

SOUTH AFRICA / JUDGMENT

Atlantic Industries v PepsiCo Inc. (A479/2014) [2016] ZAGPPHC 514; 2016 BIP 169 (GP) (26 May 2016) [2016] ZAGPPHC 514

COURT

North Gauteng High Court, Pretoria

BEFORE

J W Louw, Prinsloo, Meyer

CASE / FILE NUMBER

A479/2014

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IN THE HIGH COURT OF SOUTH AFRICA GAUTENG DIVISION, PRETORIA

Appeal Case No: A479/ 2014

Case No (a quo) : 48260/ 2008

Not Reporteable

Not of interest to other Judges

Revised

In the matter between :

ATLANTIC INDUSTRIES Appellant

(Respondent in the cross-appeal)

and

PEPSICO INC. Respondent

(Appellant in the cross-appeal)

J U D G M E N T

J W LOUW, J (PRINSLOO J and MEYER J concurring)

- [1] The appellant, to whom I shall refer as Atlantic, is incorporated under the laws of the Cayman Islands and is a wholly owned subsidiary of The Coca-Cola Company which is incorporated under the laws of the State of Delaware, USA. The respondent, to whom I shall refer as Pepsico, is incorporated under the laws of the State of North Carolina, USA. Atlantic and Pepsico are international competitors in the sale of soft drinks.
- [2] Pepsico filed trade mark applications with the South African Registrar of Trade Marks for the registration of PEPSI TWIST (application no. 2002/09809) and PEPSI TWIST label (application no. 2002/09810) in class 32. The goods described in class 32 are "Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages". Atlantic was at all relevant times the proprietor of registered trade marks nos. 80/0158 TWIST, 75/ 2905 LEMON TWIST and 86/7291 DIET TWIST, all in class 32. Pepsico's applications were opposed by Atlantic on the ground that Pepsico could not claim to be the bona fide proprietor of any mark which incorporates Atlantic's registered TWIST marks (relying on s 10(3) of the Trade Marks Act 194 of 1993 (the Act)) and on the ground that the PESPSI TWIST marks are so similar to Atlantic's TWIST marks that the use of PEPSI TWIST in relation to the same goods would be likely to deceive or cause confusion (relying on s 10(14) of the Act) . Pepsico responded to Atlantic's opposition by applying for the removal of Atlantic's registered marks from the Trade Marks Register in terms of s 24(1) of the Act.
- [3] On 11 August 2008 and at the request of the parties, the Registrar of Trade Marks referred the opposition and removal proceedings to the High Court in terms of s 59(2) of the Act. The matter was heard by Preller J , who granted Pepsico's two trade mark applications and dismissed its application for the removal of Atlantic's registered marks. With the leave of the court a quo, Atlantic appeals against the order granting Pepsico's trade mark applications and Pepsico cross-appeals against the order dismissing its application for the removal of Atlantic's registered marks from the register.
- [4] The parties are ad idem that the onus rests upon an applicant for registration of a trade mark to establish that the proposed mark qualifies for registration. The onus therefore rested upon Pepsico to satisfy the court that it was the bona fide proprietor of the PEPSI TWIST marks and that there was no reasonable probability (as opposed to possibility) of confusion or deception. [1] The parties were also in agreement that in rectification proceedings, the onus for establishing the invalidity of the registration is on the applicant for rectification, in casu on Pepsico. [2]
- [5] It is convenient to first deal with Pepsico's cross-appeal. The court a quo found that the evidence of Synovate (Pty) Ltd, which Atlantic had commissioned to conduct a market survey, established that a substantial number of people who were interviewed associated the word TWIST with Atlantic's products. The court further referred to Atlantic's evidence of sales of high quantities of soft drinks on which its marks were used and concluded that Pepsico had failed to discharge the onus of proving that Atlantic's TWIST registrations were invalid.

