

**IN THE HIGH COURT OF SOUTH AFRICA
(CAPE OF GOOD HOPE PROVINCIAL DIVISION)**

Case no.: 3271/2002

In the matter between:

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

Applicant

and

LAUGH IT OFF PROMOTIONS

Respondent

JUDGMENT GIVEN THIS WEDNESDAY, 16 APRIL 2003

CLEAVER J:

[1] This is an application which is based on the provisions of section 34(1)(c) of the Trade Marks Act 194 of 1993 ('the act').

[2] The applicant is the registered proprietor of the following South African trade marks in class 32:

- 2.1 No. 79/3675 **CARLING BLACK LABEL** in class 32 in respect of alcoholic brewery beverages, including beer, ale, lager, porter and stout; shandy; non-alcoholic drinks; preparations for making all such drinks, dated 19 July 1979; and
- 2.2 No. 91/9236 **CARLING BLACK LABEL** neck and body label (colour) in class 32 in respect of beer, ale and porter, dated 1 November 1991; and
- 2.3 No. 91/9237 **CARLING BLACK LABEL** neck and body label (1991) in class 32 in respect of beer, ale and porter, dated 1 November 1991;

The applicant is a company registered in Rotterdam, The Netherlands, and trades in and controls the trade in a large range of products, largely alcoholic and non-alcoholic beverages. It also functions as a trade mark holding company which manages, maintains and controls the use of a range of trade marks throughout the world. It acquired ownership of the trade marks in issue and the marks were assigned to it with effect from 31 December 1997. After the institution of these proceedings the applicant changed its name to SABMiller Finance B.V. The respondent is a close corporation and offers for sale T-shirts bearing marks which are similar to a number of well-known trade marks, including those of the applicant. It does so through advertising on the internet.

[3] A copy of the applicant's mark, is attached hereto marked 'A', while a copy of the mark used on the respondent's T-shirts is attached marked 'B'. From the two marks it will be seen that

- The words '**BLACK LABEL**' have been replaced in the respondent's mark by the words '**BLACK LABOUR**'. The lettering of the script is the same. The words '**CARLING**' and '**BEER**' above and below the applicant's mark have been replaced by the words '**WHITE**' and '**GUILT**' respectively.
- The words in the applicant's mark, at the top of the mark, namely '**AMERICA'S LUSTY, LIVELY BEER**' have been replaced in the respondent's mark by the words '**AFRICA'S LUSTY, LIVELY EXPLOITATION SINCE 1652**'.
- The words '**BREWED IN SOUTH AFRICA**' at the foot of the applicant's mark have been replaced by '**NO REGARD GIVEN WORLDWIDE**' on the applicant's mark.

The lettering containing these words in both marks is similar and in each case is in

black on a yellow background.

- [4] The applicant contends that the respondent's mark infringes the provisions of section 34(1)(c) of the act and accordingly applies for an interdict restraining the respondents from using the offending mark. The section reads as follows:

“ 34. **Infringement of registered trade mark.**—(1) *The rights acquired by registration of a trade mark shall be infringed by—*

- (a) ...
- (b) ...
- (c) *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: Provided that ...”*

(The provisions of the proviso are not relevant to this application.)

The section contains the so-called anti-dilution provisions and was introduced into the act only in 1993. In *“Misappropriation of the advertising value of trade marks, trade names and service marks”* in J Neethling (ed) *‘Onregmatige Mededinging/Unlawful Competition; verrigtinge van ’n seminaar aangebied deur die Departement Privaatreg van Die Universiteit van Suid-Africa op 3 November 1989 (1990)*, Prof B R Rutherford explains the reason for the introduction of anti-dilution provisions in trade mark legislation as follows:

“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 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 or 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 this 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.”

(Also quoted in Webster and Page: South African Law of Trade Marks para 12.24 at 12-43.)

- [5] The provisions of section 34(1)(c) have received little attention from our courts but in *Bata Ltd v Face Fashions CC and Ano* 2001 (1) SA at 844 **Melunsky** AJA held at 851E-G

“A plaintiff who relies upon an infringement in terms of s 34(1)(c) needs to establish:

- (a) the defendant’s use of a mark identical or similar to the plaintiff’s registered mark;*
- (b) that the use –*
 - (1) is unauthorised; and*
 - (2) is in the course of trade; and*
 - (3) would be likely to take unfair advantage of or be detrimental to, the distinctive character or the repute of the plaintiff’s registered mark; and*
- (c) that the plaintiff’s registered mark is well known in the Republic.”*

See also *Triomed (Pty) Ltd v Beecham Group plc and Others* 2001 (2) SA 522.

