

Trade marks and comparative advertising

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Abstract

In terms of South African law, comparative advertising may be unlawful on two grounds, namely the common law relating to unlawful competition and infringement of a registered trade mark. Under the common law comparative advertising is generally permitted unless the advertisement contains untrue disparaging allegations. As far as trade-mark legislation is concerned, it was generally believed that comparative advertising amounted to trade-mark infringement. However, recent decisions in Europe and South Africa have introduced restrictions into the infringement provisions which limit the infringement rights of trade-mark proprietors. This article discusses these restrictions and compares the approaches adopted in Europe and South Africa and their effect on the lawfulness of comparative advertising.

Introduction

The term comparative advertising refers to advertising where the product of one trader is compared with the products of others. Dean¹ describes comparative advertising as

a practice whereby a trader in extolling the virtues of his wares in advertising draws comparisons between his goods and the goods of another, which goods are usually well-known and held in high regard by the consumer, with a view to stimulating the demand for his own goods in preference to those with which the comparison is made.

The European Directive concerning Misleading and Comparative Advertising² defines comparative advertising as ‘any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor’.

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¹ OH Dean ‘Comparative advertising as unlawful competition’ (1990) 2 *SA Mercantile Law Journal* 40. See also CE Webster & GE Morley *Webster & Page South African law of trade marks* (4ed 2007) at par 12.18.2.

² Directive 2006/114/EC art 2.

These definitions are formulated broadly covering all forms of comparative advertising. Comparisons may, for example, be made by naming the products directly or by way of inference.³ When goods or services are referred to by the trade marks under which they are sold, this form of comparative advertising is known as comparative brand advertising.⁴

There are a number of arguments in favour of permitting comparative advertising. In the first place, it can be argued that true and informative comparative advertising is in the public interest. It increases the consumer's knowledge and awareness of the nature and quality of the whole range of products that are compared, and it promotes competition.⁵ Proponents of this argument say that prohibiting comparative advertising will inhibit the right to free speech and undermine competition. The counter argument is that comparative advertising is rarely objective. Advertisers will only draw attention to those aspects of their products which compare favourably with competing products and will omit the less favourable aspects. Consumers are therefore likely to be misled.⁶

In terms of South African law, a trade mark proprietor who wishes to prevent the use of his trade mark in comparative advertising can, in certain circumstances, rely on the common law action for unlawful competition. However, under the common law, the current position is that comparative advertising is generally permitted unless the advertisement contains untrue disparaging statements.⁷ If the proprietor holds a registered trade mark, he can also rely on the Trade Marks Act.⁸ Previously the Act was interpreted literally and it was generally believed that comparative brand advertising amounted to trade-mark infringement.⁹ However, recent developments in trade-mark law in both Europe and South Africa have again raised the

³ T Woker 'Comparative advertising – a change in attitude?' 1995 *SA Mercantile Law Journal* 239 at 241; See Dean n 1 above at 40.

⁴ See L Bently & B Sherman *Intellectual property law* (3ed 2009) at 937; Webster & Page n 1 above at par 12.18.2.

⁵ Woker n 3 above at 241; WR Cornish & D Llewelyn *Intellectual property: patents, copyright, trade marks and allied rights* (6ed 2007) at par 18–103.

⁶ Woker n 3 above at 241; J Neething *Van Heerden & Neethling unlawful competition* (2 ed 2008) at 284.

⁷ See *Post Newspapers (Pty) Ltd v World Printing & Publishing Co Ltd* 1970 1 SA 454 (W).

⁸ Act 194 of 1993 as amended.

⁹ See *Abbott Laboratories v UAP Crop Care (Pty) Ltd* 1999 3 SA 624 (C); Woker n 3 above at 239; OH Dean 'Intellectual property and comparative advertising' (1996) 7 *Stellenbosch Law Review* 25; cf R Wheeldon 'Brand-comparative advertising: is it unlawful, really?' 1996 *De Rebus* 585 for a contrary view.

question regarding the extent to which comparative brand advertising is permitted in terms of trade-mark legislation. This question is of particular importance to the advertising industry as the Code of Practice of the Advertising Standards Authority of South Africa, in dealing with comparative advertising, permits advertisements which contain factually correct comparisons provided that they are lawful and comply, inter alia, with the provisions of the Trade Marks Act.¹⁰

Here I shall discuss these developments and their impact on comparative brand advertising. In particular, I shall address the extent to which comparative brand advertising is permitted in terms of the common law and the Trade Marks Act.

