

SOUTH AFRICA / JUDGMENT

**Dix v Calzanetto Sociedad Limitada
(A5002/2019) [2019] ZAGPJHC 499;
2019 BIP 196 (GJ) (12 December 2019)
[2019] ZAGPJHC 499**

COURT

South Gauteng High Court, Johannesburg

BEFORE

T P Mudau, K E Matojane, L Windell

CASE / FILE NUMBER

A5002/2019

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REPUBLIC OF SOUTH AFRICA

IN THE HIGH COURT OF SOUTH AFRICA

GAUTENG LOCAL DIVISION, JOHANNESBURG

CASE NO: A5002/2019

GJ CASE NO: 15353/2019

In the matter between:

DIX, PETER GRANT APPELLANT

And

CALZANETTO SOCIEDAD LIMITADA RESPONDENT

J U D G M E N T

MUDAU, J:

- [1] This appeal involves trade mark infringement. The respondent (“Calzanetto”) launched an application in this Court under the provisions of section 34 (1) of the Trade Marks Act^[1] for an interdict, together with ancillary relief, restraining the appellant, Mr Dix from infringing its rights to a trade mark which it holds over the name “Calzanetto”. This appeal turns on whether, factually, there has been contravention of section 34 (1) of the Trade Marks Act and secondly whether Mr Dix can rely on the provisions of section 34 (2) (d) thereof, which is dealt with below as justification for his conduct. The Court a quo (per Makume J) found in favour of Calzanetto. Mr Dix was aggrieved by the finding. He sought leave to appeal from the Court a quo and failed. He petitioned the Supreme Court of Appeal (SCA) for leave to

appeal. It granted him special leave to appeal this Court.

- [2] In the heads of argument, the respondent initially contended that the appeal had lapsed for want of compliance with the mandatory and prescriptive provisions of rule 49 (13) of the Uniform Rules of Court (the rules) requiring Mr Dix to provide security for costs. The respondent applied for an order declaring that the appeal had lapsed. The application served before Unterhalter J on 14 October 2019, who ordered the appellant to furnish security for costs in the amount of R100 000.00 by no later than 17:00 on Monday, 21 October 2019, failing which the appeal would be deemed to have lapsed. The amount was paid into the trust account of the respondent's attorneys on the morning of the hearing of this appeal.
- [3] The facts are largely common cause. The respondent is a limited liability company registered and incorporated as such in accordance with the laws of Spain. Its principal place of business is Poligono Industrial Las Atalayas, Calle de la Libra, 129 03114 Alicante, Spain. It conducts business as a trader in articles for cleaning purposes and related products. It operates in all the major markets of the world. It is the registered proprietor under the Trade Marks Act of the trade mark CALZANETTO, registration number 2006/03093 in class 21 in respect of "household or kitchen utensils and containers (not of precious metal or coated therewith); combs and sponges; brushes(except paint brushes); brush-making materials; articles for cleaning purposes; bins; steel wool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes; aerosol dispensers; ashtrays; crockery; cookware; kitchenware; hollowware; parts, fittings, accessories and components therefore..." dated 15 February 2006.
- [4] During or about the year 2006, a company, Calzanetto South Africa (Pty) Ltd, (Calzanetto SA) was formed and registered in South Africa. The respondent held 60% percent of the issued share capital whereas Mr Dix and a Mr Franco Moroldo held the remaining 40%. Mr Dix was appointed as the managing director of Calzanetto SA. The respondent granted Calzanetto SA sole rights to distribute its products under its trade mark locally.
- [5] On 16 November 2015 Calzanetto SA was finally wound up and placed in the hands of the Master of the High Court. Consequently in June 2016 the respondent appointed Asprey Holdings (Pty) Ltd (Asprey) as its sole distributor and representative to sell and market its products under the trade mark Calzanetto.
- [6] Sometime during 2016 it came to the attention of Mr Mark Anthony De Souza, a managing director of Asprey who deposed to the respondent's

founding affidavit in support of the interdict application that the appellant has, notwithstanding his knowledge of the intervening

winding up of Calzanetto South Africa (Pty) Ltd, continued to trade under the insolvent company's name and to sell and to distribute goods bearing the trademark, name and get up of the respondent. This was established when De Souza visited one of the respondent's former customers in East Rand Mall, Boksburg where he observed a display on a rack of goods bearing

the respondent's trademark, name and get up. He further established that the goods and stock had been delivered by the appellant earlier in the month and was paid for in cash at the request of the appellant.