[6] Sec. 24(1) of the Act provides as follows:

In the event of non-insertion in or omission from the register of any entry, or of an entry wrongly made in or wrongly remaining on the register, or of any error or defect in any entry in the register, any interested person may apply to the court or, at the option of the applicant and subject to the provisions of section 59, in the prescribed manner, to the registrar, for the desired relief, and thereupon the court or the registrar, as the case may be, may make such order for making, removing or varying the entry as it or he may deem fit.

[7] Pepsico contends that Atlantic's trade mark registrations wrongly remain on the register in view of the provisions of s10(1) and 10(2)(a) and

(b) of the Act, which provide the following :

The following marks shall not be registered as trade marks or, if registered, shall, subject to the provisions of sections 3 and 70, be liable to be removed from the register:

A mark which does not constitute a trade mark; a mark which-

(a) is not capable of distinguishing within the meaning of section 9; or

(b) consists exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of the goods or services, or the mode or time of production of the goods or of rendering of the services.

[8] Pepsico's case is, firstly, that Atlantic's registered TWIST marks do not constitute trade marks by virtue of the fact they are not capable of distinguishing the goods in respect of which they are registered from the same kind of goods connected in the course of trade with any other person because the word TWIST is descriptive of the goods in respect of which it was registered. The allegation that Atlantic's marks do not constitute trade marks is therefore limited to the allegation that they are not capable of distinguishing. It secondly contends that Atlantic's registered marks should be removed from the register on the ground that they consist exclusively of a sign or an indication which may serve, in trade, to designate the kind, intended purpose or other characteristics of the goods of Atlantic's trade mark registrations, i.e. that they have certain flavours or other characteristics. In the alternative to the order sought for the removal of Atlantic's marks from the register, Pepsico seeks an order that Atlantic be directed to enter a disclaimer of the word TWIST in respect of its registered marks.

[9] The TWIST marks which Pepsico seeks to expunge from the register were registered under the previous Trade Marks Act 62 of 1963 which provided, in s 10 thereof, for the registration of distinctive marks in Part A of the register and, in s 11 thereof, for the registration in Part B of the register, of marks which, in relation to the goods or services in respect of which they are proposed to be registered, are capable of becoming registrable, through use, in Part A of the register in respect of such goods or services. Sec. 12 of the previous Act provided:

- (1) For purposes of section 10 "distinctive" means adapted, in relation to the goods or services in respect of which a trade mark is registered, to distinguish goods or services with which the proprietor of the trade mark is or may be connected in the course of trade from the goods or services in the case of which no such connection subsists, either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within those limitations.
- (2) In determining whether a trade mark is distinctive as aforesaid, regard may be had to the extent to which -
 - (a) the trade mark is inherently adapted to distinguish; and
 - (b) by reason of the use of the trade mark or of any other circumstance the trade mark is or has become adapted to distinguish.

[10] Both of Pepsico's contentions in support of its claim that Atlantic's marks should be expunged from the register, and also the disclaimer which it sought in the alternative, depend on whether the word TWIST is merely descriptive and not capable of distinguishing the goods in respect of which Atlantic's marks were registered. In order to establish that this is so, Pepsico relied on one of the various dictionary meanings ascribed to the word in the New Shorter Oxford English Dictionary, which is "a drink consisting of a mixture of two different spirits or other ingredients, such as gin and brandy etc

[11] It was submitted by Mr Michau, who appeared for Pepsico, that the word "twist" is an ordinary everyday English word. That may be correct when the word is used as a verb, or, when used as a noun, to refer to the well-known dance of the sixties or to a twist of events. But it is not, as far as I am aware, an ordinary English word which is used, at least not in South Africa, to refer to a drink consisting of a mixture of two different spirits or other ingredients. This meaning of the word does not even appear in the South African Oxford English Dictionary. Accordingly, no assistance can be derived from the dictionary

meanings of the word "twist". As was stated by Schreiner JA in his dissenting judgment in *International Tobacco Company of SA Ltd v Wollheim and others*[3] :

'I have not been able to derive assistance in this case from dictionaries. As is so often the case, they recite a number of different meanings or shades of meaning. These sometimes suggest possibilities, and to that extent are useful, but they do not often assist in the discovery of 'the ordinary' meaning, assuming such a discovery to be necessary or helpful.'

