to that Bill recognised the need to update South African trade mark law in various respects. The memorandum also recorded that trade marks had increasingly become recognised as commercial assets of considerable importance and value, and that the then existing trade mark legislation was considered to have fallen behind the requirements of trade and industry. The Act was promulgated pursuant to the Draft Trade Marks Bill and included, for the first time, a species of trade mark infringement referred to as trade mark dilution. It is submitted that the reason for creating a separate species of infringement in the form of trade mark dilution is well illustrated by Prof Rutherford who describes the reason and basis for protection in the following terms:

"The preservation of the reputation and unique identity of the trade mark and the selling power which it evokes is of vital importance to the trade mark proprietor in order to protect and retain his goodwill. Other traders will frequently wish to exploit the selling power of an established trade mark for the purpose of promoting their own products. The greater the advertising

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[28] GN808 in Government Gazette 13482 of 30 August 1991

value of the trade mark, the greater the risk of misappropriation. Any unauthorised use of the trade mark by other traders will lead to the gradual consumer disassociation of the trade mark from the proprietor's product. The more the trade mark is used in relation to the products of others, the less likely it is to focus attention on the proprietor's product. The reputation and unique identity of the trade mark will become blurred. The selling power becomes eroded and the trade mark becomes diluted. The proprietor of the trade mark usually expends vast sums of money through advertising in order to build up the reputation and selling power and advertising value of his trade mark. The growth of his business is dependent upon the growth of the meaning and importance of his trade mark. It is therefore only fair that he should be entitled to protect his valuable asset against misappropriation. Moreover, a misappropriator should not be allowed to obtain a promotional advantage for his product at the expense of the trade mark proprietor. Misappropriation of the selling power or advertising value of a trade mark is commercially injurious to the trade mark proprietor and results in the impairment of the goodwill of his business. It is submitted that such conduct is, in principle, unlawful and constitutes an infringement of his right to goodwill.

It has been argued that the protection of trade marks against dilution amounts to the creation of a monopoly in the trade mark. However, this

argument ignores the nature of the subject matter which is protected. It is not the mark *per se* which is protected but the advertising value or selling power of the trade mark which may be the result of its inherent uniqueness, but is usually the result of an extensive advertising effort." [29]

14.

[29] B R Rutherford: *Misappropriation of the Advertising Value of Trade Marks, Trade Names and Service Marks*, in J Neethling (e.d.) *Onregmatige Mededinging/Unlawful Competition. Verrigtinge van 'n seminaar aangebied deur die departement Privaatreg van die Universiteit van Suid-Afrika op 3 November 1989* (1990) 55.

In **National Brands v Blue Lion Manufacturing (Pty) Ltd**[30] the Supreme Court of Appeal summarised the purpose of s 34(1)(c) of the Act as follows:

"Section 34(1)(c) introduces a new form of trade mark protection into our law, which aims to protect the commercial value that attaches to the reputation of a trade mark, rather than its capacity to distinguish the goods or services of the proprietor from those of others (Webster and Page, *South African Law of Trade Marks*, 4th ed at para 12.24). That being so, the nature of the goods or services in relation to which the offending mark is used is immaterial, and it is also immaterial that the offending mark does not confuse or deceive."

E. SECTION 34(1)(c) OF THE ACT AND CORRESPONDING UK AND EUROPEAN EQUIVALENTS

30 2001 (3) SA 563 (SCA) at 568G [11]

15.

Section 34(1)(c) of the Act provides that:

"The rights acquired by registration of a trade mark shall be infringed by the unauthorised 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 ..."

16.

Section 10(3) of the United Kingdom Trade Marks Act 1994 ("the U.K. Act") is similar in substance to our section 34(1)(c). It provides that:

"A person infringes a registered trade mark if he uses in the course of trade a sign which -

[a] is identical with or similar to the trade mark, and

[b] is used in relation to goods or services which are not similar to

those for which the trade mark is registered,

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

17.

17.1 Article 5(2) of the First Directive of the Council of the European Union (89/104 of 21 December 1988) provides that:

"Any member state may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the member state and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark."

17.2 Article 9(1)(c) of the Council of the European Union Regulation 40/94 of 20 December 1993 is in similar terms. This regulation deals with the infringement

provisions of a trade mark registered as a European Community trade mark.[31] The relevant provision reads as follows:

"A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) ...

(b) ...

(c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark."

