

SOUTH AFRICA / JUDGMENT

Distell Ltd v KZN Wines and Spirits CC (10006/2011) [2013] ZAKZDHC 25; 2013 BIP 263 (KZD) (23 May 2013) [2013] ZAKZDHC 25

COURT
Kwazulu-Natal High Court, Durban

BEFORE
Mnguni

CASE / FILE NUMBER
10006/2011

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IN THE KWAZULU-NATAL HIGH COURT,
DURBAN
REPUBLIC OF SOUTH AFRICA
CASE NO. 10006/2011
In

the matter between: DISTELL
 LIMITED
 APPLICANT
and
 KZN WINES AND SPIRITS CC
 RESPONDENT

JUDGMENT

Delivered on: 23 May 2013

MNGUNI J

- [1] The applicant is a wholly owned subsidiary of South African Distilleries and Wines (SA) Limited which, in turn, is a wholly owned subsidiary of Distell Group Limited, the ultimate holding company of a substantial number of subsidiary companies. As the main trading company within the group, the applicant is responsible for the manufacturing, marketing and distribution of the products of all the subsidiary companies in the group including fine wines, a wide range of spirits (including whisky) and ready to drink alcoholic beverages.

- [2] The applicant is the registered proprietor of the following trademarks in class 33: 88/05853 KNIGHT'S GOLD filed on 15 July 1988 in respect of wines, spirits and liqueurs, all other fermented beverages included in this class, dilutions, derivatives and mixtures of the foregoing goods, and 91/03863 KNIGHTS Label filed on 17 May 1991 in respect of alcoholic beverages (excluding beers). The first trademark is described in annexure CS 2.1 and consists only of the words KNIGHT'S GOLD. The second trademark is described in annexure CS 2.2 depicts a device of a label with the word KNIGHTS in white print on a black background and what

appears to be some decorative features above and below the word. Both trademarks cover whisky.

- [3] Each trademark is subject to a disclaimer in the following terms: In respect of trademark 88/05853 KNIGHT'S GOLD to the effect:

'Registration of this trade shall give no right to the exclusive use of the surname KNIGHT or of the word GOLD each separately and apart from the mark'

and in respect of the trademark 91/03863 KNIGHT'S Label to the effect:

'Applicants undertake that, in use, the blank spaces appearing in the mark will be left blank and/or will be occupied only by- matter of a wholly descriptive or non-distinctive character; and/or a trade mark registered in the name of the applicants in respect of the same goods; and/or a trade mark of which the applicants are registered users in respect of the same goods with consent of the proprietor of such trade mark; and/or a trade mark of a registered user registered in respect of the same goods and with the consent of the applicants.'

- [4] The respondent is a close corporation duly incorporated in terms of the Close Corporation Laws of the Republic of South Africa and was incorporated in 2000. It is engaged in the business of importing and selling of liquor products and one of those products is a BLACK KNIGHT Blended Scotch Whisky. In about May 2011 the applicant discovered that the respondent is importing and selling this product under the trademark BLACK KNIGHT. On 15 August 2011 the applicant's attorneys addressed annexure CS6 to the respondent demanding that it cease from its wrongful conduct. No response was received thereto or to a subsequent reminder. The applicant then launched the present application seeking an order interdicting and restraining the respondent from infringing its registered trademarks and from passing off its product as that of or associated with those of the applicant.

- [5] Relying on section 34(1)(a) of the Trade Marks Act 194 of 1993 the applicant contends that the respondent's use of the trademark BLACK KNIGHT is so similar to the applicant's KNIGHT'S GOLD and KNIGHTS Label when compared visually, aurally and conceptually that it amounts to an infringement of either or both of its registered trademarks. This section provides that the rights in respect of a trademark are infringed by the unauthorised use in the course of trade in relation to goods or services in respect of which the trademark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive

or cause confusion.

[6] Apart from denying any deceptive similarity between the registered trademarks and the alleged offending trademark, the respondent stressed, in its answering affidavit, the following contrasting features of the two products:

6.1 Applicant's product is in a 750 ml bottle. Respondent's product is in a 1 litre bottle;

6.2 Applicant's product is in a clear glass bottle. Respondent's product is in a green coloured glass bottle;

6.3 Applicant's product is in a rectangular shaped bottle. Respondent's product is in a round bottle.

6.4 Applicant's product is bottled in South Africa and professes to be a blend of 'South African Whisky and Scotch Whisky' blended in South Africa. Respondent's product is produced and bottled in Scotland and professes to be a 'Blended Scotch Whisky'.