- [6] When dealing with the concept of “*similar*” in section 34(1)(c), the court in the *Bata* case held as follows at 852B-D

“‘Similar’ must obviously be construed in the context in which it appears and, in my view, it should not be taken too wide or extensive an interpretation for the purposes of s 34(1)(c). The section, while seeking to preserve the reputation of a registered mark, introduces a new concept into South African law. If the word ‘similar’ is given too extensive an

interpretation the section might have the effect of creating an unacceptable monopoly to the proprietor of a trade mark and thus unduly stultify freedom of trade. I doubt whether the Legislature could have intended such a result. I am inclined to hold, therefore, that the section does not apply if the two marks are similar merely because they contain features of the same kind or because there is a slight resemblance between them. In The Oxford English Dictionary vol XV at 490 one of the meanings given to 'similar' is 'having a marked resemblance or likeness'. This seems to be an appropriate meaning to be given to the word for the purposes of the section."

In my view, there is a marked resemblance or likeness between the applicant's registered mark and the mark used by the respondent. The respondent's mark is clearly intended to refer directly to the applicant's mark. It is similar in colouring, the lettering is similar and the overall effect is similar. The respondent does not deny that it is using a mark which has a marked resemblance or likeness to the applicant's mark. Mr Nurse, the sole proprietor of the respondent and deponent to the affidavit filed in answer to the applicant's founding affidavit, testified that

"SAB have objected primarily to our use of their brand, rather than the social comment that our T-shirt makes."

and

"We have been sued (effectively) by SAB in respect of our use of the Black Label design."

[7] It is common cause that requirements (b)(1) and (b)(2) set out in the *Bata* judgment have been complied with. The use by the respondent of the mark is clearly unauthorised and the respondent makes it clear that the mark is being used in order to promote the sale of its T-shirts.

[8] The concept of "*well-known*" was considered by the Supreme Court of Appeal in *McDonald's Corporation v Joburgers Drive-Inn Restaurant & Dax Prop CC 1997* (1) SA (A) at 19F *et seq* in relation to the provisions of section 35 of the act which

provides protection for marks which are well known in the Republic of South Africa under the Paris Convention. The court held that in order to be well-known, the reputation of the mark must extend to a substantial number of members of the public or persons in the trade in question i.e. a test similar to that in the law of passing off. This test was accepted in the *Triomed* case as also being the test to establish whether a mark is well-known for the purposes of section 34 (1)(c).

[9] As to the proof of the contention by the applicant that its mark is well known, the founding papers reveal that

- The sale in beer products under the Black Label trade mark in South Africa is substantial. The volume of products sold comprises millions of hectolitres per year. In the financial year 2000-2001 sales were in excess of 1,4 billion 340 million bottles. Since 1966 more than 55 million hectolitres of Black Label beer have been sold.
- Extensive marketing and advertising campaigns have taken place to promote the Black Label trade marks. In 1997 in excess of R17 million was spent on advertising. In 1998 in excess of R17 million; and in each of the years from 1999 to 2001 in excess of R20 million. This has taken place in the form of television and radio advertising, newspaper and magazine advertisements, pamphlets, brochures, posters, T-shirts and the like. In addition, major sporting events in South Africa have been sponsored.

Since a mark's reputation may be inferred from evidence such as extensive advertising, I am satisfied that the applicant has proved that its marks are well known. The respondent also does not dispute this.

[10] That leaves for consideration whether or not the respondent's mark is likely to take

unfair advantage of or be detrimental to the distinctive character or the repute of the applicant's registered mark. Mr **Hodes**, who together with Mr **Sholto-Douglas** appeared for the respondent, submitted that

- (a) no proof had been advanced by the applicant that the respondent's use of the mark was likely to take unfair advantage of or be detrimental to its distinctive character or repute; and
- (b) in any event the respondent's conduct was not such which would probably result in an unfair advantage being taken of the applicant's mark or probably be detrimental to him.

[11] The view generally held is that dilution of a trade mark occurs when it can be said that blurring or tarnishing of it occurs. Blurring takes place when the uniqueness and distinctive nature of a trade mark is eroded by the use of the mark in relation to non-competing goods or services. See in this connection the discussion in Webster and Page at para 12-24 where the example given by Frank I Schechter in an article entitled 'The rational basis of trade mark protection' is cited and in particular the following example:-

"If you allow Rolls Royce restaurants, Rolls Royce cafeterias, Rolls Royce pants and Rolls Royce candy, in ten years you will not have the Rolls Royce mark any more."