F. DECISIONS BY UK COURTS AND EUROPEAN COURTS ON TRADE MARK DILUTION

31 *Kerly's Law of Trade Marks and Trade Names*, 13th ed., p 1022 and p 1038

18.

We refer to UK and European decisions which, we submit, may be of assistance when considering the ambit and effect of section 34(1)(c) of the Act. The legal position in the UK is also dealt with briefly in *Halsbury's Laws of England*.[32]

19.

Whilst the wording of s 34(1)(c) of the Act is very similar to the corresponding UK and European wording quoted above, there is an important difference. Section 34(1)(c) of the Act requires a likelihood of unfair advantage and/or detriment. The position in the UK and Europe is that their legislation requires actual (and not just a likelihood of) detriment or unfair advantage.[33]

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32 4th ed., 2000 reissue, Vol. 48, p 54-55 (para 72)

33 DaimlerChrysler AG v Alavi [2001] RPC 42 at para 88; General Motors Corp v Yplon [C375/97 European Court of Justice] (also: [1999] All ER 865 at 871 (C))

20.

In **Premier Brands UK Limited v Typhoon Europe Limited [2000] FSR 767** the English Court considered the provisions of section 10(3) of the UK Act. The plaintiff, Premier, was the proprietor of three registered trade marks for the word TY.PHOO in relation to ***inter alia*** one of the best-known brands of tea in the UK. These marks had also been used on tea canisters, tea pots and tea towels as a means of promoting the sales of Premier's tea. The defendant launched a range of kitchen hardware branded Typhoon and the plaintiff commenced proceedings for infringement under ***inter alia*** section 10(3). In view of the comprehensive nature of the enquiry undertaken in this case and the assistance that it may provide, reference is made to certain ***dicta*** and passages from the judgment.

20.1 In regard to the concept of taking "unfair advantage" of the distinctive character or reputation of the registered trade mark, the learned Judge (Neuberger J) referred with approval to the case of **Dimple [1985] GRUR 550**, where the German Federal Supreme Court said that:

"The Courts have repeatedly held that it constitutes an act of unfair competition to associate the quality of one's goods or services with that of prestigious competitive products for the purpose of exploiting the good reputation of the competitor's goods or services in order to enhance one's

promotional efforts." [34]

20.2 In regard to conduct which is detrimental to the distinctive character or repute of the registered trade mark the learned Judge referred to the observations of the German Federal Supreme Court in the case of **Quick [1959] GRUR182** where the following was said:

"[T]he owner of ... a distinctive mark has a legitimate interest in continuing to maintain the position of exclusivity he acquired through large expenditures of time and money and that everything which could impair the originality and distinctive character of his distinctive mark, as well as the advertising effectiveness derived from its uniqueness, is to be avoided ... Its basic purpose is not to prevent any form of confusion but to protect an acquired asset against impairment." [35]

20.3 In expanding on the concept of blurring, the learned Judge said:

"Blurring occurs where the distinctiveness of a mark is eroded. A pithy

[34] p 786

[35] p 786

explanation of blurring may be found in the observations of Sir Thomas Bingham MR in Taitinger SA v Allbev Limited [1993] FSR 641 at 678, where he said this:

'The first plaintiff's reputation and goodwill in the description CHAMPAGNE derived not only from the quality of their wine and its glamorous associations, but also from the very singularity and exclusiveness of the description, the absence of qualifying epithets and imitative descriptions. Any product which is not CHAMPAGNE but is allowed to describe itself as such must inevitably, in my view, erode the singularity and exclusiveness of the description CHAMPAGNE and so cause the first plaintiff's damage of an insidious but serious kind.' " [36]

20.4 Reference was also made (on the aspect of blurring) to a passage in the work by Mostert, *Famous and Well-known Trade Marks* (1997) at p 58 and 59 where the following appears:

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[36] p 787– 788

"If, for example, the TIFFANY mark has become well-known in connection with jewellery, and it is used on a multiplicity of other goods such as chocolates, clothing, a motion picture house, and a restaurant, the likelihood that the TIFFANY mark will still exclusively call to mind its owner's jewellery products becomes increasingly diminished." [37]

20.5 In regard to the concept of tarnishing the learned Judge said that the best-known example was perhaps to be found in the decision of the Benelux Court of Justice in **Lucas Bols v Colgate-Palmolive**.[38] The learned Judge referred to the following ***dictum*** from the **Lucas Bols** case:[39]