6.5 The front label of applicant's product has white and gold text designs against a black background. Respondent's product has black and red text and a black image on a white background;

6.6 Applicant's product has a rectangular front label which fits on the front quadrant of the bottle while respondent's front label wraps around the shape of the bottle;

6.7 Applicant's back label is small and square shaped with white and gold text and images against a black background. Respondent's back label is long and rectangular with red and black text and images against a white background;

6.8 Applicant's product is called 'Knights'. Respondent's product is called 'Black Knight'.

6.9 The images depicted on applicant's product are a gold crest with a horsehead in the centre (the head is against a red background) and five gold coins. The images depicted on respondent's product are a black knight holding a lance on a horse, five black stars and a signature in red on a black background;

6.10 The colours of applicant's images are predominantly gold while respondent's images are predominantly black;

6.11 The text on applicant's product is white and gold in colour while the text on respondent's product is black and red;

6.12 The screw-top on applicant's bottle extends down the neck of the bottle and has both text and an image on the lower portion. The screw-top on respondent's bottle does not extend down the neck of the bottle and has neither text nor an image thereon;

6.13 The front and back labels on applicant's bottle have gold trim around the outer edges while the labels on respondent's bottle have black edging.

[7] In order to establish infringement in terms of section 34(1) (a) it is necessary for the applicant to show:

use of the registered mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion

that the use is in relation to the goods or services in respect of which the trademark is registered

that the use is in the course of trade, and

that the use is unauthorised.

(see Webster and Page, South African Law of Trademarks 4 ed para 12.7)

[8] Since it is common cause that the applicant's trademarks exist and are registered, that the respondent is making use of the trademark BLACK KNIGHT in relation to whisky (which falls within the scope of both of the applicant's registered trademarks), and that the respondent uses the trademark in the course of its trade and is unauthorised, what falls for decision is whether the respondent's trademark BLACK KNIGHT is so similar to either or both of the applicant's trademarks so as to be likely to cause confusion or deception. This requires a comparison to be made between the applicant's two registered trademarks and the respondent's offending mark. Such comparison must, however, be preceded by a discussion of the essential principles governing the basis upon which it is to be made.

[9] These essential principles were neatly summed up in *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) 623 (A) at 640G-641E by Corbett JA as follows:

'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 trademark 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, i e 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 encouraged 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 my 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 impression 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.'

- [10] The likelihood of confusion must be appreciated globally. The visual, aural and conceptual similarities of the trademarks in question must be assessed by reference to the overall impressions created by the marks bearing in mind, in particular, their distinctive and dominant components (see *Bata Ltd v Face Fashions CC and Another* 2001 (1) SA 844 (SCA) para 9, *Sabel BV v Puma AG, Rudolph Dassler Sport* [1998] RPC 199 at 224).
- [11] Importantly, the question of the likelihood of confusion or deception is a matter of first impression and does not require one to peer too closely at the registered mark and the alleged infringement to find similarities and differences (see *Laboratoire Lachartre SA v Armour – Dial Inc.* 1976 SA 744 (T) at 746 B-F). The Court must not consider the question of confusion or deception as if the purchaser of the goods will have had the opportunity of carefully considering the marks and even comparing them side by side. What is required by the Court is that

they must look at the marks as they will be seen in the market place, and taking into account a notional purchaser 'a person of average intelligence, and proper eyesight, buying with ordinary caution' (*Laboratoire Lachartre supra*).

- [12] Furthermore, if the association between the marks causes the public wrongly to believe that the respective goods come from the same or economically linked undertakings, there is a likelihood of confusion (*Compass Publishing B V v Compass Logistics Ltd* 2004 EWHC 520 (CH) (2004 RPC 41). It must be emphasised that trademarks more often than not are objectively meaningless, because if they have a meaning they may be descriptive, but that does not mean that they cannot be badges of origin or source identifiers even if they do not disclose the source (*Puma AG Rudolf Dassler Sport v Global Warning* 2010 (2) SA 600 para 5). The whole of the registered trademark must be considered against the whole of the alleged offending trademark including any disclaimed parts and it is no answer for a party creating confusion between his product and that of another to show that such confusion may subsequently be rectified (see *John Craig (Pty) v Dupa Clothing Industries (Pty) Ltd* 1977 (3)

SA 144 (T).

