

SOUTH AFRICA / JUDGMENT

Cochrane Steel Products (Pty) Ltd v M-Systems Group (1272/2016) [2017] ZASCA 189; 2017 BIP 134 (SCA) (13 December 2017) [2017] ZASCA 189

COURT

Supreme Court of Appeal

BEFORE

Navsa, Ponnan, Bosielo, Tsoka, Schippers

CASE / FILE NUMBER

1272/2016

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IN THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Case No: 1272/2016

Reportable

In the matter between:

COCHRANE STEEL PRODUCTS (PTY) LTD APPELLANT

and

M-SYSTEMS GROUP RESPONDENT

Neutral citation: Cochrane Steel Products (Pty) Ltd v M-Systems Group (1272/2016)

[2017] ZASCA 189 (13 December 2017)

Coram: Navsa ADP and Ponnan and Bosielo JJA and Tsoka and Schippers AJJA

Heard: 22 November 2017

Delivered: 13 December 2017

Summary: Disclaimer and admission in relation to the trade mark 'CLEARVU' – registration of mark giving no right to the exclusive use of the words 'clear' and 'view' separately and apart from the mark – admission that the registration of this mark shall not debar others from the bona fide descriptive use in the course of trade of the words 'clear view' and 'view'.

ORDER

On appeal from: Gauteng Division of the High Court, Pretoria (Basson J sitting as court of first instance):

Save for the amendment of para 1.2 of the order of the court below by the deletion of the words ‘The trade mark registrant admits that’, the appeal is dismissed.

NAVSA ADP (Ponnan and Bosielo JJA and Tsoka and Schippers AJJA concurring):

[1] The appellant, Cochrane Steel Products (Pty) Ltd (Cochrane), applied for the registration of the mark ‘CLEARVU’ in two categories, one in Class 6 (in respect of non-electric cables and wires of common metal; metal fences; metal mesh; pipes and tubes of metal) and another in Class 37 (in relation to building, construction, repair and installation services) of the International

Classification of Goods and Services. The applications were opposed by M-Systems Group (Pty) Ltd (M-Systems), which at the time was a competitor of Cochrane in producing and installing fencing products.

[2] The basis of the opposition was that the mark was not registerable in that:

(i) it consists exclusively of an indication which may serve in trade to designate the kind, quality, intended purpose or other characteristics of the goods or service (s 10(2)(b) of the Trade Marks Act 194 of 1993 (the Act);

(ii) it is not capable of distinguishing the goods and services for which it is to be used (ss 9(1) and 10(2)(a) of the Act).

[3] The Gauteng Division of the High Court, Pretoria (Basson J), ordered the registration of the mark subject to the following:

1.1. The registration of this mark shall give no right to the exclusive use of the word “clear” and “view” separately and apart from the mark;

1.2. The trademark registrant admits that the registration of this mark shall not debar others from the bona fide descriptive use in the course of trade of the words “clear view” and “view”.

[4] The reasons supplied by the court below for imposing those orders are exceptionally brief and are contained in the following two paragraphs:

‘52. In conclusion it is necessary to briefly deal with the opponent’s submission, although in the alternative, for the entry of one or more endorsements. More in particular it is submitted that the Court should not allow the applicant to become entitled to any exclusive right to the word “clear” or “view” (or “VU”) when used in relation to fences (separately from “CLEARVU”).

53. I am in agreement with this submission and [have] made it part of my order in so far as the words “clear” and “view” (not “VU”) is concerned.’

[5] It is solely against those orders that the present appeal by Cochrane, with the leave of the court below, is directed. M-Systems

has since been placed in liquidation and the liquidators elected to abide the decision of this court.

[6] In the two paragraphs that follow, I set out a pictorial depiction of some of the products manufactured by Cochrane together with descriptions employed by it in relation thereto. I also deal with how competitors in the fencing industry describe their products.

[7] In its opposition to the registration of the mark, M-Systems rightly described Cochrane as a manufacturer of physical perimeter security barriers and provided pictures from the latter's website depicting the fencing alongside the mark. The fencing products were described, inter alia, as an 'invisible wall' which apparently is a mark that belongs to Cochrane and as a 'shadow

wall'. A balustrade manufactured by Cochrane is described as transparent. Some of the pictorial depictions drawn from the website and supplied by M-Systems appear hereunder.

[See PDF for images]

It appears from what is set out above that a key characteristic of the fence is that whilst it serves as a barrier, it does not obstruct sight. The point made by M-Systems is that the misspelling in the composite mark 'CLEARVU' of the word 'view'

does not detract from it being comprised in its ordinary meaning of the words 'clear' and 'view'.