Unlawful competition

When the proprietor of an unregistered trade mark wishes to prevent its use in comparative advertising, he must rely on the common law relating to unlawful competition. South African law recognises a general action for unlawful competition based on the *actio legis Aquiliae*.¹¹ While the unlawfulness of competitive conduct may fall into a category of clearly recognised wrongfulness, it is not limited to those categories. Provided a plaintiff can establish all the requisites of Aquilian liability, including the element of wrongfulness, he should succeed in an action for unlawful competition.¹² The wrongfulness of competitive conduct lies in the infringement of a rival's right to attract custom or goodwill.¹³ To determine whether competitive conduct is wrongful, the courts apply the general criterion of reasonableness or the *boni mores* or the general sense of justice of the community.¹⁴ Comparative advertising may constitute unlawful competition if it meets all the requirements for Aquilian liability, including proof that the advertiser has committed a wrongful act.

¹⁰ Section II art 7 of the Advertising Standards Authority Code of Practice provides, inter alia: '7.1 Advertisements in which factual comparisons are made between products and/or services are permitted provided that – 7.1.1 all legal requirements are adhered to. Attention is drawn to the provisions of the Trade Marks Act 194 of 1993.'

¹¹ *Schultz v Butt* 1986 3 SA 667 (A) at 678.

¹² *Id* at 678. The requirements are a wrongful act, fault, causation and damage.

¹³ *Geary & Son (Pty) Ltd v Gove* 1964 1 SA 434 (A) at 440; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1972 2 SA 173 (T) at 182.

¹⁴ *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* n 13 above at 188–189; *Schultz v Butt* n 11 above at 679; See further Van Heerden & Neethling n 6 above at 123–128.

The only South African case dealing with comparative advertising in terms of the common law of unlawful competition is *Post Newspapers (Pty) Ltd v World Printing & Publishing Co Ltd*.¹⁵ In this case, *The Post* and *The World* were two rival newspapers which competed for advertising revenue which constituted the major source of their revenue. *The World* prepared and circulated a report for the purpose of persuading advertisers to place their advertisements with it. *The Post* applied for an interdict to restrain publication and circulation of the report complaining that the report contained a comparison between it and *The World* which disparaged it in a false and misleading manner. The court referred with approval to the position in English law namely, ‘comparison – yes; but disparagement – no’. The court then held as follows:

To the extent that the statements complained of involve merely a comparison of *The World* and *Post*, they are not actionable. There are, however, statements in Annexure “B” which amount to disparagement of *Post* as an advertising medium. ...If these statements were shown *prima facie* to be untrue, the applicant would be entitled to relief.

The court then dismissed the application. According to the court, comparative advertising is generally permitted unless the advertisement contains untrue disparaging statements.

Van Heerden and Neethling¹⁶ criticise this decision for requiring untrue allegations in addition to disparagement. They argue that true disparaging allegations may also result in the infringement of a competitor’s right to goodwill and should, in principle, be regarded as unlawful. While one must agree with the authors, the fact remains that the *Post Newspapers* case has not been overruled and remains valid authority for the common law position regarding comparative advertising.

Trade-mark infringement

When the proprietor of a registered trade mark wishes to prevent its use in comparative advertising, he may rely on the Trade Marks Act, in particular the infringement provisions.¹⁷ The Act covers three distinct types of infringement: primary infringement, extended infringement and infringement by dilution.

¹⁵ See n 7 above at 459.

¹⁶ See n 6 above at 282–283.

¹⁷ See n 8 above.

Primary infringement

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

In *Abbott Laboratories v UAP Crop Care (Pty) Ltd*¹⁸ the court held that the use of a registered trade mark to identify the proprietor's product in comparative brand advertising, fell within the ambit of section 34(1)(a) and constituted an infringement of the trade mark concerned. In this case, the respondent had produced and distributed a brochure in which it had compared its *Perlan* product with the applicant's product, identified by its registered trade mark *Promalin*. It was indicated that *Perlan* was a better product than *Promalin*. No attempt was made to pass off the respondent's *Perlan* product as that of the applicant, nor were the two products held out to be identical. The applicant applied for an order interdicting the respondent from infringing its registered trade mark *Promalin* in terms of section 34(1)(a) of the Trade Marks Act 1993.