"It is ... possible ... that the goods to which [the use of] a similar mark relates, appeal to the sensations of the public in such a way that the attraction and the 'capacity of the mark to stimulate the desire to buy' the kind of goods for

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37 p 801

38 (1976) 7 I.I.C. 420, where the mark CLAERYN for gin was held to be infringed by use of the sign KLAREIN for a liquid soap

39 p 423

which it is registered, are impaired'." [40]

[40] p 788

20.6 The learned Judge referred to three cases where the infringer's conduct would lead to the tarnishing of the registered proprietor's trade mark due to potentially damaging connotations arising between the registered mark and the infringer's mark. He mentioned infringing marks that were used for condoms which were held **"to impair [the claimant's] advertising power in regard to the original goods and, moreover, to ruin their positive image, at least as far as part of the public is concerned"**.[41]

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41 p 798–799, the three cases are: The New York District Court decision in American Express Co v Vibra Approved Laboratories Corp 10 U.S.P.Q. 2d 2006, (financial services); the German Federal Supreme Court decision in MARS (1995) 26 I.I.C. 282 (confectionery) and an appeal from the Registrar of Trade Marks in England in VISA Trade Mark [C.A. Sheimer (M) Sdm Bhd's Trade Mark Application, 2000 RPC 484]

21.

In **Hollywood SAS v Souza Cruz SA**[42] the court pointed out that "detriment to repute" occurs where a mark is "sullied or debased by its association with something inappropriate", either through use in an unpleasant, obscene or degrading context or in a context that is not inherently unpleasant, is incompatible with the image of the trade mark.[43]

22.

42 OHIM 3rd Board of Appeal, case R283/1999-3

43 note 263

In the **MARS** case[44] the German Federal Supreme Court upheld a decision which prevented the defendant from marketing individually wrapped condoms in folding match-book type packaging bearing a picture of the plaintiff's MARS bar product and a reproduction of the word MARS which the plaintiff had registered as its trade mark. At p 289 the question of detriment to the distinctive character and repute of the plaintiff's trade mark was discussed and the Court found that the defendant's conduct impaired the advertising power of Plaintiffs' candy bars and ruined their positive image. The Court concluded by saying that:

"... contraceptives evoke certain associations (sexual relations, AIDS prevention, etc.), which significant portions of the addressed public would certainly rather do without when it comes to buying candy, and with which reputable candy manufacturers, in particular, rightfully do not wish to be identified because, as a rule, contraceptives do not appear to promote the sale or image of their products."

44 26 I.I.C. 282

The **VISA Trade Mark** case[45] was an appeal from the British Registrar of Trade Marks. The case concerned an application to register the mark VISA for, ***inter alia***, condoms and contraceptive devices. The application was opposed by VISA International Service Association on the grounds ***inter alia*** that the use of the mark VISA for condoms and contraceptive devices would take unfair advantage of and be detrimental to the distinctive character and repute of its VISA mark for financial services contrary to s 5(3) of the UK Act. Section 5(3) is very similar to s 10(3), save that it relates to applications for registration of trade marks whereas s 10(3) relates to infringement. The Court found that if registration was granted the use of the mark so registered would be detrimental to the distinctive character or repute of VISA International's earlier registered trade mark. In so finding the Court said the following:[46]

"I cannot see any justification for permitting Sheimer (i.e. the applicant for registration) to register a trade mark which would, when used, burden VISA International's (i.e. the opponent) own use of its earlier registered trade mark with connotations of birth control and sexual hygiene that would alter perceptions of the mark negatively from the point of view of a provider of

45 [2000] RPC 484

46 p. 506, lines 35-50

financial services in the position of VISA International. VISA International should not have to carry the burden of advertising condoms and prophylactics at the same time as it promotes its own services."

24.