[8] M-Systems, in its objection to the mark, supplied material from websites operated by a number of other companies within the security barrier industry in which they use the words 'clear' and 'view' in describing their fencing products. One company is called C-Thru Fencing which equates to fencing through which one has a view. Another competitor, Betafence, offers products called 'Betaview'. Trellidor, also referred to as a competing company produced a product called 'Trellidor Clear Guard'. Trellidor describes its products as 'security screens that provide a clear view'. They go on to say that their products enable users to 'enjoy the view without feeling vulnerable', 'allow unobstructed views of the outdoors', 'appear to be invisible while helping to protect against unwanted intruders' and 'provide security without detracting from the views or aesthetics of the premises'. Clear View Security Solutions, yet another competitor that sells a range of products which they describe as 'clear security solutions', including 'clear bars', 'clear armed bars' and 'clear gates'. It explains on its website that all of its products 'ensure

that no light or view is lost'. In part of its answer to the objection, Cochrane stated that CLEAR VIEW is registered as a trade mark in the name of Clear View Security Solutions and says that there is no reason why the mark cannot be a good trade mark in relation to burglar bars made of impact resistant transparent Perspex-type material.

[9] It is well to bear in mind certain foundational principles in relation to trade marks. Trade mark law is concerned with the

conveyance of information regarding trade origin. At the heart of trade mark law is truth in competition.[1] In *Commercial Auto Glass (Pty) Ltd v BMW AG* 2007

(6) SA 637 (SCA) para 8, Harms ADP said the following:

‘The object of trade mark law as reflected in s 34(1)(a) and (b) is to prevent commercial “speech” that is misleading. Trade mark use that is not misleading (in the sense of suggesting

provenance by the trade mark owner) is protected, not only constitutionally but in terms of ordinary trade mark principles. As

Justice Holmes said [in *Prestonettes Inc v Coty* [1924] USSC 81; 264 US 359

(1924) at 368]:

“When the mark is used in a way that does not deceive the public, we see no sanctity in the word as to prevent its being used to tell the truth.”

[10] The principles and precepts of trade mark law are abused when they are used, not for their legitimate purpose, but in order to prevent or inhibit competition. In *Société des Produits Nestlé SA v Cadbury UK Ltd* [2012] EWHC 2637 (Ch) Birss J said the following:

‘Conventional trade marks such as trade names (“Cadbury”) or logos (such as a glass and a half of milk on a bar of Cadbury’s Dairy Milk) do not give rise to the same conceptual problems as what have been called “exotic” trade marks such as smells, colours per se and other things. The attraction of a trade mark registration is that provided it is used and the fees are paid, it gives a perpetual monopoly. The problem is the same as the attraction but from the other perspective. Unless the registration of trade marks is kept firmly in its proper sphere, it is capable of creating perpetual unjustified monopolies in areas it should not.’

[11] More than 100 years ago Cozens-Hardy MR in the case *In Re: Joseph Crossfield & Sons, Limited* [1910] 1 Ch 13 (CA) made the following statement:

‘Wealthy traders are habitually eager to enclose part of the great common of the English language and to exclude the general public of the present day and of the future from access to the enclosure . . . The Court is careful not to interfere with other persons’ rights further than is necessary for the protection of the claimant, and not to allow any claimant to obtain a monopoly further than is consistent with reason and fair dealing.’

[12] It is against that background that the orders of the court below, the subject of this appeal, have to be considered. Section 15 of the Act provides as follows:

‘If a trade mark contains matter which is not capable of distinguishing within the meaning of section 9, the registrar or the court, in deciding whether the trade mark shall be entered in or shall remain on the register, may require, as a condition of its being entered in or remaining on the register –

- (a) That the proprietor shall disclaim any right to the exclusive use of all or any portion of any such matter to the exclusive use of which the registrar or the court hold him not to be entitled; or
- (b) That the proprietor shall make such other disclaimer or memorandum as the registrar or the court may consider necessary for the purpose of defining his rights under the registration:

Provided that no disclaimer or memorandum on the register shall affect any rights of the proprietor of a trade mark except such as arise out of the registration of the trade mark in respect of which the disclaimer is made.’

[13] Disclaimers are typically in the form set out in para 1.1 of the order made by the court below.

[2] A trade mark proprietor cannot bring an action for infringement in respect of the use of a disclaimed feature. But a disclaimer does not affect a proprietor’s right at common law and if he shows that use by the defendant of the disclaimed feature is likely to result in the defendant’s goods being passed off as the goods or services of the plaintiff he is entitled to an interdict.[3]

[14] Paragraph 1.2 of the order of the court below is in the form of an admission. This is a practice which is unique to South Africa. As pointed out by Webster and Page, the practice is common in the case of the deliberate misspelling of ordinary descriptive words which other traders may wish to use in relation to particular goods or services. Further, the admission is in respect of the word in its ordinary meaning.[4] The authors go on to say the following:

‘The practice is, however, not consistent and seems to have evolved into a requirement that an admission be entered whenever the particular feature is a misspelling of a word, whether such word is only remotely one which others may wish to use descriptively or whether it is in fact wholly descriptive or otherwise non-distinctive. In any event, since the phonetic equivalent of a non-distinctive word is itself non-distinctive it would seem to follow that if the word itself is one which ought to be disclaimed then its phonetic equivalent should also be disclaimed, and not only be the subject of an admission.’