The previous Trade Marks Act¹⁹ made provision for two distinct forms of trade-mark infringement. First, the rights acquired by registration of a trade mark were infringed by the unauthorised use of the registered trade mark, or a confusingly similar mark, as a trade mark in relation to the goods for which the trade mark was registered.²⁰ Secondly, trade-mark rights could be infringed by the unauthorised use of the trade mark or a confusingly similar mark otherwise than as a trade mark in relation to the goods for which the trade mark was registered.²¹ While the first form of infringement dealt with use of the allegedly infringing mark as a trade mark – that is where the alleged infringer used the mark to indicate the origin of the goods or services in relation to which it was used – the second form of infringement dealt with use of the allegedly infringing mark for other purposes. In the latter instance the trade-mark proprietor was required to show that the use complained of was in the course of trade and would be likely to cause him injury or prejudice.

¹⁸ See n 9 above.

¹⁹ Act 62 of 1963 as amended.

²⁰ Section 44(1)(a).

²¹ Section 44(1)(b).

The court adopted a literal interpretation of section 34(1)(a). It pointed out that, in contrast to the position under the repealed Trade Marks Act, the 1993 Act defined a trade mark in terms of its distinguishing function rather than its origin function.²² The court was of the view that section 34(1)(a) of the 1993 Act incorporated section 44(1)(a) and (b) of the repealed Act. However, the limitation as to use of the infringing mark as a trade mark, or otherwise than as a trade mark, had been removed. Section 34(1)(a) therefore covered not only use of the allegedly infringing mark as a trade mark but also use of the allegedly infringing mark otherwise than as a trade mark. Furthermore, there was no longer any requirement that the use of the allegedly infringing mark should be likely to cause injury or prejudice to the proprietor of the trade mark. Accordingly, section 34(1)(a) had increased the ambit of trade-mark infringement and was wide enough to encompass comparative brand advertising.²³ The court found that the respondent had made unauthorised use, in the course of trade, of the registered trade mark. Also, the use of the trade mark in the advertisement, although physically divorced from the product, clearly identified the product with the trade mark and therefore amounted to use in relation to the goods for which the trade mark was registered. Accordingly, use of the *Promalin* trade mark by the respondent in the advertising brochure amounted to infringement in terms of section 34(1)(a).

Doubt was cast on the correctness of the *Abbott* decision in *Bergkelder Bpk v Vredendal Koop Wynmakery*²⁴ where the question was raised whether non trade-mark use could amount to infringement in terms of section 34(1)(a). Section 34(1)(a) of the Trade Marks Act is derived from article 5(1)(a) and (b) of the European Trade Mark Directive²⁵ as well as section 10(1) and (2) of the British Trade Marks Act 1994. Consequently, judgments of the European Court of Justice and the English courts provide persuasive authority in interpreting the corresponding provisions in the South African Trade Marks Act.²⁶

²² *Abbott Laboratories v UAP Crop Care (Pty) Ltd* n 9 above at 631.

²³ *Abbott Laboratories v UAP Crop Care (Pty) Ltd* n 9 above at 632 and 637. Wheeldon n 9 above at 586–588 has argued that it cannot be accepted that s 44(1)(a) and (b) of the 1963 Act was simply incorporated into section 34(1)(a) and that, on a historical and traditional interpretation, infringing use should be restricted to trade-mark use. Also, the constitutional guarantee of freedom of speech and expression requires that s 34(1)(a) be interpreted restrictively.

²⁴ 2006 4 SA 275 (SCA) at 281 fn 15.

²⁵ The European Trade Mark Directive 89/104 EEC of 21 December 1988 since repealed by the *European Community (EC): Marks Directive (Consolidation)* 2008/95/CE of 22 October 2008.

²⁶ See *Beecham Group plc v Triomed (Pty) Ltd* 2003 3 SA 639 (SCA) at 645B.

The European Court of Justice had previously considered the scope of protection afforded a registered trade mark by article 5(1) of the European Directive in *Arsenal FC plc v Reed*.²⁷ The court held²⁸ that

[i]t follows that the exclusive right under Art. 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.