In **Pfizer Limited and Pfizer Incorporated v Eurofood Link (United Kingdom) Ltd**[47], Mr Simon Thorley Q.C. (sitting as a Deputy High Court Judge) dealt with infringement proceedings brought, ***inter alia***, under section 10(3) of the UK Act. Pfizer was the registered proprietor of the VIAGRA trade mark in the UK in respect of pharmaceutical and veterinary preparations. Pfizer marketed a blue, diamond-shaped VIAGRA tablet for treating male impotence. This product instantly attracted a high level of public awareness. Thereafter Pfizer learned that the defendant Eurofood was planning to market, as an aphrodisiac, a drink bearing the mark VIAGRENE. The drink which, like the VIAGRA tablets, was blue, also bore a diamond shape on the label on its bottle. The court found that the defendant's conduct constituted trade mark infringement under section 10(2) of the UK Act and therefore the remarks which it made in regard to section 10(3) are ***obiter dicta***. However, such ***dicta*** are, we submit, of assistance to an interpretation of our section 34(1)(c). The following was stated:[48]

"The concept of 'unfair advantage' requires an inquiry into the benefit to be

47 [2000] E.T.M.R. (issue 10) p 896

48 p 910, para 37

gained by the defendant from the use of the mark complained of and the concept of 'detriment' requires an inquiry into the damage to the goodwill accruing to the business in the goods sold under the trade mark. The advantage or detriment must be of a sufficiently significant degree to warrant restraining what is, *ex hypothesi*, a non-confusing use."

The learned Judge found that Pfizer had established both the unfair advantage aspect and the detriment aspect required by section 10(3). In reaching this conclusion he took, ***inter alia***, the following into account:[49]

"... Pfizer are naturally keen to ensure that their trade mark is not misused and that their reputation as suppliers of high quality pharmaceuticals is not impaired. The potential damage to that reputation by the sale of a beverage purporting to be an aphrodisiac in circumstances which, as I have held, is calculated to call to mind the name VIAGRA, is obvious. Equally it is clear from the evidence of Mr Medway and from the website that the defendant is keen to establish an association with VIAGRA to enhance sales of their product."

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[49] p 915, para 58

G. USA LAW ON TRADE MARK DILUTION

25.

Courts in the United States have been reluctant to protect crude and distasteful parodies. The Courts have granted a temporary injunction against use of the phrase **"Enjoy Cocaine"** written in the distinctive Coca Cola script (**The Coca Cola Company v Gemini Rising Inc**)[50] and prevented use of the phrase **"America Express - Never Leave Home Without It"** in respect of a novelty item revealing a condom (**American Express Co v Vibra Approved Laboratories Corp**.[51]

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50 346 F.Supp.1183 at 1190-1191 (1972)

51 10 U.S.P.Q. 2d 2006 (S.D.N.Y. 1989)

26.

In **Pillsbury Company v Milkyway Productions**[52] the Defendant published in a pornographic book, pictures of characters similar to the Pillsbury trade characters (being used in respect of food) engaged in sexual acts. The Plaintiff succeeded in respect of dilution, the Court holding that the depraved context in which the trade marks were placed tarnished their value and injured the business reputation of the Plaintiff.

27.

[52] 215 U.S.P.Q. 124 (N.D.Ga 1981) and, in particular, p 135, para E of the judgment

The case **Mutual of Omaha Insurance Co. v Novak**[53] is commented on in *McCarthy on Trade Marks and Unfair Competition.*[54] The learned author's commentary is made under the heading "Using Someone Else's Trade Mark to Convey A Message". In the paragraph cited the following appears:

"In several cases, defendants charged with trademark infringement have claimed the protection of the First Amendment by alleging that they are merely using the plaintiff's mark to convey some important social or commercial message to the public. If the defendant's use is in a traditional commercial context such as on a product, then almost uniformly a free speech defence has been rejected.

For example in the course of conveying his message of protest against nuclear weapons, defendant marketed products such as coffee mugs and T-shirts bearing the term 'Mutant of Amaha'. The court held that the defendant's First Amendment defence must be rejected after balancing it against plaintiff's trademark property rights in its MUTUAL OF OMAHA trademark:

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53 648 F.Supp. 905, 281 U.S.P.Q. 936

54 4th ed, Vol 4, para 31:144

'There are numerous ways in which [defendant] may express his aversion to nuclear war without infringing upon a trademark in the process. Just as [defendant] may not hold an anti-nuclear rally in his neighbour's backyard without permission, neither may he voice his concerns through the improper use of Mutual's registered trade mark. Under these facts, the First Amendment provides no defence.'

Thus, the First Amendment defence was rejected because defendant had adequate alternative ways (other than to use plaintiff's trademark) to convey its message of opposition to nuclear weapons when the message appeared on traditional commercial merchandise."

28.

As was pointed out in **L L Bean, Inc. v Drake Publishers, Inc.**[55] **"the Constitution is not offended when the anti-dilution statute is applied to prevent a defendant from using a trade mark without permission in order to merchandise dissimilar products or services."** However, when a defendant's trade mark use consists of either an editorial or artistic parody, rather than a commercial use, then anti-dilution law cannot be used to prohibit such conduct.