The authors state that an admission may be called for where matter is not directly descriptive of the goods or services, but which could conceivably be used in advertising or in a manner not directly describing the goods.

[15] Section 15 of the Act is not concerned with the question of whether a trade mark itself is incapable of distinguishing, but whether matter contained in a trade mark lacks this capability. In this regard see *Cadbury (Pty) Ltd v Beacon Sweets & Chocolates (Pty) Ltd & another* [2000] ZASCA 2; 2000 (2) SA 771 (SCA) para 4. Beacon's composite mark in that case consisted of a plate of sweets, a little man made of sweets and a prominent blank space under the name Liquorice Allsorts. It was registered subject to the following disclaimer:

'Registration of this trade mark shall give no right to the exclusive use of the sweet device [the plate], separately and apart from the mark.

The applicant undertakes that, in use, the blank space shall be occupied only by matter of a wholly descriptive or non-distinctive character, or by a trade mark registered in the name of the applicant in respect of the same goods, or by a trade mark of which the applicant is a registered user in respect of the same goods, or by a trade mark of a registered user with the consent of the proprietor of such a mark or the blank space will be left vacant.

The applicant undertakes that in use the trade mark will only be used in respect of goods containing or including liquorice or liquorice flavour.'

[16] Contending that the name Liquorice Allsorts is descriptive of the product and therefore not capable of distinguishing in the trade mark law sense, Cadbury applied, without

attacking the validity of the original registration of the trade mark, for an additional disclaimer, namely that the registration

'shall also give no right to the exclusive use of the name Liquorice Allsorts, separately and apart from the mark'. The court concluded that Beacon was not entitled to the exclusive use of Liquorice Allsorts because it was used by Beacon and others in the trade to describe the product and not to distinguish Beacon's product from that of others.[5]

[17] In *Cadbury*, Harms JA recorded that since the court below had found in favour of Beacon the question of the exercise of a discretion in relation to the disclaimer did not arise. He noted that there was established authority that a court on appeal has an original discretion in that regard.[6]

[18] Paragraphs 13 and 14 of *Cadbury* are apposite. They read:

'13. As was pointed out by the hearing officer in *Philip Morris Inc's Trade Mark Application*

[1980] RPC 527 at 532-3, a disclaimer is, theoretically, never necessary since registration of a trade mark cannot give rise to any rights except those arising from the mark as a whole. It has nonetheless a function. Primarily, it is to prevent the registration of a composite mark from operating so as to inhibit the use of the disclaimed element by others. Beacon, relying upon the fact that the name Liquorice Allsorts is the dominant part of the trade mark, is asserting trade mark rights in Liquorice Allsorts per se against others based upon this registration. It also has a pending application for the registration of Liquorice Allsorts simpliciter. This is therefore a textbook case for a disclaimer. . . .

14. The court below . . . accepted Beacon's argument that Cadbury was sufficiently protected by the provisions of s 34(2)(c) of the Act which provides, inter alia, that a registered trade mark is not infringed by the use of any bona fide description or indication of the kind of the goods concerned. Cadbury, if its allegations are to be accepted, is thus without a disclaimer possessed of a perfect defence. I find the attitude unrealistic because I cannot see why Cadbury should be put to the trouble and expense of first manufacturing and selling and then be subjected to the risk of infringement litigation where the Legislature has given it a simple remedy akin to a declaration of rights to obtain certainty. I do realise that due to the proviso to s 15, Beacon may nevertheless attempt to assert rights to Liquorice Allsorts by means of a common-law action based upon passing-off (cf *Antec International Ltd v South Western Chicks (Warren) Ltd*

[1997] FSR 278), but that is not a sufficient reason to refuse the relief sought since the nature of the protection provided by that action differs from trade mark protection.'

[19] In determining whether a discretion should be exercised in favour of the entry of a disclaimer and admission, it is necessary to have regard to *Distillers Corporation (SA) Ltd v S.A. Breweries Ltd & another; Oude Meester Groep Bpk. & another v S.A. Breweries Ltd* 1976 (3) SA 514 (A). There this court was considering, in relation to an application for an entry for disclaimers, the composite trade mark 'Oude Meester', which had undoubtedly become distinctive. At 552H-553A, the court said the following:

'Now Meester is not a coined or invented word, inherently adapted to distinguish the goods to which it relates. It is, like its English equivalent, Master, and ordinary, well known word to be found in any dictionary. As a noun it ordinarily connotes a superior person of knowledge, experience, competence, skill, or authority; therefore, when used in a trade mark in relation to goods, normally it impliedly lauds the quality of those goods. The same commendation is usually conveyed when it is used adjectively of a person; and when so used of a thing, that the thing is made by a "master".'