[7] According to De Souza, he established that the appellant had continued with the unauthorized sale, marketing and distribution of goods bearing the trade mark of the respondent. This was confirmed by his visit to another former customer of the respondent, Shoe Care, in Sandton City. At Shoe Care that he was furnished with copies of a series of invoices and statements (annexures 'FA7' to 'FA13') for the period February 2016 to October 2016, after the final liquidation of Calzanetto SA. While it is noteworthy that the statements attributed to former clients were not supported by confirmatory affidavits from those clients, however, the authenticity of these annexures as generated by the appellant was never challenged.

[8] A closer look of annexures 'FA7' to 'FA13' established the following facts which are common cause and form the gravamen of the respondent's complaint: all the annexures bear the trade mark and registered name of the respondent purportedly

issued by Calzanetto SA. But, the business address reflected thereon is that of the appellant. The trade mark name Calzanetto features on the email contact address supplied, "calzanetto@mweb.co.za", which is that of the appellant. At the same time, the website reflected on the invoice statement, "www.calzanetto.com"

is the website address of the respondent.

[9] Before Makume J and in this Court, the appellant did not place in dispute that the name Calzanetto is a registered trade mark of the respondent. Reduced to its essentials, the gist of the appellant's argument is that his trading in genuine Calzanetto products is not an infringement of the Calzanetto trade mark. In his prosecution of the appeal the appellant relied on section 34(2) (d) of the Trade Mark Act which states that a registered trade mark is not infringed by:

"the importation into or the distribution, sale or offering for sale in the Republic of goods to which the trade mark has been applied by or with the consent of the proprietor."

[10] Properly construed, according to section 34 (2) (d) a trademark proprietor in this country cannot invoke his or her trade mark rights to prevent parallel imports where the imported goods have been put on the market by the South African trade mark proprietor or with his or her consent.[2] However, in the present case the importation of the respondent's products (to which the trade mark is attached) is not undertaken with the consent of the respondent. The present case, unlike the Protective Mining case is not concerned with what has become known as "parallel importation" into the country of so-called 'grey goods' without guarantee and or warranty since parallel importation is lawful.

[11] Even though parallel importation is permitted, section 25 (2) of the Consumer Protection Act[3], provides that “a person who markets any goods that bear a trademark, but have been imported without the approval or licence of the registered owner of that trade mark, must apply a conspicuous notice to those goods in the prescribed manner and form”.

Properly construed, this is intended to make the consumer of such goods aware that the goods are not covered by any warranty of the authorized distributor of the goods and thus permitting the consumer to make an informed choice.

[12] In its notice of motion the respondent relied upon section 34 (1) of the Trade Marks Act which states that the rights acquired by the 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 ;
- (b) the unauthorized use of a mark which is identical or similar to the trade mark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion;...

[13] The infringements referred to in section 34 (1) are not only different but are distinct and consequently it is not possible to infringe

under sections 34 (1) (a) and 34 (1) (b) at the same time.[4] It is essential for a plaintiff or applicant in order to establish infringement in terms of section 34 (1) (a) to show: (a) the use of the registered trade mark or of a mark so nearly resembling it is as to be likely to deceive or cause confusion; (b) that the use is in relation to the goods or services in respect of which the trade mark is registered; (c) that the use is in the course of trade; and finally (d) that the use is unauthorized.[5]

[14] The Appellate Division in *Plascon-Evans Ltd v Van Riebeeck Paints (Pty) Ltd*[6] held that:

‘[I]n 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, 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’.

- [15] The test above as formulated in Plascon-Evans has been adopted and followed for purposes of section 34 (1) (a) infringement proceedings.[7]
- [16] As indicated, section 34 (1) (a) provides that the defendant, in this case the appellant's use, must have been "in the course of a trade". The requirement of "use in the course of trade" simply means that there must be trade in relation to the goods concerned. In *Beecham Group plc v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd*[8] Corbett CJ had to interpret the phrase "in the course of trade" and considered the history of the applicable section 44 (1) (b) of the repealed Trade Marks Act in this country and its equivalent in England.
- [17] The learned Corbett CJ considered the English case of *M Ravok (Weatherware) Ltd v National Trade Press Ltd*[9], which is referred to in this matter as an illustration of an important distinction in the nature of the use of a mark, a decision

by Goddard CJ and said:

'The plaintiff in that case was the proprietor of the trade mark "Weatherite", registered in respect of weatherproof clothing and sportswear. The defendant published a directory of trade marks in which they listed the mark Weatherite but, by mistake, gave

a name other than the plaintiff's as the proprietor of the mark. The plaintiff sued for infringement of the trade mark. Section 4 of the English Act requires, as far as both forms of infringement are concerned, that the alleged infringer should have used the mark (or a colourable imitation thereof) "in the course of trade". Goddard CJ held that those words meant "in the course of trade in those goods". Here, it seems to me, the learned Chief Justice was referring to the goods in respect of which the trade mark was registered for, in non-suiting the plaintiff, he went on to say (at 623 D - E):

"The defendants themselves are not applying the trade mark to goods because they are not dealing with goods; and, certainly, they are not 'using' the trade mark 'in the course of trade' and 'in relation to those goods'. They are using it in the course of their own trade, which is that of a publisher of a trade directory."

Corbett CJ concluded that the respondent's use of the appellant's trade mark did not constitute use "in the course of trade" within the meaning of section 44 (1) (b). In the words of the learned Chief Justice:

'... this phrase must be understood as having reference to a trade in goods falling into the classes for which the trade mark is registered or to goods which are so closely associated therewith that the use by the alleged infringer of the trade mark, in a manner otherwise than as a trade mark, will enable the alleged infringer to prey upon or take advantage of the reputation and goodwill of the proprietor of the mark. That this is the correct view is, in my opinion, reinforced by a consideration of the far-reaching consequences that would result from an acceptance of the submission of appellant's counsel, viz that use in the course of any trade is sufficient for the purposes of s 44(1) (b)'.[10]

[18] It seems to me that the Ravok case is a good example where reference to a protected name of another is innocent, to be contrasted with the unauthorized use of the get up on an invoice which misrepresents the origin of the goods in the course of a trade in competition with the trademark owner. Quite clearly, Mr. Dix in the sale of the relevant products and in issuing invoices, using the protected name preyed upon or took advantage of the reputation and goodwill of Calzanetto. The issue of invoices bearing the protected name was accordingly not innocuous. A material link was clearly established between the sale of the products and the unauthorized issue of invoices with the name Calzanetto. The question that then arises is whether this is likely to confuse third parties. In my respectful view, the answer is a resounding yes; regard being had to the objective facts in this matter. The dictum of Corbett CJ (above) is therefore apposite and finds application in inquiries under section 34 (1) (a) and (b) of the Trade Marks

Act.[11]

[19] Accordingly, reliance by the appellant on the provisions of section 34 (2) (d) before Makume J and in this Court is misplaced. The modern law of trade mark infringement is statutory but its origins are to be found in the common law action for passing off.[12] It is trite that a trade mark functions as a badge of origin and that trade mark law does not give copyright-like protection.[13] It is a distinctive mark used to identify and distinguish the products and services of an individual or company from products and services offered by another. Generally, it is recognised that “a trade mark indicates that the goods upon which it is used originate from a single, albeit anonymous, trade source without necessarily disclosing the identity of the trade mark proprietor”.[14]

[20] As the respondent contended, there is no issue taken with the sale of its genuine products, but the unauthorized use of its trade mark on the appellant’s invoices in relation to goods in respect of which the trade mark is registered in flagrant disregard of the protection afforded in section 34 (1) of the Trade Marks Act. The appellant’s conduct can only be described as underhanded,

opportunistic and not bona fide. As Harms ADP stated in the Verimark case at para 5:

‘There can only be primary trade mark infringement if it is established that consumers are likely to interpret the mark, as it is used by the third party, as designating or tending to designate the undertaking from which the third party’s goods originate’.

In this case there is complete silence on the part of the appellant as to where the goods bearing the respondent’s trade mark originated from.

[21] A use of another person’s logo or get up on your own invoice is a misrepresentation about the supplier of the goods to the end-user.

Given that the respondent appointed Asprey as its sole distributor and representative to sell and market its products under the trade mark

Calzanetto in this country, the unauthorized use of the registered trade mark on the appellant's invoices take unfair advantage of and is highly detrimental to, the distinctive character or repute of the registered trade mark holder as well as its commercial interests in Asprey notwithstanding the absence of deception or confusion. The issue of invoices bearing the protected name, Calzanetto, did not under the circumstances, constitute fair and normal notional use. The continued use of the protected name on invoices by the appellant amounted to passing off, which is unlawful in our law^[15]. It is trite that every person is entitled freely to carry on his trade or business in competition with his rivals. But the competition must remain within lawful limits^[16]. The order by Makume J, correctly, entailed the expungement of the protected name from the appellant's invoices. Thus, as I see it, Mr Dix cannot rely on section 34 (2) (d) of the Trade Marks Act to justify his conduct.

