
SOUTH AFRICA / JUDGMENT

Distell Limited v KZN Wines and Spirits CC (20291/2014) [2016] ZASCA 18; 2016 BIP 134 (SCA) (15 March 2016) [2016] ZASCA 18

COURT

Supreme Court of Appeal

BEFORE

Lewis, Cachalia, Wallis, Saldulker, Zondi

CASE / FILE NUMBER

20291/2014

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THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Reportable

Case No: 20291/2014

In the matter between:

DISTELL LIMITED

APPELLANT

and

KZN WINES AND SPIRITS CC

RESPONDENT

Neutral Citation: Distell Ltd v KZN Wines and Spirits CC (20291/2014)

[2016] ZASCA 18 (15 March 2016)

Coram: Lewis, Cachalia, Wallis, Saldulker and Zondi JJA

Heard:

1 March 2016

Delivered:

15 March 2016

Summary: Trade mark infringement: the marks KNIGHT'S GOLD and KNIGHTS in respect of whisky are not likely to be confused with the mark BLACK KNIGHT: no infringement of s 34(1)(a) of the Trade Marks Act 94 of 1993 by selling BLACK KNIGHT in competition with KNIGHTS.

ORDER

On appeal from: Kwazulu-Natal Division of the High Court, Durban (Mnguni J sitting as court of first instance).

- (a) The appeal is dismissed with the costs of two counsel where so employed.
- (b) The respondent shall pay the costs occasioned by the postponement of the hearing of the appeal on 10 September 2015.

Lewis JA (Cachalia, Wallis, Saldulker and Zondi JJA concurring)

- [1] The appellant, Distell Limited (Distell), is a leading producer and marketer of wines and spirits in South Africa. At issue in this appeal is an alleged infringement by the respondent, KZN Wines and Spirits CC (KZN Wines), of two of Distell's word trademarks in respect of whisky. The one registered mark is KNIGHT'S GOLD (88/5853) and the other is KNIGHTS (91/3863) both in class 33. The KNIGHT'S GOLD mark was registered on 30 October 1990, and the mark KNIGHTS on 24 January 1994.
- [2] In 2002 KZN Wines started importing into South Africa from Scotland a whisky with the mark 'BLACK KNIGHT', and has sold it exclusively to Midmar Liquors Limited (Midmar), which has some 40 outlets across the country. Midmar has sold both BLACK KNIGHT and KNIGHTS whisky since at least 2009.
- [3] The KNIGHT'S GOLD mark consists of only the two words. The mark KNIGHTS also depicts a device of a label with the word KNIGHTS in white print on a black background, with decorative features above and below it. The KNIGHTS mark appears thus:

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And the bottle thus:

Each trademark is subject to a disclaimer.

The whisky imported by KZN Wines is sold in the bottle depicted below:

- [4] In May 2011 Distell discovered the use of the mark BLACK KNIGHT and brought an application in the KwaZulu-Natal High Court, Durban, for an interdict against KZN Wines restraining it from infringing its two word marks, on the basis that the use of the mark BLACK KNIGHT in the course of trade in relation to alcoholic beverages, is likely to deceive or cause confusion in terms of s 34(1)(a) of the Trade Marks Act 194 of 1993. Distell also sought relief on the basis that KZN Wines was passing off its whisky as that of Distell's two products.

[5] The high court (Mnguni J) dismissed the application, finding that the use of the BLACK KNIGHT mark did not infringe Distell's

registered marks because there was no probability that a notional customer might be confused or deceived as contemplated by s 34(1)(a) of the Act. It found also that, although Distell has acquired a reputation associated with the use of the KNIGHTS mark, KZN Wines was not passing off its product as that of Distell. The high court refused leave to appeal against its order. The appeal lies with the leave of this court.

[6] The facts are largely common cause although KZN Wines does not concede that Distell's reputation existed at the time when it started to import BLACK KNIGHT whisky. Distell argues that the dominant word in each of its marks is knight. That is obviously so in respect of the one mark. It is not obviously so in respect of KNIGHT'S GOLD. Nor is it obvious in respect of BLACK KNIGHT. Before turning to a comparison it is useful to set out the legal principles applicable to trademark infringement. They are well settled, and have been oft-repeated. I shall not deal with the many cases in which this and other courts have rehearsed them, but shall refer to the famous dictum of Corbett JA in *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd*

[1984] ZASCA 51; 1984 (3) SA 623 (A), which has been repeatedly reaffirmed by this court, and then the most recent judgments of this court.

[7] The starting point must of course be s 34(1) of the Act. It provides:

'The rights acquired by registration of a trade mark shall be infringed by—

- (a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade 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 *Plascon-Evans* Corbett JA said (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.'

[8] This passage was relied on by the high court in stating that the likelihood of confusion must be considered globally. That principle,

originating in the European Court of Justice in *Sabel BV v Puma AG Rudolf Dassler Sport*

[1998] RPC 199 (ECJ) 221 at 224 was adopted by this court in *Bata Ltd v Face Fashions CC & another* 2001 (1) SA 844 (SCA) para 9. Sabel said that a court must consider the allegedly infringing mark 'globally': 'a global appreciation of the visual,

aural or conceptual similarity of the marks in question, must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components'.

