

## **TRADE MARK DILUTION – YOU CAN'T LAUGH IT OFF**

When the South African Trade Marks Act 194 of 1993 came into force on 1 May 1995, it included Section 34(1)(c) which indicates that the rights in a 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: Provided that the provisions of this paragraph shall not apply to a trade mark referred to in section 70(2).”*

This Section is intended to protect proprietors of well-known trade marks against erosion and diminution of their rights through offending use by infringers but its full impact was not tested until 2003.

### **The case before the Provincial High Court**

In April 2003, The Cape of Good Hope Provincial Division of the High Court was asked to grant an order restraining Laugh It Off Promotions from selling a t-shirt bearing the mark BLACK LABOUR, WHITE GUILT, AFRICA'S LUSTY LIVELY EXPLOITATION SINCE 1652, as shown in Figure 1. This was one of many t-shirts made and sold by Laugh It Off bearing disparaging representations of well-known trade marks. The owner of Laugh It Off claimed that his intention in selling the t-shirts was to undermine the value and impact of brands and to use them to make political and other statements. However, most of the t-shirts had no political message and were simply based on sexual innuendo of one sort or another. The BLACK LABOUR t-shirt was one of the few that had a political message.

The BLACK LABOUR representation was based on a registered BLACK LABEL label mark (shown in Figure 2) owned by SABMiller Finance B.V. SABMiller and its predecessors in title had owned the mark BLACK LABEL label in South Africa and used it on a massive scale through the South African Breweries Limited (“SAB”) for over 30 years. It was common cause that the mark was well-known.

SABMiller’s case was that it and SAB had, throughout the apartheid era in South Africa, gone to substantial lengths to avoid racial discrimination in labour practices in SAB, particularly those associated with the trade in the BLACK LABEL product. At the time of the launch of Laugh It Off’s products, SAB had just been judged the best employer in South Africa, partly as a result of its strong equal opportunity employment policies. SABMiller contended that Laugh It Off’s product did not in any way make a political statement that had any relation to SAB or SABMiller. SABMiller also contended that the message on the t-shirts was racially inflammatory, bearing in mind South Africa’s racist past, and wrongly carried the innuendo that SABMiller had exploited and continued to exploit black labour. There was no basis for this. Laugh It Off had only one aim in selling its t-shirts and that was to make money.

Laugh It Off claimed that it had an absolute defence based on its constitutional right to freedom of speech. It claimed that well-known brands enabled the proprietors to take advantage of the gullible public and its purpose was to challenge the very nature of intellectual property rights by using “the force of a massive entity (namely the BLACK LABEL brand) back on itself”.

Against the backdrop of a protest march outside the Court in favour of freedom of speech, the Court held that SABMiller must succeed because:

- Laugh It Off was deliberately exploiting SABMiller’s mark for commercial gain;
- it could not sell its products without using the mark;

- its purported lampooning of SABMiller's mark was not a "harmless clean pun which merely parodies or pokes fun" at the marks but was intended to be hurtful or harmful or to incite harm; and
- although the dividing line between freedom of speech and statutory trade mark protection is a thin one, Laugh It Off had overstepped the bounds of freedom of speech.

The Court granted an order precluding the use by Laugh It Off of the BLACK LABOUR mark or of any other mark that takes advantage of or is detrimental to the distinctive character or the repute of SABMiller's trade marks.

Laugh It Off sought leave to appeal and, because of the novelty of the issues, was given leave to appeal direct to the Supreme Court of Appeal.

#### **The judgement of the Supreme Court of Appeal**

Before the hearing in the Supreme Court of Appeal, the Freedom of Expression Institute asked for and was granted leave to intervene as *amicus curiae* because of the issues relating to freedom of speech. Comprehensive argument was presented to the Court on behalf of each party and the *amicus curiae* and, having heard the parties and considered the facts, the Court handed down a judgement that is notable for the extensive use of international case law in reaching a decision.