The court, whilst acknowledging that the mark 'Oude Meester', by its use as a whole had become distinctive, held that such use does not 'ordinarily or necessarily mean that Meester per se has thereby become distinctive'. It found that the court below had accordingly correctly entered disclaimers.

[20] In *Distillers*, Trollip JA also had to consider an order similar in form to para 1.2 in the present case. Trollip JA stated that what was there under consideration was not a disclaimer in the usual form. He had regard to the contention on behalf of one of the parties that it was not a disclaimer, but rather an 'admission'. Noting that the entry of admissions was a peculiarly South African

practice, particularly where the trade mark contains words that are regarded as being reasonably required for use in the trade, he stated that the purport or effect of admissions ‘does not appear to be entirely clear; and it is difficult to understand on what basis the distinction between disclaimers and admissions is drawn’. He proceeded to construe the ‘admission’ as a disclaimer and in that regard said the following:

‘That construction does not, in my view, do any violence to the wording or effect of the entry. For by not debarring others from using Meester, the entry in effect disclaims Distillers’ right to the exclusive use thereof.’[7]

The same applies here.

[21] Returning to the facts of the present case, the ‘VU’ in the composite mark ‘CLEARVU’, is a deliberate misspelling of the ordinary word ‘view’ and is understandable in light of the nature of the product and what it intends to convey. To state, as Cochrane does, that it does not embody a misspelling of the ordinary English word ‘view’, but that it is a coined word which just happens to be the phonetic equivalent of the ordinary English word ‘view’ is to strain to avoid the implication that commonly, admissions are entered when there is a misspelling of a word and to seek a monopoly that extends beyond that which is acceptable. Moreover, as pointed out above in para 14, with reference to Webster and Page, the phonetic equivalent of a non-distinctive word is itself non-distinctive and it would seem to follow that if the word itself is one that ought to be disclaimed then its phonetic equivalent should also be disclaimed.

[22] In my view, neither Cochrane, nor any other trader, is entitled to appropriate exclusively the ordinary English words ‘clear’

and ‘view’, which, in effect, constitute the composite mark. Furthermore, those words are commonly used descriptively in relation to fencing products. The registration of the mark should not operate to inhibit the use by others of the disclaimed elements. As in Cadbury, this case calls out for a disclaimer in the terms directed by the court below. Traders should not be put to the trouble and expense of manufacturing and selling their products and then be subjected to the risk of infringement litigation where the Act has provided a mechanism to provide certainty.[8] It follows for the reasons set out above that the orders of the court below were warranted, save that para 1.2 should be amended by the deletion of the words: ‘The trademark registrant admits that’

[23] The following order is made:

Save for the amendment of para 1.2 of the order of the court below by the deletion of the words ‘The trade mark registrant admits that’, the appeal is dismissed.

M S Navsa

Acting Deputy President

Appearances:

For the Appellant: O Salmon SC

Instructed by:

Rademeyer Attorneys c/o Klagsbrun Edelstein Bosman

De Vries Inc., Pretoria

Honey Attorneys, Bloemfontein

For the Respondent: No appearance

[1] See Webster and Page South African Law of Trademarks, service edition 17 at 1-3, para 1.1.

[2] Webster and Page South African Law of Trade Marks, para 9.18 at 9-16, service issue 19.

[3] Webster and Page, para 9.19 at 9-16, service issue 19.

[4] Webster and Page, para 9.20 at 9-17, service issue 19.

[5] See paras 2 and 12.

[6] The following are the authorities there cited: Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd 1979

(1) SA 532 (T), Estee Lauder Cosmetics Ltd v Registrar of Trade Marks 1993

(3) SA 43 (T) and Media Workers Association of South Africa & others v Press Corporation of South African Ltd ('Perskor')

[1992] ZASCA 149; 1992 (4) SA 791 (A).

[6] The following are the authorities there cited:

Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd 1979

(1) SA 532 (T), Estee Lauder Cosmetics Ltd v Registrar of Trade Marks 1993

(3) SA 43 (T) and Media Workers Association of South Africa & others v Press Corporation of South African Ltd ('Perskor')

[1992] ZASCA 149; 1992 (4) SA 791 (A).

[7] Pages 553G-554C of Distillers.

[8] In this regard see para 14 of Cadbury in which the protection provided by s 34 (2)(c) of the Act was discussed.

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