- [13] Whether the likelihood of confusion or deception arises is a question of fact which the Court must determine in the light of the circumstances of each case and care must be taken not to surrender the Court's judgment to that of a witness or to allow what is essentially, an expert witness's opinion to be introduced in the guise of scientifically established facts (see *Reckitt and Colman SA (Pty) Ltd v S C Johnson and Sono SA (Pty) Ltd* 1993 (2) SA 307 A at 315 D). The enquiry turns on to the potential customer. I am therefore required, notionally, to transport myself from the Court room to the market place, and to stand in the shoes or sit in the chairs of those who, in this instance, buy whisky (see *Oude Meester Groep BPK and Another v SA Breweries Ltd and Another* 1973 (4) 145 (W) at 161 C-E).
- [14] As I have mentioned, the applicant advances two causes of action against the respondent, namely, infringement of the two registered trademarks and passing off. I shall deal first with the claim based on the alleged infringement. As far as the visual similarity is concerned, I am satisfied that the comparison of the marks as a whole reveal that these marks are visually so different that confusion or deception is impossible. I arrive at this conclusion mindful of the fact that it is common for the producers to change the format of their get ups from time to time whilst retaining the essential features. In my view, there is much in the differences of the marks when visually present, which suggests that confusion or deception is unlikely to occur.
- [15] As regards aural and conceptual similarity, the main contention of the applicant was that the mark KNIGHT is the dominant feature on both the registered trademarks and the offending trademark which will remain in the mind of the customer, and this will be what the customer recalls of the marks in question. Counsel for the applicant submitted that the use of the word 'black' in the offending trademark does not serve to distinguish it from the registered trademarks because the colour black is nearly laudatory (e.g. John Walker Black Label) in the whisky industry. On the strength of this submission she stressed that, a notional consumer who encounters the offending trademark is likely to consider the product to be that of the applicant or to be associated with or will, at the very least, wonder as to whether such a connection exists
- [16] On the other hand the respondent contended that in the mark KNIGHT'S GOLD, 'gold' is used, not as a colour i.e. as an adjective but as a noun, which is the specific metal 'gold'. And the word KNIGHT'S is a possessive adjective used to describe whose 'gold' it is. Counsel for the respondent contended that in the context of the mark considered as a whole, the possessive adjective KNIGHT'S is not more dominant than the thing it describes, namely, GOLD.

[17] Allied to that earlier contention, he submitted that even if it were to be argued that the mark is to be understood as meaning the ‘gold’ whisky product of KNIGHT’S, conceptually the mark derives its meaning from the combination of the two words. Accordingly, he submitted, one cannot look at each word in isolation to derive the sense or meaning or concept of the mark. He submitted that the meaning of KNIGHT’S GOLD is entirely distinct from that of BLACK KNIGHT, where ‘knight’

is the noun and ‘black’ is a somewhat strong emphatic adjective, used to describe a particular quality of ‘knight’,

whether literal or figurative, and that ‘BLACK KNIGHT’, when pronounced aurally could equally refer to a ‘black night’ i.e. a dark night.

[18] He contended that BLACK KNIGHT gains its message from a combination of the two words and the respective marks have an entirely different message and do not look and sound similar and that as a matter of first impression, the respective marks are dissimilar and will not lead to either confusion or deception. He argued that even though the one mark incorporates KNIGHT and the other mark KNIGHT’S, this will not, when the marks are considered in their totality create an association between the two marks, which will cause the public to believe that the respective goods come from the same or economically linked undertakings.

[19] Although Counsel hold divergent views on whether the mark KNIGHT is the dominant feature on both marks, it is evident that they have a word in common. In the registered mark it is used either coupled with another word or on its own. On the offending mark another word precedes it. Counsel for the applicant has not asserted that the word “KNIGHT” is an invented or made up word. In the circumstances, it would be appropriate to conclude that it is an ordinary word in everyday use. The issue in casu, therefore, is whether it follows that confusion would probably arise if the word is used in combination with another word.

[20] Counsel for the applicant submitted that both products are sold in a bar or crowded lounge, and ordered verbally, the noise would be such that when a customer articulates the applicant’s whisky, the barman or waiter as the case may be, would be deceived or confused into believing that the customer is asking for the respondent’s whisky. I do not share these sentiments. In my view, counsel for the respondent is correct in stating that even though whisky is a popular drink, it is not a cheap drink. Consequently, a consumer is likely to exercise circumspection and a greater degree of care in making a purchase. It is not an overstatement that whisky drinkers take pride in the product and assimilate in it such that they are able to distinguish whether it is single malt or blended as well as a source of origin. Counsel for the respondent, correctly, in my view, pointed out that in the applicant’s registered label, KNIGHTS could refer equally to the plural of the surname Knight, or to the possessive Knights (Knights’ whisky), as to a reference to persons bearing a title i.e. ‘knights’.