The European Court of Justice defined infringement with reference to the functions that a trade mark fulfils.²⁹ While explicitly mentioning the guarantee of origin as an essential function of a trade mark, it failed to indicate what other functions, if any, it regarded as legally protected.³⁰

The decision of the European Court of Justice is open to two interpretations. If one adopts a narrow view that article 5(1) is restricted to the protection of the origin function, the proprietor will be able to prohibit only use that is likely to create the impression of a material link in the course of trade between the goods concerned and the trade-mark proprietor, that is use which is likely to cause confusion.³¹ But if one adopts the broader view that article 5(1)(a) is not limited to protection of the origin function but also extends to the other functions of a trade mark, the proprietor will be able to prohibit use that not only impairs the trade mark's guarantee of origin, but also its other functions such as its distinguishing function, guarantee function, and advertising function. The proprietor will then, for example, be protected against any use that is likely to cause him injury or prejudice, even in the

²⁷ [2002] EUECJ C-206/01 (12 November 2002).

²⁸ *Id* at par 51.

²⁹ See also *Anheuser-Busch Inc v Budejovicky Budvar, narodni podnik* ([2004] EUECJ C-245/02 (16 November 2004); *Adam Opel AG v Autec AG* [2007] EUECJ C-48/05 (27 January 2007); *Céline SARL v Céline SA* [2007] EUECJ C-17/06 (11 September 2007).

³⁰ See Bently & Sherman n 4 above at 923.

³¹ The term 'confusion' is confined to confusion as to origin and does not extend to confusion in the broader sense (see *Sabel BV v Puma AG, Rudolf Dassler Sport* (Case C-251/95)[1998] 5 RPC 199 at 223). The origin function will not only be impaired when consumers wrongly believe that the goods concerned emanate from the trade-mark proprietor's undertaking but also when they wrongly believe that the goods emanate from an economically linked undertaking (see *Bayerische Motorenwerke AG v Ronald Karel Deenik* Case C-63/97 [1999] 1 CMLR 1099 at par 64; *Adam Opel AG v Autec AG* Case C-48/05 at par 24).

absence of a likelihood of confusion. Interpreted in this way, article 5(1)(a) will encompass comparative brand advertising.

In *R v Johnstone*,³² the House of Lords adopted the narrow interpretation of the decision of the European Court of Justice in *Arsenal FC*. Dealing with the question of trade-mark infringement, the House of Lords stated that in essence a trade mark is a badge of origin. It indicates trade source. Consequently, infringement is limited to use of a mark likely to be taken as an indication of trade origin. Use in a manner not indicative of trade origin does not encroach on the proprietor's monopoly and is therefore not an infringement.³³ The House of Lords considered that by emphasising the essential function of a trade mark as a guarantee of origin, the European Court of Justice had reaffirmed the approach of English law that infringing use is limited to use as a trade mark.³⁴ Non trade-mark use therefore did not infringe.³⁵

The scope of protection afforded a registered trade mark by section 34(1)(a) of the South African Trade Marks Act³⁶ was considered by the Supreme Court of Appeal in *Verimark (Pty) Ltd v BMW AG*.³⁷ Here, Verimark had used BMW motor cars to advertise its Diamond Guard car care kits and car polish. BMW AG complained that its well-known BMW logo was clearly visible in the advertisements. BMW AG had obtained a trade-mark registration for its BMW logo for cleaning and polishing preparations and vehicle polishes and claimed that Verimark was infringing its registration in terms of section 34(1)(a). Verimark argued that only trade-mark use could infringe. Since its product was clearly identified as Diamond Guard, and since the BMW logo identified the car on which the product was used and not the polish, it contended that its use of the BMW logo did not amount to trade-mark use and therefore was not an infringement.

The court interpreted section 34(1)(a) restrictively and held that infringing use must be trade-mark use. Harms ADP, delivering judgment on behalf of the court, stated:³⁸

³² [2003] 3 All ER 884 (HL).

³³ *Id* at 889.

³⁴ *Id* at 890.

³⁵ *Id* at 891.

³⁶ See n 8 above.

³⁷ 2007 6 SA 263 (SCA).

³⁸ *Id* at 267.