In my view, the mark TWIST is, and would have been when it was registered, inherently adapted to distinguish.

[12] But even if I am wrong in this regard, the evidence presented by Atlantic shows that the mark TWIST has, by use, become capable of distinguishing.

[4] The court a quo referred in this regard to the survey evidence which was presented by Atlantic. Four hundred interviewees were shown a card with the word TWIST written on it and were asked whether they associated TWIST with any product.⁸⁷ 75% associated TWIST with a product. Those interviewees were then asked to identify

the product. 71.8% identified TWIST with a soft drink.^{49.2%} mentioned Atlantic's LEMON TWIST product and 5.8% mentioned its GRANADILLA TWIST product. The court concluded that a substantial number of people associated TWIST with Atlantic's products. I respectfully agree with the court's conclusion in this regard.

[13] Atlantic also presented sales and advertising figures in relation to its marketing of its TWIST products. Between 1999 and 2002, about 1.920 billion cans or bottles of LEMON TWIST were sold. The Rand value of sales of LEMON TWIST drinks between 2001 and 2002 was R812 million. The Rand value of sales of LEMON TWIST and GRANADILLA TWIST sold between 2001 and 2006 was R2.672 billion. There must clearly have been a large scale exposure of the TWIST marks in relation to soft drinks. Mr. Michau conceded that the sales were very substantial.

[14] Apart from its reliance on the dictionary meaning of the word TWIST, Pepsico did not present evidence to show that the word TWIST is not inherently adapted to distinguish or that it has not, by reason of its use, become capable of distinguishing, or that it consists exclusively of sign or an indication which may serve, in trade, to designate the kind, intended purpose or other characteristics of the goods of Atlantic's trade mark registrations, i.e. to designate that they are certain flavours or other characteristics. In my view, the court a quo correctly held that Pepsico failed to discharge its onus in this regard. The cross-appeal must therefore fail.

[15] I proceed to deal with Atlantic's opposition to Pepsico's applications for registration of PEPSI TWIST and PEPSI TWIST label. As mentioned earlier, Pepsico's applications are opposed by Atlantic on the ground that Pepsico cannot claim to be the bona fide proprietor of any mark which incorporates Atlantic's registered TWIST marks (relying on s 10(3) of the Act) and on the ground that the PEPSI TWIST marks are so similar to Atlantic's TWIST marks that the use of PEPSI TWIST in relation to the same goods would be likely to deceive or cause confusion (relying on s 10(14) of the Act).

[16] Sec. 10(14) of the Act provides that a mark shall not be registered as a trade mark if, subject to the provisions of section 14, [it is] a mark which is identical to a registered trade mark belonging to a different proprietor or so similar thereto that the use thereof in relation to goods or services in respect of which it is sought to be registered and which are the same as or similar to the goods or services in respect of which such trade mark is registered, would be likely to deceive or cause confusion, unless the proprietor of such trade mark consents to the registration of such mark.

[17] In TPN Group (Pty) Limited v Ebay Inc^[5], the following was said with regard to s 10(14) :

"[8] Two inquiries are therefore necessary : are the two marks identical or sufficiently similar, and are the services in respect of which TPN intends to use the RENTBAY mark the same as or similar to the services in respect of which eBay's marks are registered, so that there exists a likelihood of deception or confusion? In *New Media Publishing (Pty) Ltd v Out Web Services CC* [6]

Thring J said the following [7]:

'There is, it seems to me, an interdependence between the two legs of the inquiry: the less the similarity between the respective goods or services of the parties, the greater will be the degree of resemblance required between their respective mark before it can be said that there is a likelihood of deception or confusion in the use of the allegedly offending mark, and vice versa. Of course, if the respective goods or services of the parties are so dissimilar to each other that there is no likelihood of deception or confusion, the use by the respondent even of a mark which is identical to the applicant's registered mark will not constitute an infringement; also, if the two marks are sufficiently dissimilar to each other no amount of similarity between the respective goods or services of the parties will suffice to bring about an infringement. I respectfully agree with the learned authors of Webster and Page South African Law of Trade Marks 4th ed para 12.23 (at 12-41), where they say, with reference to s 34(1)(b) of the Act:

'(O)n a proper interpretation of the South African section the degree of resemblance between the marks and the degree of resemblance between the goods or services must be such that their combined effect will be to produce a likelihood of deception or confusion when that mark is used on those goods or services'.

The dictum was approved of by the Supreme Court of Appeal in

Mettenheimer and Ano. v Zonquasdrif Vineyards and Others. [8] "

[18] It was common cause that the goods for which Pepsico seeks registration are essentially the same as those in respect of which Atlantic's TWIST marks are registered. It is also common cause that the approach to the issue of the likelihood of deception or confusion is the same for infringement and opposition proceedings. In *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [9], Corbett JA said the following at 640G - 641D:

"In an infringement action the onus is on the plaintiff to show the probability or likelihood of deception or confusion. It is not incumbent upon the plaintiff to show that every person interested or concerned (usually as customer) in the class of goods for which his trade mark has been registered would probably be deceived or confused. It is sufficient if the probabilities establish that a substantial number of such persons will be deceived or confused. The concept of deception or confusion is not limited to inducing in the minds of interested persons the erroneous belief or impression that the goods in relation to which the defendant's mark is used are the goods of the proprietor of the registered mark, ie the plaintiff, or that there is a material connection between the defendant's goods and the proprietor of the registered mark; it is enough for the plaintiff to show that a substantial number of persons will probably be confused as to the origin of the goods or the existence or non-existence of such a connection.

The determination of these questions involves essentially a comparison between the mark used by the defendant and the registered mark and, having regard to the similarities and differences in the two marks, an assessment of the impact which the defendant's mark would make upon the average type of customer who would be likely to purchase the kind of goods to which the marks are applied. This notional customer must be conceived of as a person of average intelligence, having proper eyesight and buying with ordinary caution. The comparison must be made with reference to the sense, sound and appearance of the marks. The marks must be viewed as they would be encountered in the market place and against the background of relevant surrounding circumstances.

The marks must not only be considered side by side, but also separately. It must be borne in mind that the ordinary purchaser may encounter goods, bearing the defendant's mark, with an imperfect recollection of the registered mark and due allowance must be made for this. If each of the marks contains a main or dominant feature or idea the likely impact made by this on the mind of the customer must be taken into account. As it has been put, marks are remembered rather by general impressions or by some significant or striking feature than by a photographic recollection of the whole. And finally consideration must be given to the manner in which the marks are likely to be employed as, for example, the use of name marks in conjunction with a generic description of the goods. "

[19] In Century City Apartments Property Services CC & another v Century City Property Owners' Association [10]

Harms DP referred with

approval to the following dictum of Laddie J in Compass Publishing BV v Compass Logistics Ltd[11] :

"The likelihood of confusion must be appreciated globally, taking account of all relevant factors. It must be judged through the eyes of the average consumer of the goods or services in question. That customer is to be taken to be reasonably well informed and reasonably circumspect and observant, but he may have to rely upon an imperfect picture or recollection of the marks. The court should factor in the recognition that the average consumer normally perceives a mark as a whole and does not analyse its various details. The visual, aural and conceptual similarities of the marks must be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components. Furthermore, if the association between the

marks causes the public to wrongly believe that the respective goods come from the same or economically linked undertakings, there is a likelihood of confusion." [12]

[20] In Roodezandt Ko-Operatiewe Wynmakery Ltd v Robertson Winery (Pty) Ltd and Another[13] Brand JA said the following in paras [4] - [6] :