- [21] Although the respondent has denied that these products are marketed and sold in competition with each other, I accept the applicant's evidence in this regard. Of importance on this issue is that the respondent, in its answering affidavit, asserted that it commenced operating its business in 2000 and that it has been importing the offending product into South Africa and selling it to Midmar since 2002. The applicant has not provided any evidence of the likelihood of confusion or deception. In the absence of such evidence, I am inclined to find that it is unlikely that the notional purchaser of the applicant's whisky, even with an imperfect recollection or perception, when confronted with BLACK KNIGHT, would focus attention only on the word KNIGHT and ignore the word BLACK. To my mind, the whole mark BLACK KNIGHT serves to distinguish the respondent's whisky from that of the applicant.
- [22] As contended by counsel for the respondent, in the present case the strong emphatic adjective 'Black' on the offending mark cannot be ignored, because it is as significant as the word 'Knight', resulting in the element of Knight being subsumed into the combination mark BLACK KNIGHT. I agree with counsel for the respondent that there is a clear distinction in connotation between KNIGHTS and BLACK KNIGHT and the marks do not look or sound the same. I therefore find that the applicant has failed to establish that the customers are likely to interpret the trademark as if it is used by the undertaking from which the offending party's goods originate and that the offending trademark creates an impression of a material link between the offending product and the owner of the marks.
- [23] I now turn to deal with the claim of passing off. Passing off occurs when one trader represents to the public that his goods or merchandise are of another trader. The applicant's claim of passing off relates to the use by the respondent of the mark BLACK KNIGHT, which the applicant contends is confusingly similar to its trade mark KNIGHTS in respect of which the applicant alleges it has acquired a substantive reputation and goodwill. The applicant must allege and prove the requisite reputation, misrepresentation and damage. The reputation must be in existence at the time the offending party entered the market and it must exist when the misrepresentation is committed (see *Caterham Car Sales and Coach works v Birkin Cars (Pty) Ltd* [1998] ZASCA 44; 1998 (3) SA 938 para 22). A reputation in a trademark does not come into existence independently of the goods in connection with which it is used. It originates in the quality of a manufacturer's goods and is then associated with that manufacturer's trademark or get-up (see *John Craig (Pty) Ltd v Dupa Clothing Industries* 1977 (3) SA 144 at 155 E-F)
- [24] The implied representation will usually take the form of one trader adopting a name, mark or get up for his goods or merchandise which so resembles that of the other trader that there is a reasonable likelihood that ordinary members of the public or a substantial section thereof, may be confused or deceived into believing that the goods or merchandise of the former are the goods or merchandise of the latter or are connected therewith. There must be a causal connection, between the offending mark and likely damage to the applicant consequent upon the use of its registered mark. Whether there is such a reasonable

likelihood of confusion or deception is a question of fact to be determined in the light of the particular circumstances of the case.

[25] The extent of reputation is of utmost importance in passing off proceedings as it speaks to the issue of whether the general public will be confused or deceived into thinking, because of the similarity of the name, mark or get up, that the goods or merchandise of the respondent are those of the applicant or are connected with them (see *Brian Boswell Circus (Pty) Ltd and Another v Boswell-Wilkie Circus (Pty) Ltd* 1985 (4) SA 466 (A) at 479B-J).

[26] In *Premier Trading Company (Pty) Ltd and another v Sporttopia (Pty) Ltd* 2000 (3) SA 259 (SCA) at 266J-267C Nienaber JA described reputation in the following terms:

‘Passing-off, to be actionable, erodes the plaintiff’s goodwill. Goodwill is the product of a cumulation of factors, the most important of which, in the context of passing off, is the plaintiff’s reputation. Reputation is the opinion which the relevant section of the community holds of the plaintiff or his product. If favourable, it would dispose potential customers to patronise the plaintiff or his product and, if unfavourable, it would tend to discourage them from doing so. The plaintiff’s reputation may be associated with the symbol under which his product is marketed. The symbol renders the product distinctive of the plaintiff or his product. A false representation by the defendant about the symbol used by the plaintiff may encourage or induce potential customers of the plaintiff, believing that they were patronising him, into patronising the defendant’.

[27] In *Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 (4) SA 434 (W) at 437E-F Nicholas J held:

‘The fact that a plaintiff can show that he has acquired a reputation in the feature on which he relies, is not, however, enough in itself. The plaintiff must prove in addition that the defendant’s use of the feature concerned was calculated to deceive.’

[28] The likelihood of confusion or deception is a matter for the Court and this judgment must not be surrendered to any witnesses. The class of persons who are likely to be the purchasers of the goods in question must be taken into account in determining whether there is a likelihood of confusion or deception.