In the *Triomed* case the court stated

"Tarnishing occurs where unfavourable associations are created between the well known registered trade mark and the mark of the defendant. It is an impairment of the well-known mark's capacity to stimulate the desire to buy (See Premier Brands UK Ltd v Typhoon Europe Ltd and Another [2000] All ER (D) 52 at 14.)"

[12] Although no direct evidence was adduced by the applicant as to the likelihood of dilution occurring, Mr **Ginsburg**, who together with Mr **Michau** appeared for the

applicant, submitted that the irresistible inference to be drawn from a simple comparison of the marks, coupled with certain statements or admissions made by the deponent of the respondent, established clearly that the tarnishing of the applicant's mark was likely to occur. In the *Bata* case the court held that no particulars had been furnished of the respects in which the use of the mark would be likely to take unfair advantage of or be detrimental to the distinctive character or repute of the appellant's trade mark and Mr **Hodes** submitted that some form of evidence, similar to that required in the traditional trade mark infringement cases, ought to have been provided from members of the public in order to bring the application home under this sub-section.

[13] In a manner similar to the manner in which an innuendo is pleaded in defamation proceedings, it was submitted on behalf of the applicant that the words used on the respondent's T-shirts will convey the following messages to reasonable members of the public and in particular to purchasers of the applicant's products:-

13.1 That the applicant has, in the past, exploited and continues deliberately to exploit black labour and is guilty of racial discrimination. The underlying message is likely to be racially inflammatory.

13.2 The words used conjure up South Africa's racist past by falsely attributing to the applicant the "*Lusty*" and "*lively exploitation of Black Labour since 1652*".

Mr **Ginsburg** submitted that these contentions were supported by the respondent's own evidence and pointed to the following extracts from the affidavit of the respondent's deponent:-

- Respondent's purpose is to challenge the enforceability of the applicant's intellectual property rights;
- The method employed by the respondent is to appeal to or attract the

attention of consumers who use the trade mark which is being attacked by the respondent; and

- The respondent's target market is primarily the black working class South African. The respondent targets these people because, in the words of the respondent's deponent, *"the Black Label brand is and has been used on an extensive scale to market Black Label beer, primarily to black working class South Africans..."*. Furthermore, the deponent states that it is a widely known fact that Black Label beer is targeted at the largely uneducated black mass market.
- The respondent's deponent states – *"...Laugh It Off has used the force of a massive entity (namely, the Black Label brand) back on itself. Seeing as we don't have the money or the marketing clout to defeat them on their playing fields, we have invented our own."*
- According to the respondent, *"Undisputably too, is the fact that SAB (i.e. South African Breweries) and Black Label have profited and fed off this exploited black market, by using the misery of the working class to drive product."*
- The applicant *"unethically feeds off apartheid's legacy"*.

In holding the view that *"while it ought to be relatively easy to identify dilution where the use is obviously offensive"*, the authors of Webster & Page (para 12.24 at p-44) refer to their discussion of the meaning *"likely to give offence"* in the context of section 10(12) of the act. That subsection prohibits the registration of a mark which is, *inter alia*, *"likely to give offence to any class of persons"*. In considering this provision the authors suggest that the words refer to marks which *ex facie* offend because of their content.

In my view it is clear from a comparison of the marks and respondent's

understanding of as well as its purpose in using the applicant's marks, that the applicant has established that such use would be likely to take unfair advantage or be detrimental to the distinctive character or repute of the plaintiff's registered marks.

[14] Mr **Hodes** endeavoured to make something of the fact that the target of the respondent's innuendoes in its papers is SAB and not the applicant. As mentioned previously the applicant is the registered holder of the trade marks in question which are used by SAB in this country under licence. Since the case of the applicant is that the respondent's actions are likely to dilute the value of the trade marks, it is clearly only the holder of the trade marks who can institute infringement proceedings. Furthermore, the applicant makes it clear in its papers that it controls the trade in the products sold under its label and that it has in association with SAB worked extremely hard to avoid racial discrimination in its labour practices. For the purposes of the present application, I consider the applicant and its licensee to have a common identity with the result that the "*attack*" on SAB by the respondent must, of necessity, filter through to the applicant.

[15] It is clear from the respondent's papers that it is in effect using the applicant's mark for commercial gain. The respondent's deponent admitted in an interview with a Cape Radio station (a transcript of the interview being attached to the papers) that it has to use the applicant's trade mark in order to sell its T-shirts and that the use of the applicant's trade mark is the medium that affords the respondent the ability to make money. The deponent also acknowledged that the respondent's T-shirt would have no commercial value if they were not sold by making use of the brand or trade mark of the applicant.