"[4] 'Deception' will result, so it has been held, when the similarity were to cause members of the purchasing public to assume that the goods bearing the two competing trademarks come from the same source. 'Confusion', on the other hand, would occur if these members of the public will be caused to wonder if the goods had a common origin (see eg *Oude Meester Groep Bpk v SA Breweries Ltd; SA Breweries Ltd v Distillers Corporation (SA) Ltd* 1973 (4) SA 145 (W) at 160H).[SJ The fundamental enquiry is therefore whether Roodezandt's Robertson Hills mark so resembles the Winery's marks

incorporating the term 'Robertson' that, if the competing marks are all used in relation to wine, such use would be likely to cause

deception or confusion. That determination involves a value judgment (see eg *Cowbell AG v JCS Holdings Ltd* 2001 (3) SA 941 (SCA) para 10). Considerations that could assist in the exercise of this value judgment have been proposed in numerous decided cases. One of these cases is *Laboratoire Lachartre SA v Armour-Dial Incorporated* 1976 (2) SA 744 (T) in which Colman J sounded the following note of caution (at 746B-E) :

'We have had ample time for full consideration and close comparison of the two trademarks with which we are concerned. These advantages, however, carry their own dangers. They have caused us to look at the trademarks with far greater care than they would be looked at by the members of the public whose probable reactions we are required to assess, and with a far keener awareness of similarities and dissimilarities than such people would probably have as they go about their daily lives.

What we have now to do is, therefore, to transport ourselves, notionally, from the court- room or the study, to the market place. We must try to look at the marks as they will be seen, if they are both in fair and normal commercial use, by the hypothetical consumers of [wine]. Those will be people of many races and degrees of education, having varied gifts, interests and talents. We are not to postulate the consumer of "phenomenal ignorance or extraordinarily defective intelligence". . . We are to consider a person of average intelligence and proper eyesight, buying with ordinary caution."

[21] Brand JA then listed the principles of comparison that have been developed to reach a value judgment. He said the following at par [6] of the

judgment :

"[6] Most, if not all, of these considerations seem to find application in the present context. Other principles of comparison which have become crystallised in earlier decisions of this court which I find to be pertinent, include the following:

- (a) A likelihood of confusion does not only arise when every person interested or concerned in the class of goods for which the trademark has been registered could probably be deceived or confused. It also arises if the probabilities establish that a substantial number of such persons will be deceived or confused.

- (b) The concept of deception or confusion is not limited to inducing in the minds of these interested persons the erroneous belief or impression that the two

competing products are those of the objector or that there is a connection between these two products. A likelihood of confusion is also established when it is shown

that a substantial number of persons will probably be confused as to the origin of the products or the existence or non-existence of such a connection.

- (c) The determination of the likelihood of confusion involves a comparison between the two competing marks, having regard to the similarities and differences in the two and an assessment of the impact it would have on the average type of customer who is likely to purchase the kind of goods to which the marks are applied.
- (d) The marks must not only be considered side by side, but also separately.
- (e) It must be borne in mind that the ordinary purchaser may encounter goods bearing one mark with an imperfect recollection of the other.
- (f) If each of the competing marks contains a main or dominant feature or idea, the likely impact made by this dominating feature on the mind of the customer must be taken into account. This is so because marks are remembered by some significant or striking feature rather than by the photographic recollection of the whole. (See eg *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51; 1984 (3) SA 623 (A) at 640G-641E; *Puma AG Rudolf Dass/er Sport v Global Warming (Pty) Ltd* 2010 (2) SA 600 (SCA) para 8; and *Adidas AG & another v Pepkor Retail Ltd* 2013 BIP 203 (SCA) paras 20-23)."