[9] This principle was again approved by this court in *Cowbell AG v ICS Holdings Ltd* 2001 (3) SA 941 (SCA) para 10, where Harms JA emphasized that the essential function of a trade mark is to indicate the origin of the goods in connection with which it is used. And, as he pointed out, the decision whether there is a reasonable likelihood of deception or

confusion amounts to a value judgment. (See also *Online Lottery Services (Pty) Ltd & others v National Lotteries Board & others* 2010 (5) SA 349 (SCA) para 13.)

[10] In *Century City Apartments Property Services CC & another v Century City Property Owners' Association* 2010 (3) SA 1 (SCA) para 13 Harms DP approved a more recent dictum of Laddie J in the Chancery Division (England and Wales), *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch). Laddie J said (para 24):

‘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.’ (My emphasis.)

[11] These dicta were all repeated in *Yair Shimansky v Browns the Diamond Store* [2014] ZASCA 214 which referred to and relied in turn on *Roodezandt Ko-operatiewe Wynmakery Ltd v Robertson Winery (Pty) Ltd & another* (503/13) [2014] ZASCA 173. There, Brand JA elaborated on the meaning of the value judgment to be made (in the context of an application to remove a trade mark from the register). He said (para 5):

‘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.”

[12] Brand JA then listed the principles of comparison that have developed in order to reach the value judgment. He said (para 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 Dassler 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.)'
- [13] Distell argues that it is sufficient that a person looking casually at the marks used by the parties is likely to be deceived. And that the deception need last for only a fraction of time, a principle recently affirmed in *Orange Brand Services v Orange Works Software* [2013] ZASCA 158 (22 November 2013) para 13. It relied also on a passage of the judgment of Colman J in *Oude Meester Groep Bpk & another v SA Breweries Ltd; SA Breweries Ltd & another v Distillers Corporation (SA) Ltd & another* 1973 (4) SA 145 (W) which dealt also with an alcoholic beverage (beer) and the circumstances in which a customer would probably be deceived as to the origin of the drink ordered in a bar or bought at a liquor shop.
- [14] Colman J said (at 161A-H) that the proper approach to be taken is not to compare the marks side by side in a study or a court room, where the respective marks are examined in a calm and intellectual atmosphere. A court dealing with an alleged infringement must transport itself, notionally, 'from the court room to the market place' and stand in the shoes of the

customer who drank beer. The court must remember that not all beer drinkers are careful or logical people, and that 'on a convivial occasion, enlivened by the use of beer or spirits, recollection may fade and articulation may deteriorate with the passage of time'. Colman J found that the probability of deception and confusion as to the marks 'Master Brew' and 'Old Master' had been established.

- [15] Distell argues that in a crowded bar or tavern there is a likelihood of confusion: the customer may order a KNIGHTS whisky and be served some BLACK KNIGHT. The high court considered that the circumstances were irrelevant to the issue of confusion and deception: even though whisky is a popular drink it is not a cheap drink, said Mnguni J. Thus a consumer was 'likely to exercise circumspection and a greater degree of care in making a purchase'. Distell argues that the high court failed to take into account that both BLACK KNIGHT and KNIGHTS are inexpensive whiskies, and that consumers of either product would not be whisky connoisseurs. And even if confusion was dispelled as soon as the consumer tasted what had been poured, it was enough that confusion had occurred for an instant.
- [16] In my view, one cannot ignore the use of the word black to describe KZN Wines' whisky. Knight is used as a noun, and the adjective describing the knight is black. Whether the colour black is used to describe a mythical figure (as in the Black Knight of King Arthur's round table) or to express some quality which many whisky brands use (the example given being Black Label, describing a whisky in the Johnny Walker range, but others abound) does not matter. It simply cannot be ignored. Although Distell tried to argue that knight is the dominant word even in Knight's Gold, it is hard to see why. Just as black cannot be ignored, nor can gold. As the high court said, the word black was as significant as knight in KZN Wines' mark.
- [17] The sound, sense and appearance of the respective marks are different. Even the consumer with an imperfect recollection, and in a noisy pub or crowded bottle store, is not likely to be confused as to the origin of BLACK KNIGHT whisky. Indeed, it is significant that in the years that Midmar has been trading in both KNIGHTS and BLACK KNIGHT whiskies, there has been no evidence of confusion. We have not even been advised how Distell discovered, in May 2011, that the mark BLACK KNIGHT, was being sold at the same outlets as KNIGHTS has been. And in Pioneer Foods (Pty) Ltd v Bothaville Milling (Pty) Ltd
- [2014] ZASCA 6; [2014] 2 All SA 282 (SCA) this court held that where, after ten years of competitive trading of two brands of maize meal, no evidence of actual confusion was led, the absence of such evidence tipped the balance in favour of finding that there was no likelihood of confusion between the two. Although that was said in a matter concerning passing-off, the principle must be the same. If there is no evidence of confusion, then the likelihood of confusion between, or deception as to, the different marks is significantly reduced.

[18] The high court thus correctly found that there was no infringement of Distell's marks. And since there is little likelihood of confusion as to the origin of the parties' respective marks, and no evidence at all of a representation that BLACK KNIGHT is the product of Distell, the question of passing-off falls away. There is thus no need to discuss the very different shapes and colours of the bottles in which KNIGHTS and BLACK KNIGHT are sold. The high court's order was correctly made in the circumstances.

[19]

(a) The appeal is dismissed with the costs of two counsel where so employed.

C H Lewis

Judge of Appeal

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