[22] Consequently, as Makume J had concluded, the respondent succeeded in establishing that its trade mark rights have been infringed and that it has established a clear right to the relief sought, which is permissible in terms of section 34 (3) (a) of the Trade Marks Act. For the above considerations I conclude that the appeal falls to be dismissed with a concomitant costs order as it is without merit.

T. P. MUDAU

JUDGE OF THE HIGH COURT

GAUTENG LOCAL DIVISION, JOHANNESBURG

CORAM MATOJANE J (WINDELL J Concurring):

Introduction

[23] The issue in this appeal is whether the unauthorised sale of a trade mark holder's products constitutes an infringement of the trade mark under s 34(1)(a) of the Trade Marks Act 194 of 1993 (the 'Act' or the 'Trade Marks Act'). In other words, the question to be answered is whether the right of a trade mark owner extends to controlling the unauthorised resale of its genuine goods by third parties.

[24] The second issue in this appeal is whether the use of a trade mark on documents such as invoices, without the consent of the trade mark owner, contravenes s 34(1)(a) of the Trade Marks Act.>

[25] The respondent is the holder of the registered trade mark 'Calzanetto'. In the court a quo the learned Judge, Makume J, held that because the appellant did not have the respondent's authorisation to distribute products bearing the registered trade mark 'Calzanetto', the appellant had infringed on the trade mark rights of the respondent under s 34(1)(a) of the Act.

[26] Leave to appeal against the judgment was refused by the court a quo; the Supreme Court of Appeal granted leave to appeal to this Court.

Background

[27] The appellant was a co-shareholder and managing director of Calzanetto South Africa (Pty) Ltd ('Calzanetto SA') together with the respondent. Calzanetto SA held the distribution rights for Calzanetto products in South Africa. The respondent is a company registered in Spain, but it operates in all the major markets of the world. It is the registered proprietor of the trade mark 'Calzanetto', and manufactures sponges in different shapes and colours for cleaning all kinds of leather and leather articles such as shoes, handbags, and clothing.

[28] Calzanetto SA was wound up by the court on 16 November 2015 at the instance of the respondent. After the liquidation of Calzanetto SA, the respondent appointed Asprey Holdings (Pty) Ltd as the sole distributor of Calzanetto products in South Africa. In 2016, the appellant continued trading in genuine Calzanetto products belonging to Calzanetto SA, which was in liquidation at the time. The appellant also issued statements and invoices bearing the Calzanetto trade mark in respect of these sales transactions.

[29] The respondent claimed that this conduct infringed on the 'Calzanetto' trade mark registered in its name, and it

sought an order interdicting the appellant from using the trade mark. The respondent relied on s 34(1)(a) of the Trade Marks Act, which defines the infringement of a registered trade mark as including, 'the unauthorized use in the course of trade in relation to goods or services in respect of which the mark is registered, of an identical

mark or a mark so nearly resembling it as to be likely to deceive or cause confusion.'

[30] The appellant stated that his conduct did not constitute an infringement of the 'Calzanetto' trade mark, relying on s 34(1)(d) of the Act which provides—

'A registered trade mark is not infringed by the importation into or the distribution, sale or offering for sale in the Republic of goods to which the trade mark has been applied by or with the consent of the proprietor thereof.'

[31] The learned Judge a quo found that the respondent's reliance on section 34(2)(d) of the Trade Marks Act was misplaced, in that s 34(1)(d) only indemnifies a person who trades with the consent of the owner of the trade mark.

[32] Ultimately, the court a quo found that the unauthorised sale of genuine Calzanetto goods contravened s 34 of the Trade Marks Act. The reasoning for this finding was that because the appellant was using the trade mark without Calzanetto's authority or consent, the usage was therefore uncontrolled and prejudicial to Calzanetto.

[33] The court a quo made the following order:

1. The Respondent is hereby interdicted from infringing the Applicants rights which the Applicant acquired by the registration of trade mark number 2996/03093 by using in relation to any goods in respect of which the said trade mark is registered the mark Calzanetto or any other mark resembling the aforesaid trade mark as to be likely to deceive or cause conflict.
2. The Respondent is directed and ordered to remove and erase the offending infringement of the trade mark from all goods, containers, packages, labels, advertising materials and documents of whatever sort bearing the mark Calzanetto.
3. The Respondent is ordered to pay costs of this application on the scale as between attorney and own client.