The Court considered the basic philosophy of trade mark protection and indicated that, in spite of the fact that trade mark owners may be ferocious and brands can control ideas and concepts, trade marks constitute property that they are entitled to protect. The fact that they are intangible does not mean that they are of a lower order. Even so, intellectual property rights have no special status and are not immune to constitutional challenge. Their enforcement must be constitutionally justifiable.

The Court pointed out that the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer. However, Section 34(1)(c) is not concerned with origin or confusion but is

simply to protect the economic value of a trade mark, particularly its reputation and advertising value or selling power.

The Court dealt in some detail with the background to anti-dilution provisions internationally but pointed out that, although reliance is placed on foreign case laws in the judgement, the different statutory settings of the foreign cases must always be kept in mind. The outcome of the foreign cases may have been different had the case been decided under our legislation and in our social context.

It then went on to review the individual requirements of Section 34(1)(c), which is set out above and pointed out that the only issue to be determined in this case is whether or not the use of Laugh It Off's mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark. That requires an analysis of the message conveyed to the typical purchaser and to those who are exposed to the purchaser's attire.

As in the first Court, SABMiller submitted that the message conveyed is that, since time immemorial, SAB has exploited and is still exploiting black labour and should have a feeling of guilt, while the business worldwide could not care less. Laugh It Off and the *amicus curiae* had difficulty in explaining the actual message. Although Laugh It Off's owner had indicated in evidence that the intention was to satirise the mark and that the t-shirts said nothing about SAB but made a statement about whites having exploited black labour, counsel for Laugh It Off retracted this in argument and, like the *amicus curiae*, indicated that there was a complex message that criticized SAB's methods used to market its beer to black workers. Laugh It Off accepted that it had no grounds for attacking the employment practices of SAB. The Court pointed out that, in fact, the intention is not in issue. What matters is what was said or done. What is clear is that Laugh It Off did not rely on a defence based on a truth in public interest or fair comment in the law of defamation. The Court found that SABMiller's interpretation of the t-shirt was evidently the correct one.

The Court therefore had to determine if such a message is substantially detrimental to the repute of the marks. SABMiller's contention was that the impression created in the mind of the public was that of exploitation of black labour which, in the light of South African history, is likely to be seriously damaging to its trade marks. The Court confirmed that the message was likely to create a particularly unwholesome, unsavoury and degrading association with SABMiller's marks. People who have seen the t-shirts will not be able to disassociate them from SABMiller's trade marks. Although Laugh It Off's counsel contended that there was no evidence of actual loss of sales of beer as a result of the sales of the t-shirts, particularly as Laugh It Off was a small concern with limited sales, this argument could not be relevant.

The Court then moved on to the defence based on constitutional freedom of expression. The Court pointed out that Section 34(1)(c) does not forbid and does not impinge on freedom of expression. Laugh It Off may use its caricature in the course of trade provided that it does not use it in relation to goods or services or may use its caricature in relation to goods or services provided that it does not do so in the course of trade. It may shout its message from the rooftops without appropriating the registered mark's repute. Alternative avenues of communication exist. Its freedom of expression is not unduly limited.

Taking into account the fact that trade marks are property, no one would suggest that painting graffiti on private property is not an abuse of free speech. The Court asked why it should be different for trade marks. As a general guide, the Court stated that, although puns and the like may be countenanced, the Courts are not generally amused by sex- and drug-related parodies, even if they are clever or funny, simply because the prejudice to the trade mark tends to outweigh freedom of expression. On the same principle, unfair or unjustified racial slurs on a trade mark owner should generally not be permitted, especially in a society such as the South African one.

The Court also took into account the predatory intent of the defendant. Laugh It Off is in the business of marketing clothing and using well-known marks for

the marketing of its goods, not parody or free speech, is the whole basis of its commercial existence.

The Court indicated that principles relating to defamation may assist in determining whether the use of a caricature is justified and issues such as truth, public interest and fair comment may play a role. However, purely derisory “parody” will not normally be permitted. Satire would not be a comment or criticism of an earlier work and is even less likely to be acceptable.