It is trite that a trade mark serves as a badge of origin and that trade mark law does not give copyright-like protection. Section 34(1)(a), which deals with primary infringement and gives in a sense absolute protection, can, therefore, not be interpreted to give greater protection than that which is necessary for attaining the purpose of a trade mark registration, namely protecting the mark as a badge of origin.

In *Verimark* the South African Supreme Court of Appeal adopted the narrow interpretation of *R v Johnstone*. Harms DJP stated:³⁹

This approach appears to me to be imminently sensible. It gives effect to the purpose of the Act and attains an appropriate balance between the rights of the trade mark owner and those of competitors and the public. What is, accordingly, required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise there is not. The use of the mark for purely descriptive purposes will not create that impression but it is also clear that this is not necessarily the definitive test.

The court pointed out that the test is whether the public would perceive the allegedly infringing mark to perform the function of a source identifier. To establish this, the context of use must be considered.⁴⁰ To constitute an infringement, the use of the allegedly infringing mark must impair the origin function of the trade mark. To do so, it must create an impression of a material link between the infringer's product and the owner of the registered trade mark.⁴¹

In the usual comparative brand advertising situation, the advertiser aims to promote his product by comparing it to the product of his competitor.⁴² In the advertisement, he uses his competitor's registered trade mark to identify and distinguish his competitor's product from his own.⁴³ Use of a trade mark in

³⁹ *Verimark (Pty) Ltd v BMW AG* n 37 at 268.

⁴⁰ *Id* at 269.

⁴¹ See also *Century City Apartments Property Services CC v Century City Property Owners' Association* (57/09) [2009] ZASCA 157 (27 November 2009) at par 10 where the court found that the use of the name Century City in a descriptive manner in advertising material did not amount to infringement of the trade mark Century City.

⁴² *O2 Holdings Limited and O2(UK) Limited v Hutchinson 3G UK Limited* ([2008] EUECJ C-533/06 (12 June 2008) at par 35.

⁴³ See European Directive concerning Misleading and Comparative Advertising 2006/114/EC (12 December 2006) recitals 14 and 15 which provide: '(14) It may, however, be indispensable, in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of

this way will not impair the trade mark's guarantee of origin. It will not create an impression of a material link between the advertiser's product and the owner of the registered trade mark, and will therefore fall outside the ambit of section 34(1)(a).

Recently, the European Court of Justice clarified its interpretation of article 5(1)(a) of the European Directive in *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*.⁴⁴ This case concerned the use of a registered trade mark in comparative advertising. L'Oréal produced and marketed a range of fine perfumes. The defendant marketed a range of imitations of L'Oréal's perfumes. To market its imitations, the defendant used comparison lists that showed which of its products corresponded to which of L'Oréal's perfumes. In the comparison lists L'Oréal's products were identified by the trade marks under which they were sold. L'Oréal alleged that the defendant's use of the comparison lists infringed its registered trade marks for these perfumes.

The court was of the view that article 5(1)(a) was wide enough to encompass comparative brand advertising. It pointed out that in *Arsenal FC, Anheuser Busch and Adam Opel* it had held that the exclusive right under article 5(1)(a) was conferred to enable a trade-mark proprietor to protect his interests as proprietor, that is, to ensure that the trade mark could fulfill its functions. The exercise of that right must, therefore, be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark. The court then explained that these functions included not only the essential function of the trade mark, which is to guarantee origin, but also its other functions, in particular its guarantee, communication, investment and advertising functions.⁴⁵ The trade mark proprietor will be protected against any use that is likely to cause detriment to any of these functions.⁴⁶ The court also pointed out that in *O2 Holdings Limited and O2(UK) Limited v Hutchinson 3G UK Limited*⁴⁷ it had held that the use by a comparative advertiser of the mark of a competitor to identify the latter's goods or services, could be regarded as use for the advertiser's own goods

which the latter is the proprietor. (15) Such use of another's trade mark, trade name or other distinguishing marks does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive, the intended target being solely to distinguish between them and thus highlight differences objectively.'

⁴⁴ [2009] EUECJ C-487/07 (18 June 2009).

⁴⁵ *Id* at par 58.

⁴⁶ *Id* at par 60.