[22] As stated in *Roodezandt*, the decision whether or not there is a likelihood of deception or confusion is a value judgment. Viewed globally, the visual and aura l similarity of Atlantic's registered TWIST marks and the marks sought to be registered by Pepsico, is such that, in my view, there is a likelihood that deception or confusion will arise if the marks are viewed as they would be encountered in the market place by the notional type of customer referred to in *Plascon-Evans* . It was submitted by Mr. Bowman, who appeared with Ms. Southwood for Atlantic, that the goods concerned, being soft drinks, would be of interest to adults and children, rich and poor, educated and uneducated, literate and illiterate and that

confusion or deception is more likely in such a case than when the class of consumer is a limited, specialised class. [14]I agree with the submission. The notional type of customer will, in my view, at least be caused to wonder if the goods had a common origin. That would constitute confusion. The court a quo, with respect, erred in finding that Pepsico discharged the onus of proving that no likelihood of deception or confusion exists. It follows that Pepsico was also not entitled to the alternative relief which it claimed that a disclaimer should be entered against Atlantic's marks.

[23] In view of this conclusion, it is unnecessary to consider Atlantic's opposition to registration of Pepsico's PEPSI TWIST and PEPSI TWIST label marks based on s 10(3) of the Act, i.e. that Pepsico cannot claim to be the bona fide proprietor of those marks. Atlantic's appeal against the granting by the court a quo of Pepsico's applications for registration of its PEPSI TWIST and PEPSI TWIST label marks is accordingly upheld.

[24] In the result, the following orders are made:

[a] The appellant's appeal against the granting of the respondent's trade mark applications 2002/09809 PEPSI TWIST and 2002/09810 PEPSI TWIST label is upheld with costs.

[b] Orders 1, 2 and 3 of the court a quo are set aside and replaced with the following orders :

1. The respondent's trade mark application 2002/09809 PEPSI TWIST is refused.
2. The respondent's trade mark application 2002/09810 PEPSI TWIST label is refused.
3. The respondent is ordered to pay the opponent's costs of the application.

[c] The respondent's appeal against the dismissal of its counter-application for removal of the applicant's registered trade marks 80/0158 TWIST, 75/ 2905 LEMON TWIST and 86/7291

DIET TWIST is dismissed with costs.

[d] The above cost orders shall include the costs of two counsel.

J W LOUW

JUDGE OF THE HIGH COURT

Appellant's counsel : L Bowman SC; F Southwood Instructed by : Adams & Adams, Pretoria

Respondent's counsel : R Michau SC

Instructed by : Spoor & Fisher, Centurion, Pretoria

[1] Upjohn Company v Merck & Another 1987(3) SA 221(T) 22..C-H

[2] Demeo Clothing (Pty) Ltd, N u-Care Marketing Sales and Promotions (Pty) Ltd and Another [1991] ZASCA 121; 1991

(4) SA 850 (AD) at 860E.

[2] Demeo Clothing (Pty) Ltd, N u-Care Marketing Sales and Promotions (Pty) Ltd and Another [1991] ZASCA 121; 1991

(4) SA 850

(AD) at 860E.

[3] 1953 (2) SA 603 (A) at 616F-G

- [4] See the discussion in Wehster & Page, South African Law of Trade Marks. 4111 ed., para 3.25. of the distinction between ..adapted to distinguish .. and ..capable of distinguishing ..
- [5] Unreported judgement in the Gauteng Division dated 13/3/2015. Case no. 37922/13
- [6] 2005 (5) SA 388 (CPD)
- [7] at 39..i Unreported judgment in the Gauteng Division dated 13/3/2015. Case no. 37922/13 D-G
- [7] at 39..i Unreported judgment in the Gauteng Division dated 13/3/2015. Case no. 37922/13 D-G
- [8] 2011 (2) SA 20-1 (SCA) para [11]
- [9] 198-1 (3) SA 623 (A).
- [10] 2010 (3) SA I (SCA) para [13].
- [11] [2004] EW HC 520 (Ch).
- [12] , See also Cowbell AG v ICS Holdings Ltd 2001 (3) SA 941 (SCA).
- [13] (503) 13 [2014] ZASCA 173 (19 November 2014).
- [14] See Cointream et Cie SA v Pagun International 1991 (4) SA 706 (A) at 717A-C.

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