The unauthorised use of a trade mark on genuine goods

[34] As stated above, s 34(1)(a) of the Act provides as follows:

- (1) The rights acquired by registration of a trade mark shall be infringed by—
 - (a) The unauthorised 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 a mark, so nearly resembling it as to be likely to deceive or cause confusion;

[35] The uncontested evidence is that the appellant sold the goods that are manufactured by the respondent. The goods were supplied to Calzanetto SA (prior to its liquidation) by the respondent and bear its trade mark. The appellant retained possession of these goods after the liquidation of Calzanetto SA, which he then sold to various customers.

[36] There is no allegation that the goods were not sold in the same condition as they were received from the respondent or that they were altered in any way before being sold. It is common cause that the appellant was selling genuine Calzanetto goods. This can be distinguished from instances where the trade mark owner's goods are altered and sold, to which different considerations apply, such as in the case of Television Radio Centre (Pty) Ltd v Sony Kabushika Kaisha (the 'Sony' case).[19]

Consent and authorisation

[37] At paras 17 and 18 of his judgment, Makume J stated as follows:

'The respondent does not dispute that the applicant is the only registered owner of the Calzanetto trade mark. Accordingly the applicant has a clear an unassailable right to protect its trade mark from unlawful users.

The right which resorts only with the applicant is being used without the applicant's authority or consent this is prejudicial to the holder as the respondent has no permission to use the trade mark. Any further use of the trade mark by the respondent is likely to cause the applicant irreparable harm to the applicant's good name in that such usage is uncontrolled and is in the hands of an unauthorised third party being the respondent.'

- [38] The question is whether the provisions of the Trade Marks Act afford the trade mark owner a right to control the sale of its genuine goods. In other words, does it extend to give the owner of the registered trade mark full control over its goods, except insofar as it may have released its rights of control?
- [39] The word ‘unauthorised’ was first introduced into s 44(1)(a) of the Trade Marks Act 62 of 1963 (the ‘1963 Act’).[20] It has been carried through into s 34(1)(a) of the 1993 Act.
- [40] In the case of Protective Mining & Industrial Equipment Systems (Pty) Ltd,[21] the Appellate Division was confronted with a claim for infringement brought under s 44(1)(a), in circumstances where the respondent was selling genuine products without the authorisation of the trade mark owner.
- [41] The Appellate Division had to decide whether the claim fell within the ambit of protection afforded by s 44(1)(a). In doing so, it considered the development of trade mark law and specifically considered the effect of the introduction of the term ‘unauthorised’ into s 44(1)(a) of the 1963 Act.
- [42] The Appellate Division came to the following conclusion: although the ordinary meaning of the words in s 44(1)(a) were wide enough to cover the sale of genuine goods bearing the trade mark of the proprietor, it was well-established in the common law and in preceding legislation that, in the context of infringement, the extent of protection afforded by provisions such as s 44(1)(a) was restricted to the use of a trade mark in respect of goods which were not genuine goods.[22]
- [43] As to the actual impact of the introduction of the term ‘unauthorised’ on the infringement provision, the Appellate Division stated:
- ‘The word “unauthorised” in its ordinary meaning does not add anything to what was the common law, except that it might affect the onus of proving authorisation or lack thereof. Whatever the kind of use might be which would *prima facie* amount to infringement, authorisation would serve to render it lawful.’[23]
- [44] The interpretation accorded to the term ‘unauthorised’ in s 44(1)(a) of the previous Act is similarly applicable to s 34(1)(a), as there is nothing to warrant a drastic departure from such interpretation as set out by the Appellate Division in Protective Mining.
- [45] Ramsden’s ‘A Guide to Intellectual Property Law’ summarises the current position as follows —
- ‘...the word “unauthorised” in s 34 does no more than express a well-established rule of law, viz that the proprietor of a registered trade mark had the right to prevent others from selling goods which, while not his or hers, were marked with their trade mark. There could be no trade mark infringement in selling genuine goods bearing their trade mark.’[24] (Emphasis added.)

- [46] With this understanding of the meaning of ‘unauthorised’ in the context of a s 34(1)(a) infringement, there is no other provision in s 34 which suggests that the consent of the trade mark proprietor is necessary for the purposes of selling its genuine trade marked goods.