⁴⁷ [2008] EUECJ C-533/06 (12 June 2008) at par 36.

or services and could therefore be prohibited under article 5(1)(a). The court then held that the proprietor of a registered trade mark is entitled, in terms of article 5(1)(a), to prevent the use by a third party, in a comparative advertisement, of a trade mark in relation to goods or services for which that mark is registered provided such use affects or is liable to affect one of the functions of the mark even where such use does not give rise to a likelihood of confusion.⁴⁸

The English Court of Appeals had to implement the ruling of the European Court of Justice in *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*.⁴⁹ Jacob LJ, delivering judgment on behalf of the court, was critical of the approach adopted by the European Court of Justice. He was of the opinion that the ruling undermines the right of free speech. It prevents traders from making honest statements about their products. Furthermore, it restricts competition by suppressing truthful advertising. Finally, it creates a more protective approach to trade mark law than other major trading blocs. He regretted that, despite his disagreement with the ruling, he was bound to follow European law as interpreted by the European Court of Justice.

The ruling of the European Court of Justice in the *L'Oreal* case is in line with the decision in the *Abbott Laboratories* case. However, as mentioned above, in *Verimark (Pty) Ltd v BMW AG*,⁵⁰ the Supreme Court of Appeal followed the United Kingdom decision in *R v Johnstone*⁵¹ and adopted a narrow traditional view of primary trade-mark infringement. As a result of the *Verimark* decision, European law and South African law have now parted ways as regards primary infringement. Contrary to the position in European Law, the protection afforded by section 34(1)(a) of the South African Act, is narrower than that provided by article 5(1)(a) of the European Directive. It is limited to protecting the origin function of a trade mark only. Therefore, a trade-mark proprietor will be able only to prohibit use that is likely to create the impression of a material link in the course of trade between the advertiser's goods and himself – that is use of the trade mark that is likely to cause confusion. Thus, in the absence of a likelihood of confusion, the use

⁴⁸ *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 65.

⁴⁹ [2010] EWCA Civ 535.

⁵⁰ See n 37 above.

⁵¹ See n 32 above.

of a registered trade mark in a comparative advertisement cannot be prevented under section 34(1)(a).

Extended infringement

Section 34(1)(b) of the Trade Marks Act⁵² provides that the rights acquired by the registration of a trade mark are infringed by the unauthorised use of a mark which is identical or similar to the trade mark registered, in the course of trade, in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion. By requiring a likelihood of confusion, this second type of infringement is also aimed at protecting the origin function of a trade mark. Therefore, unless the use of the registered trade mark in a comparative advertisement gives rise to a likelihood of confusion, it cannot be prevented under section 34(1)(b).

Infringement by dilution

Comparative advertising may also constitute an infringement in terms of section 34(1)(c).⁵³

Section 34(1)(c) provides that the rights acquired by the registration of a trade mark are 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 registered trade mark, provided that such trade mark is well known in the Republic and the use of the 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.

The protection afforded by this third type of infringement aims to protect the commercial value of a trade mark, rather than its badge of origin or source-denoting function.⁵⁴ Accordingly, a likelihood of deception or confusion is not required.

⁵² See n 8 above.

⁵³ Webster & Page n 1 above at par 12.18.2; see also *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 50.

⁵⁴ See *Verimark (Pty) Ltd v BMW AG* n 37 above at 270. See also *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 (SCA) 568; *Beecham Group v Triomed* 2003 3 SA 639 (SCA) 646; *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International & another* 2005 2 SA 46 (SCA) 54; *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International & another* 2006 1 SA 144 (CC) 163.

Before this type of infringement can occur, there must be unauthorised use in the course of trade of a mark which is identical or similar⁵⁵ to a well-known registered trade mark.⁵⁶ Furthermore, the infringing use must take place in the course of trade in relation to any goods or services.⁵⁷ Finally, the use of the allegedly infringing mark must be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the well-known registered trade mark.

The words ‘detrimental to the distinctive character’ refer to dilution by blurring, while the words ‘detrimental to the repute’, refer to dilution by tarnishment.⁵⁸ Dilution by blurring occurs where a well-known trade mark is used by persons other than the registered proprietor in relation to a variety of other products. This leads to the gradual consumer disassociation of the mark from the proprietor’s products. As a result, the distinctiveness and commercial magnetism of the trade mark becomes eroded and is eventually destroyed.⁵⁹ Tarnishment, in turn, occurs where the trade mark is used in relation to inferior products, or where it is used in an offensive or negative

⁵⁵ The degree of similarity between the well-known trade mark and the allegedly infringing mark should be such that the relevant section of the public establishes a link between them (*L’Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 36).