On the issue of parody, Laugh It Off and the *amicus curiae* tried to contend that the message on the t-shirts was a parody of SABMiller’s trade marks and, as such, entitled to protection on the basis of freedom of expression. The Court considered in detail the case law relating to parodies. Dictionary definitions indicate that a parody is a “literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule”. However, even where parody is involved, the finding that an allegedly infringing work is a parody does not conclusively establish that the use of the parody is fair. To determine fair use in copyright law, various factors must be taken into consideration, such as those identified in the USA in *Campbell v Acuff-Rose Music Inc.* 510 US 569; 29 USPQ 2d 1961. In Canada, parody is not usually regarded as fair use and there is no indication that the position in the UK differs.

The Court indicated that, as in the case of copyright infringement, parody cannot per se provide a defence to trade mark infringement. It is merely a factor that can be considered. A good example of fair parody is the use of the mark E\$\$O to criticize Esso’s ecological record. Greenpeace, in using the sign, did not aim to promote its products or service commercially but used the modified mark for the purpose of criticism. In contrast, in *Mutual of Omaha Insurance Co v Novak* 836F 2d 397 402, the use of the trade mark of an insurance company on t-shirts and coffee mugs to protest against nuclear proliferation was not found to be parody as there was no comment on the plaintiff’s trade mark or business. The Court also gave other examples of the use of parodies and satire in USA and German law.

From its consideration of these and other sources, the Court found that Laugh It Off's attempt to rely on parody was misconceived. It was satisfied that the adaptation of SABMiller's well-known trade mark was without justification and was detrimental to the trade mark and unfair. The claim to the right of freedom of expression was being abused and the use constituted an infringement of the trade mark rights.

The Court therefore dismissed the appeal, subject to certain changes to the wording of the order handed down by the first Court, and ordered Laugh It Off to pay the costs.

### **Conclusion**

It seems from this judgement that, as a general rule, a South African trade mark must be seen as property that the owner may seek to protect like other property. One cannot freely take a registered trade mark and distort it for commercial gain. The issue is whether or not the prejudice to the trade mark outweighs the freedom of expression and it seems that the Courts are not likely to accept that sex- and drug-related parodies or those based on unfair or unjustified racial slurs can be acceptable. There may be cases where trade marks can be used for the purpose of parody, although this should be in situations where the use is not, strictly, for commercial gain. A purely derisory parody is not likely to be permitted but one based on truth, public interest and fair comment for comic effect or to ridicule, criticise or comment on the trade mark or its proprietor might be permissible.

It is clear that the Court did not, and did not intend to, set rigid guidelines for determining when parody might be permissible. It placed the issues in perspective and a person wishing to create a parody of a trade mark must be capable of justifying his or her actions in the light of this judgement.

Laugh It Off, which has also been selling a wide range of t-shirts using well-known trade marks with sexual innuendo and drug-related modifications, must be seriously at risk of further action by other proprietors.



Figure 1

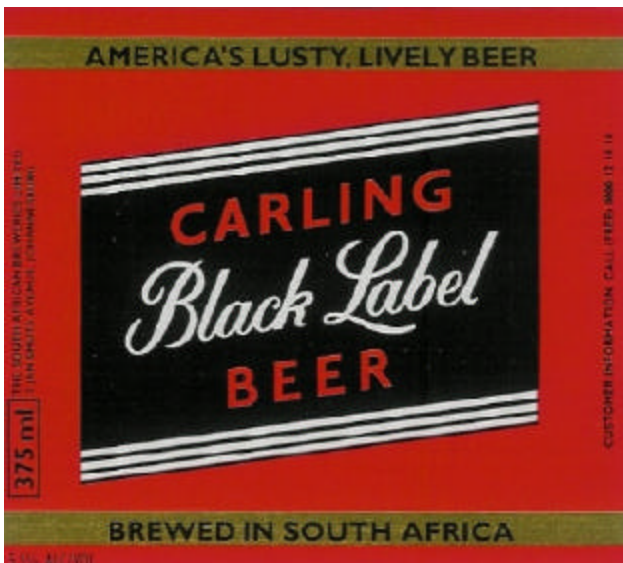


Figure 2