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[55] 811 F.2d 26 (1st Cir. 1987)

H. ACTUAL ECONOMIC LOSS IS NOT A REQUIREMENT FOR DILUTION

29.

The relief sought by the respondent was for an interdict because damages are very difficult to prove in trade mark infringement cases. Also, damages will not compensate the respondent from the tarnishing of its good name and reputation and the infringement of the selling power of its well-known trade marks. As pointed out by Page J in **Cambridge Plan AG and another v Moore and others**[56] not only are damages notoriously difficult to prove in trade mark infringement and passing-off cases, but awards of damages are almost certainly a poor substitute for the grant of an interdict.

30.

[56] 1987 (4) SA 821 (D) at 847H–848B

Care should be taken when comparing the position under South African law to American law. The relevant American legislation requires a plaintiff seeking relief under the dilution laws to establish actual dilution rather than a likelihood of dilution. As pointed out by **McCarthy** ***op cit***[57] the American law was established by the American Supreme Court in the case of **Moseley v V Secret Catalogue, Inc**.[58] The Supreme Court relied heavily on the fact that the Federal Trademark Dilution Act did not contain the phrase **"likelihood of injury to the business reputation or of dilution"** that appears in other American Statutes. The Supreme Court agreed with the Fourth Circuit that omission of the word **"likelihood"** in the Federal Law and use of the word **"causes"** dilution meant that the owner of the famous mark had to prove that actual **"dilution"** had already occurred.

I. THE CONSTITUTION AND TRADE MARK RIGHTS

57 4th ed, Vol 4, para 24: 94.2

58 123 S.CT. 1115, 65 U.S.P.Q. 2d 1801 (U.S. 2003)

31.

In the first certification case[59] an objection was raised that, inconsistently with the constitutional principles, the Constitution failed to recognise a right to intellectual property. This was dealt with by this Honourable Court at [75] as follows:

"A further objection lodged was that the NT fails to recognise a right to intellectual property. Once again the objection was based on the proposition that the right advocated is a 'universally accepted fundamental right, freedom and civil liberty.' Although it is true that many international conventions recognise a right to intellectual property, it is much more rarely recognised in regional conventions protecting human rights and in the constitutions of acknowledged democracies. It is also true that some of the more recent constitutions, particularly in Eastern Europe, do not contain express provisions protecting intellectual property, but this is probably due to the particular history of those countries and cannot be characterised as a trend which is universally accepted. In these circumstances, the objection cannot

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59 ***Ex parte*** Chairperson of the Constitutional Assembly: ***In re*** Certification of the Constitution of the Republic of South Africa, 1996 (4) SA 744 (CC)

be sustained." (Footnotes omitted.)

32.

In the light of the aforegoing it is submitted that the finding of this court in regard to intellectual property is that the Constitution does in fact recognise a right to intellectual property. This approach has been criticised.[60] Despite this criticism it is submitted that trade marks, being a species of intellectual property, are covered by the provisions of s 22 (freedom of trade, occupation and profession) and s 25 (property) of the Constitution.

60 Tydskrif vir Hedendaagse Romeinse-Hollandse Reg (Journal of Contemporary Roman-Dutch Law) 1997 (60) THRHR 105–119 sv the case for the recognition of intellectual property in the Bill of Rights

33.

The applicant's principal contention in regard to the interpretation of s 34(1)(c) is that the section requires a trade mark owner to establish that he or she has suffered economic harm in consequence of the alleged infringement. Such economic harm must be established as a "likelihood" or probability. The applicant contends that the respondent failed to establish any basis for relief as no factual case was made out that the respondent has suffered economic harm.

34.

The respondent submits that the likelihood of it suffering economic harm as a consequence of the respondent's conduct is self-evident. No right thinking South African would wish to be associated with the racially insensitive message conveyed by the applicant's T-shirts. The T-shirts' racial slur is likely to erode the exclusiveness of the mark, undermine its value as a right to be licensed and discourage persons from purchasing the respondent's Black Label beer. It is also likely to discourage people from accepting sponsorships from SAB. The SAB Group is known to be active in the area of commercial practise of promotional sponsorship. SAB has sponsored South African national teams and those sponsorships (which are an effective form of advertising) are likely to be lost. We accordingly submit that there is no merit in the applicant's contention that the respondent has not established the likelihood of suffering economic loss as a result of applicant's conduct.