⁵⁶ The phrase ‘well known in the Republic’ is not defined in the Trade Marks Act. In *Triomed (Pty) Ltd v Beecham Group plc* 2001 2 SA 522 (T) the court adopted the same test for ‘well known’ as that adopted by the Appellate Division in the context of section 35 (see *McDonald’s Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and another; McDonald’s Corporation v Dax Prop CC; McDonald’s Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Dax Prop CC* 1997 1 SA 1 (A)). However, in view of the potentially wide scope of this type of infringement, it is conceivable that, in future, our courts will adopt a more stringent standard of notoriety and require a greater degree of public awareness of the use of a trade mark than is required for section 35 and for a passing off action (Webster & Page n 1 above at par 12.27; RA Kelbrick ‘The term “well-known” in South African trade-mark legislation: Some comparative interpretations’ 2005 *CILSA* 435).

⁵⁷ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* n 53 above at 568.

⁵⁸ See Bently & Sherman n 4 above at 885–7; FW Mostert *Famous and well-known Marks* (2ed 2004) 1–112; WIPO *Joint recommendation concerning provisions on the protection of well-known marks* (1999) Explanatory Note 4.4 on Article 4; *L’Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 39–40.

⁵⁹ See FI Schechter ‘The rational basis of trademark protection’ (1927) 40 *Harvard LR* 813 at 825; *Premier Brands UK Ltd v Typhoon Europe Ltd* 2000 FSR 767, 787–8; Mostert n 58 above at 1–98; *L’Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 39.

context. This leads to an unfavourable association attaching to the mark and consequent erosion of the repute of the mark.⁶⁰

Although the term ‘detriment’ is not qualified in any way, the trade-mark proprietor has to show that any detriment relied on amounts to unfairness in the context of the case.⁶¹ The adoption of a general fair use standard means that each case must be decided on its merits.

Any detriment relied on by a trade-mark proprietor must be substantial in the sense that it is likely to cause substantial harm to the uniqueness or repute of the trade mark.⁶² For example, the trade-mark proprietor could show that the advertisement contains false or disparaging statements which are likely to have a negative impact on the image or repute of the mark.⁶³

Unlike the notion of detriment to the distinctive character or repute which requires a lessening of the distinguishing capacity or repute of the trade mark, taking unfair advantage involves the accrual to the infringer of some benefit or marketing advantage flowing from his use of the well-known trade mark.⁶⁴ The proprietor must show that the infringer has created an association in the minds of consumers between the well-known trade mark and his infringing mark, and has established a transfer of repute from the well-known trade mark to the products of the infringer that would facilitate the sale of the infringer’s products.⁶⁵ The advantage must not only be unfair;

⁶⁰ *Premier Brands UK Ltd v Typhoon Europe Ltd* 2000 FSR 767, 798; *Triomed (Pty) Ltd v Beecham Group plc* 2001 2 SA 522 (T) at 557; Bently & Sherman n 4 above at 887; P Ginsburg *Trade-mark dilution* in Coenraad Visser (ed) *The new law of trade marks and designs* (1993) 35, 37 and 40; Mostert n 56 above at 1–101–1–104; O Salmon ‘Dilution as a rationale for trade-mark protection in South African law’ 1987 *SA Law Journal* 647, 649–50; Webster & Page n 1 above at par 12.24; *L’Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 40.

⁶¹ *Laugh It Off Promotions v South African Breweries Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International* in n 52 above at 168; *Verimark (Pty) Ltd v BMW AG* n 37 above at 269–270.

⁶² The detriment relied upon must be properly substantiated or established to the satisfaction of the court (See *Laugh It Off Promotions v South African Breweries Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International* in n 53 above at 168; *Verimark (Pty) Ltd v BMW AG* n 37 above at 270).

⁶³ *L’Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 40.

⁶⁴ Mostert n 58 above at 1–115–1–116; Bently & Sherman n 4 above at 883–4.

⁶⁵ Mostert n 58 above at 1–116; see also A Carboni ‘Two stripes and you’re out’ 2004 *European Intellectual Property Review* 229 at 232–3.

it must be of a significant degree to warrant the restraining of non-confusing use.⁶⁶

In *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*⁶⁷ the European Court of Justice explained this type of injury as follows:⁶⁸

As regards the concept of 'taking unfair advantage of the distinctive character or the repute of the trade mark', also referred to as 'parasitism' or 'free-riding', that concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.