[16] The respondent does not raise any of the statutory defences set out in section 34 (2) of the act, but instead Mr **Hodes** submitted that the mark used by the respondent amounted to nothing more than social commentary in the form of lampooning or satire which the respondent was entitled to make by virtue of the provisions of the Constitution which guarantee freedom of speech. This brings to the fore what is sometimes referred to as the tension between the common or statute law on the one hand and the Constitution on the other and ultimately the issue must be resolved by careful balancing of the provisions of section 34 (1)(c) of the act against the provisions of section 16 of the Constitution, which reads

“Freedom of Expression

16. (1) *Everyone has the right to freedom of expression, which includes,*
- (a) freedom of the press and other media;*
 - (b) freedom to receive or impart information or ideas;*
 - (c) freedom of artistic creativity; and*
 - (d) academic freedom and freedom of scientific research.*
- (2) *The right in subsection (1) does not extend to -*
- (a) propaganda for war;*
 - (b) incitement of imminent violence; or*
 - (c) advocacy of hatred that is based on race, ethnicity, gender or religion, and that constitutes incitement to cause harm.”*

[17] During the course of argument I was referred to judgments emanating from the United States of America and the Court of Appeals in Paris involving the parodying of trade marks and the freedom of speech. There have been many trade mark parody cases in the United States, but because of the differences between the legislation in that country and in ours, and also the distinction made in that country between commercial speech and non-commercial speech, definitive guidance cannot be obtained from these cases. Furthermore the question of confusion in the minds of the public also plays a role in the anti-dilution proceedings in the US, something which does not apply in this country. The case in the French court of

appeals concerned the parodying by the Greenpeace organisation of a trade mark owned by a well known oil company. One of the main grounds for refusing the interdict sought by the oil company was that Greenpeace's use of the company's trade mark was not done for commercial gain, which is course not the case in the matter under consideration. However, since the respondent 's case that it is merely lampooning the applicant's marks, I consider the following extract from the judgment of the South District of New York in *Tommy Hilfiger Licensing, Inc v Nature Labs, LLC No 99 CIV.10713 (MBM)* to be instructive and apposite.

"I agree with the conclusion of the District Court in Jordache: 'When the association is essentially a harmless clean pun, which merely parodies or pokes fun at the plaintiff's mark, tarnishment is not likely'."

[18] Mr **Hodes** submitted that the use by the respondent of the applicant's marks was justified because it was an expression of the respondent's right to freedom of artistic activity, but I have come to the conclusion that such use exceeds the limits of freedom of speech and expression afforded to the applicant by the constitution and that in the weighing up process, I must favour the applicant. The dividing line between the freedom of speech and the statutory protection afforded the applicant is a thin one, but is nonetheless one which has been transgressed by the respondent. My conclusions are based on the following:

18.1 The respondent is deliberately exploiting the applicant's marks for commercial gain.

18.2 It cannot sell its products without using the marks.

18.3 Its lampooning or parodying of the applicant's marks is not a "*harmless clean pun which merely parodies or pokes fun*" at the respondent's marks.

It goes further than that by introducing the race factor, something which our Constitution and our new democracy are at pains to avoid. While the

respondent's use of the marks may not amount to hate speech as contemplated in sections 16(2)(c) of the Constitution, it can, I believe, be said to border on hate speech. The provisions of the Promotion of Equality and Prevention of Unfair Discrimination Act, No 4 of 2000 highlight the importance which the legislature places on eliminating racial friction. Section 10 of that act provides that no person may publish, propagate, advocate or communicate words based on one or more of the prohibited grounds against any person that could reasonably be construed to demonstrate a clear intention to -

- a) be hurtful;
- b) be harmful or to incite harm;
- c) promote or propagate hatred.

The prohibited grounds are defined *inter alia* as

“a) Race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth; ...”

In my view the use by the respondent of the applicant's marks can be said to demonstrate an intention to be hurtful or harmful to the applicant inasmuch as they are based on race, ethnic or social origin, and colour.

[19] The applicant's claim accordingly succeeds with costs, which costs shall include the costs attendant on the employment of two counsel and the following order is issued:

The respondent by itself or through its servants or agents is restrained from infringing the rights of the applicant acquired by the registration of trade mark no. 79/3675 CARLING BLACK LABEL in class 32, no. 91/9236 CARLING BLACK LABEL neck and body label (colour) in class 32 and no. 91/9237 CARLING BLACK

LABEL neck and body label (1991) in class 32 by using the mark depicted in Annexure A7 accompanying the affidavit of Jaap Romein and Graham Holford or any other mark the use of which takes advantage of or is detrimental to the distinctive character or the repute of the applicant's trade marks.

R B CLEAVER