[29] The general appearance per se is not determinative of whether the respondent’s product is calculated to deceive because one has to look not only at the distinctive features of the mark but at what the purchaser himself would likely be guided by, including the whole get-up of the article. The question is not whether there are differences in the marks but whether the general appearance is such that a person looking casually at the marks would be likely to be deceived. Where additional words are added to the offending mark this will not suffice to obviate confusion or deception where the term in practice will be abbreviated to the offending word. The Court must also be mindful of the fact that the consumer will not necessarily have the advantage of seeing the products side by side and will not be able to conduct an in-depth analysis of this kind.

- [30] In casu, what has to be proved is that by the trademark BLACK KNIGHT, the respondent is representing its products to be those of the applicant or to be connected therewith. It follows that the Court must have regard to the general impression created by the get ups in question and to the doctrine of imperfect recollection bearing in mind that the deception or confusion need only last a fraction of time.
- [31] The respondent does not dispute the applicant's sales figures and advertising expenditure but it disputes their relevance to the claim of passing off because they relate to a period from 2004 onwards. It was argued on behalf of the respondent that although the applicant has made extensive sales of its KNIGHTS whisky in South Africa since 1992, it has failed to provide details of its sales as at and prior to 2002 in order for the Court to determine whether the sales at that time were 'extensive' and gave rise to a reputation in 2002. There is force in this submission and I am inclined to agree with it.
- [32] Counsel for the respondent submitted that from a proper reading of the founding affidavit it would appear that the applicant set out to prove that its marks, get-up and whisky enjoyed a reputation as at the time the affidavit was deposed to, namely 31 August 2011 instead of setting out to prove its reputation as at 2002, and the applicant has failed to prove its reputation as at or prior to 2002.
- [33] As I have already indicated, the respondent has, in its answering affidavit set out in detail the differences between the respective get ups of the marks. Having regard to the whole get up of the applicant's whisky including the mark KNIGHTS and the whole get up of the respondent's whisky including the mark BLACK KNIGHT, it seems to me that the respondent made it perfectly clear that its whisky is its own and not that of the applicant or associated in the course of trade with the applicant. The evidence of the respondent is that its whisky has been on the market alongside that of the applicant for a period of some 11 years and there have been no instances of actual confusion. This seems to support the contention that this is a clear demonstration of the absence of likelihood of confusion or deception. I find the following remarks of Laddie J in *Arsenal Football Club P.L.C. v Reed* [2001] P.R.C. 46. at 922 at 931 in this regard apposite:

'Where the claimant brings proceedings at or before the commencement of the defendant's trade, the court must assess as best it can what is going to happen in the real world of the marketplace. That may not be easy and the court may sometimes get it wrong, but the speed with which the claimant comes to court - something which is frequently necessary to avoid substantial damage - makes this inevitable. On the other hand, where the defendant has been carrying on his trade for some time, the court can expect to be relieved of the need to speculate as to the likelihood of confusion and damage. In most cases, it will be able to see what has actually happened. If the claimant has suffered substantial damage, one can expect it to be apparent. Absence of evidence of confusion becomes more telling and more demanding of explanation by the claimant the longer, more open and more extensive the defendant's activities are.'

[34] It ought to be emphasised that the law of passing off does not confer monopolies on successful get ups. In *Pasquali Cigarette Co. Ltd Diaconicolas and Capsopolus* 1905 T S 472 at 479 Solomon J reaffirmed this as follows:

‘A certain amount of imitation in these matters is perfectly legitimate. If one manufacturer sees that another manufacturer gets up his wares in a form which attracts the public, he is entitled to some extent to take a lesson from his rival and to copy the getup, provided that he makes it perfectly clear to the public that the articles which he is selling are not the other manufacturer’s, but his own articles, so that there is no probability of any ordinary purchaser being deceived. So long as it does that a certain amount of imitation is legitimate.’

In casu, I am persuaded that the respondent took sufficient steps to ensure that its mark clearly distinguishes its product from those of the applicant and that there is no probability that a notional customer may be confused or deceived into believing that there is a causal connection between the said businesses. In any event, in the light of the respondent’s evidence about selling the products alongside, the absence of evidence of actual confusion is telling.

In the result, I make the following order

The application is dismissed with costs.

Mnguni J

Appearances:

For the Plaintiff : Adv. I JOUBERT

Instructed by : SPOOR & FISHER.

C/O Lawrie Wright & Partners

Inc.

For the Defendant : Adv. G.E. MORLEY SC

Instructed by : BERNARD VUKIC POTASH

& GETZ

C/O De Villiers, Evans & Petit

Date of Hearing : 18 April 2012

Date of

Filing of Judgment : 23 May 2013

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Prepared on 10 October 2026 · Esheria