And continued:⁶⁹

In that regard, where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.

The court ruled that use of the comparison lists amounted to free-riding on the coat-tails of the L'Oréal trade marks, and that unfair advantage had been taken of the distinctive character or repute of those trade marks.

⁶⁶ The unfair advantage accruing to the infringer must be properly substantiated or established to the satisfaction of the court (*Verimark (Pty) Ltd v BMW AG* n 37 above at 270).

⁶⁷ See n 44 above.

⁶⁸ *Id* at par 41.

⁶⁹ *Id* at par 49.

The English Court of Appeal was critical of the decision of the European Court of Justice.⁷⁰ Jacob LJ pointed out that the ruling meant that the term ‘unfair’ was disregarded, and that any clear exploitation or free-riding was equated to unfair advantage. No distinction was made between fair and unfair free-riding, and the conclusion of the European Court of Justice amounted to a pointless monopoly.

In view of the restrictive approach adopted by the South African courts in relation to trade-mark rights, it is unlikely that they will follow the ruling of the European Court of Justice. In *Verimark (Pty) Ltd v BMW AG*⁷¹ the court stressed the requirement of unfairness. Harms ADP pointed out that:

...the provision is not intended to enable the proprietor of a well-known trade mark to object as a matter of course to the use of a sign which may remind people of his mark; there is a general reluctance to apply this provision too widely; not only must the advantage be unfair, but it must be of a sufficiently significant degree to warrant restraining of what is, *ex hypothesi*, non-confusing use; and that the unfair advantage or the detriment must be properly substantiated or established to the satisfaction of the Court: the Court must be satisfied by evidence of actual detriment or of unfair advantage.

To prevent the use of his trade mark in a comparative advertisement in terms of section 34(1)(c), a trade-mark proprietor must not only show that the use of his trade mark is unfair, he must also comply with the onerous requirements for establishing either detriment or free-riding on the reputation of the registered trade mark. Although trade-mark use is not a requirement, the owner of the registered trade mark is required to establish that any detriment or harm to the uniqueness of his trade mark is substantial, or that any unfair advantage accruing to the infringer is significant. It is submitted that the owner of a trade mark is unlikely to succeed with a claim under section 34(1)(c) in the absence of any false or defamatory statements or unfair free-riding on the reputation of the registered trade mark.

Conclusion

In general, South African law has adopted a lenient approach to comparative advertising and few limitations are imposed by the common law and trade-mark legislation. Under the South African common law, comparative

⁷⁰ *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd* n 44 above at par 49–50.

⁷¹ See n 37 above at 270.

advertising is generally permitted unless the advertisement contains untrue disparaging statements. The Trade Marks Act also favours allowing comparative advertising. The South African courts have interpreted the infringement provisions narrowly and have read into those provisions requirements which limit the infringement rights of a trade-mark proprietor significantly. In the case of primary infringement, infringing use has been limited to trade-mark use, that is use that is likely to cause deception or confusion. In the usual comparative brand advertising situation, the advertiser uses his competitor's trade mark for purposes of identifying and distinguishing his competitor's product from his own. Use of a trade mark in this way will not create an impression of a material link between the advertiser's product and the owner of the registered trade mark. It will not give rise to a likelihood of confusion, and will, therefore, not amount to infringement.

In the case of infringement by dilution, the courts have incorporated a general fair-use standard and have introduced onerous requirements for establishing both detriment and unfair advantage. Although trade-mark use is not a requirement, the owner of the registered trade mark is required to establish that any detriment or harm to the uniqueness of his trade mark is substantial, or that any unfair advantage accruing to the infringer, is significant. Further any unfair advantage or detriment relied on must be properly substantiated or established to the satisfaction of the court. There appears to be a general reluctance to apply this provision too widely, and the mere use of a trade mark in a comparative advertisement will not amount to infringement by dilution as a matter of course. It is therefore unlikely that a trade-mark proprietor will be able to succeed in a claim for infringement by dilution in the absence of false or defamatory statements or use of the trade mark in a manner which amounts to unfair free-riding on its uniqueness or reputation.