J. AMERICAN LAW: THE FREE SPEECH DEFENCE

35.

The principles laid down by the American courts regarding free speech and the protection of trade marks are dealt with extensively by **McCarthy** ***op cit***[61]. These paragraphs contain a detailed and extensive analysis of the relevant legal principles and therefore those which we consider might be of assistance to this Honourable Court will be summarised in what follows (footnotes omitted).

61 para 31:139–31:150

35.1 In 1976 the United States Supreme Court held for the first time that commercial speech was protected by the first amendment free speech clause of the Constitution;[62]

35.2 In the **Virginia Board of Pharmacy** case[63] the court held that ordinary advertising of commercial products is as deserving of constitutional protection as political speech or writing.[64]

35.3 Commercial speech has been defined as speech of any form that advertises a product or service for profit or for business purposes. The Supreme Court has, however, held that the test is not whether the speech is made for profit, but whether it proposes a commercial transaction. If it does, it is commercial speech.[65]

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62 para 31:139

63 Virginia State Bd of Pharmacy v Virginia Citizens Consumer Council, 425 U.S. 748, 765, 48 L.Ed. 2d 346, 96 S.Ct 1817 (1976)

64 para 31:139

65 para 31:139

35.4 Commercial speech enjoys some lesser, but not yet well defined, position within the first amendment hierarchy. The type of cases that the Supreme Court has reviewed include holdings that the State cannot forbid pharmacists from advertising the prices of prescription drugs; cannot forbid the advertisement of contraceptives; cannot prohibit attorneys from price advertising and cannot forbid an electricity utility from advertising to promote the use of electricity.[66]

35.5 More to the point on trade mark and unfair competition law, the court made it clear that the first amendment does not stand in the way of regulation of false or misleading advertising for "untruthful speech, commercial or otherwise has never been protected for its own sake". The court in **Virginia Board of Pharmacy** specifically noted that the Constitution does not prohibit government from **"insuring that the stream of commercial information flows cleanly as well as freely"**.[67]

35.6 Sometimes traditional advertising contains within it a political or social message. In the 1983 **Bolger** case[68] the Supreme Court held unconstitutional a federal statute prohibiting the unsolicited mailing of advertisements for

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66 para 31:140

67 para 31:141

68 **Bolger v Youngs Drug Prods. Corp**., 463 US 60, 77 L.Ed 2d 469, 103 S.Ct 2875 (1983)

contraceptives. In the course of its discussion, the court ruled that the pamphlets were commercial not social speech, even though information within the mailing discussed the social issues of sexuality and venereal disease. Justice Marshall remarked, ***inter alia***, that:

"A company has the full panoply of protections available to its direct comments on public issues, so there is no reason for providing similar constitutional protection when such statements are made, in the context of commercial transaction. Advertisers should not be permitted to immunize false or misleading product information from government regulation simply by including reference to public issues."[69]

35.7 In 1993, in **City of Cincinnati**[70] the Supreme Court held that if commercial speech and fully protected speech are **"inextricably intertwined"** the Supreme Court will treat the total mixture as non-commercial, fully protected speech. But the **"inextricably Intertwined"** test does not apply where non-commercial speech is

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69 para 31:141

70 **Cincinnati v Discovery Network** 507 U.S. 410, 123 L. Ed. 2d 99, 113 S.Ct. 1505, 1513 (1993)

simply tacked onto commercial speech that proposed a commercial transaction.[71]

[71] para 31:141

35.8 False commercial speech is not protected by the first amendment and can be banned entirely. The Supreme Court has also held that misleading advertising may be prohibited entirely. Another way to state the rule is that false commercial speech receives no first amendment protection.[72]

35.9 For speech to come within first amendment analysis it must concern lawful activity and not be misleading. This is a threshold analysis and if not passed there need be no balancing of governmental policy against the scope of the restraint.[73]

K. SOUTH AFRICAN LAW: COMMERCIAL SPEECH

36.

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72 para 31:142

73 para 31:142

We submit that the message conveyed on the applicant's T-shirt would qualify, primarily, as commercial expression. In their work *Constitutional Law of South Africa*, Chaskalson ***et al*** deal with commercial expression.[74] The essence of the view expressed by the learned authors is that commercial expression relates primarily to commercial advertising of goods or services for profit, but is wide enough to include expression in the context of unlawful competition, including disparagement and economic trade boycotts. The learned authors then go on to say that **"most, but not all, commercial expression is at some remove from the call of freedom of expression and is best located within the protected periphery of the guarantee."**

37.

In **City of Cape Town v Ad Outpost (Pty) Ltd and others**[75] Davis J gave consideration to the concept of commercial speech. At 749D–F the learned Judge said the following:

"The tendency to conclude uncritically that commercial expression bears less

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74 p 20-50 to p 20-53, para 20.8 (f)

75 2000 (2) SA 733 (C)

constitutional recognition than political or artistic speech needs to be evaluated carefully. So much speech is by its very nature directed towards persuading the listener to act in a particular manner that artificially created divisions between the value of different forms of speech requires critical scrutiny. Whatever the role of such speech within a deliberative democracy envisaged by our Constitution, it is clear that advertising falls within the nature of expression and hence stands to be protected in terms of s 16(1) of the Constitution. To the extent that its value may count for less than other forms of expression, account of this exercise in valuation can only be taken at the limitation enquiry as envisaged in s 36 of the Constitution."

38.

In **North Central Local Council and South Central Local Council v Roundabout Outdoor (Pty) Ltd and others**[76] Kondile J also concluded that commercial speech is entitled to lesser protection than that accorded to other constitutional guaranteed forms of expression. Put differently, the learned Judge said that commercial expression occupies a subordinate position in the scale of constitutional right values.[77]

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76 2002 (2) SA 625

77 635B–C

39.

It is submitted that whether or not commercial speech is afforded lesser protection by section 16 of the Constitution than other forms of expression, the message conveyed by the applicant's T-shirt is of such an opprobrious nature that it should not be justified either under section 16(1) or at the limitation enquiry as envisaged in s 36 of the Constitution.

L. BALANCING OF THE COMPETING RIGHTS

40.

We submit that when one embarks on the weighing up of competing values and the balancing of different interests leading ultimately to an assessment based on proportionality, the following considerations should be taken into account:

40.1 The respondent's trade marks are intangible or incorporeal property. The fact that property is intangible does not make it of a lower order;

40.2 s 34(1)(c) of the Act protects the economic value of a trade mark, more particularly its reputation or its advertising value or selling power. It is submitted that these values are important in a free market economy;

40.3 a trade mark owner's right to trade freely and fairly by using his or her trade mark in relation to goods or services falls within the ambit of the constitutionally protected rights of freedom of trade, occupation or profession;

40.4 the express terms of s 34(1)(c) of the Act place important limitations on the scope of the section. These limitations are as follows:

40.4.1 The section provides protection to well-known marks only;

40.4.2 the prohibited use must be **"in the course of trade"**;

40.4.3 the use must be in relation to goods or services;

40.4.4 an alleged infringer may not take **"unfair advantage"** of the distinctive character or repute of the mark;

40.4.5 any detriment will not suffice and in order to be actionable the allegedly infringing conduct has to be unfair in the sense that the relief sought may not unfairly or unduly encroach on the rights of others.

40.5 All acts of trade mark infringement are also subject to the limitations set

out in s 34(2) of the Act.

40.6 Insubstantial prejudice to the trade mark owner is not enough as the law concerns itself with matters of substance;

40.7 The applicant could reasonably achieve its desired ends through other means which are less damaging to the respondent's trade mark rights.

40.8 Unfair or unjustified racial slurs on a trade mark owner should not be countenanced either generally or particularly in a society such as ours;

40.9 The applicant's conduct is commercially motivated and its intention is to market commodities and not to function as a communication medium or commentator to the public at large.

41.

In the circumstances we submit that the applicant's conduct should be found to be objectionable in that it interferes in an unacceptable manner with the respondent's trade mark rights and with the respondent's freedom of trade, occupation or profession.

M. CONCLUSION AND REMEDY

42.

It is accordingly submitted that the applicant's conduct should be regarded as unlawful and not as the lawful exercise of its right to freedom of expression.

43.

It is submitted that the respondent has not only established the requisites for infringement under s 34(1)(c) of the Act, but has also satisfied the requirements for the grant of a final interdict.

44.

In the premises it is submitted that the applicant's application for special leave should be dismissed, alternatively that the appeal should be dismissed with costs, including the costs of two counsel

45.

The order of the SCA should therefore be confirmed.

P GINSBURG SC

R MICHAU

S M LEBALA

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