The purpose of s 34(1)(a)

- [47] Permitting the sale of genuine goods without the trade mark proprietor’s authorisation accords with the purpose of s 34(1)(a), which is to ensure that the trade mark serves as a ‘badge of origin’.
- [48] In *Verimark (Pty) Ltd v BMW AG*, the SCA approved of the view taken by the House of Lords in *R v Johnstone* [2003] UKHL 28 (22 May 2003), wherein Lord Nicholls stated:

‘...the essence of a trade mark has always been that it is a badge of origin. It indicates a trade source: a connection in the course of trade between the goods and the proprietor of the mark. That is its function. Hence the exclusive rights granted to the proprietor of a registered trade mark are limited to use of a mark likely to be taken as an indication of trade origin. Use of this character is an essential prerequisite to infringement. Use of a mark in a manner not indicative of trade origin of goods or services does not encroach upon the proprietor’s monopoly.’[25]

- [49] In adopting the approach of the ECJ and the House of Lords, the SCA described it as—

‘...eminently sensible. It gives effect to the purpose of the Act and attains an appropriate balance between the rights of the trade mark owner and those of the competitors and the public.’[26]

- [50] These extracts bring to the fore two important aspects for consideration: first, the function of a trade mark as a ‘badge of origin’; and second, the balance to be struck in the market between the different stakeholders in the context of trade mark law. Each of these two aspects will be dealt with in turn.

A trade mark as a badge of origin

- [51] The function of a trade mark is to guarantee the origin of the trade-marked product to the consumer or user by enabling her, without any possibility of confusion, to distinguish the product or service from the goods or service of others. The main issue in an infringement case under s 34(1)(a) is whether the use of a mark which closely resembles, or is identical to, the owner’s trade mark impacts on this ‘badge of origin’ function of the mark. It follows that there must be confusion as to the origin or trade source of the product before there can be any question of trade mark infringement.
- [52] In the present case, as the goods sold were the genuine Calzanetto goods manufactured by the respondent, the use of the trade mark ‘Calzanetto’ by the appellant could not give rise to trade mark infringement. There is no confusion created as to where the goods bearing the ‘Calzanetto’ trade mark originate. It follows that there cannot be an infringement of a trade mark through the sale by any third party of the genuine products bearing the trade mark.

- [53] In this context, it is important to consider the practical effect of the order granted by the court a quo. The order directed the appellant ‘to remove and erase the offending infringement of the trade mark from all goods, containers, packages, labels ... bearing the mark Calzanetto.’ Effectively, the appellant would have to remove Calzanetto’s trade mark from all genuine Calzanetto goods he wishes to sell to the public. This could not have been the intended effect of the order, which would be completely inconsistent with the purpose of the trade mark, which is to convey to the consumer the origin of the goods.

Striking a balance in the market

- [54] Turning to the second aspect which was addressed in the Verimark judgment, it is clear that there is a balance to be struck between, consumers, trade mark holders and competitors in the context of trade mark law. This is reflected in the exceptions to the protections extended to the trade mark proprietor in s 34(1) of the Trade Marks Act. One of these exceptions is contained in s 34(2)(d) of the Act. It protects the trade in genuine trade-marked goods, and specifically provides that there is no infringement where a person imports, offers to sell, or sells goods in South Africa to which the trade mark has been applied by or with the consent of the proprietor thereof, as in the present matter.
- [55] There is nothing inherently wrong in selling genuine trade-marked goods in competition with a local distributor. The trade mark owner has been paid appropriately for its products and has no further right to control the resale of its goods. The sole distribution agreement between the respondent and Asprey Holdings (Pty) Ltd, upon which the respondent relies, created purely contractual rights between the parties thereto and is not binding on third parties who obtained the goods, from whatever source. To decide otherwise will be to impose an unwarranted restriction on the person who acquired the supplies of the goods through parallel importation or other legitimate means.
- [56] In sum, a trade mark will only be infringed if it was used on goods which were not the goods of the trade mark proprietor. The appellant was trading in genuine goods bearing the trade mark holder’s ‘Calzanetto’ mark. In these circumstances, the appellant does not require the authority of the respondent to sell unaltered goods manufactured by the respondent, to which it applied the mark, or to which the mark was applied with their consent. There is no deception as to the origin of the goods, which are exactly what they purport to be. They are genuine, trade marked goods, and the sale of such goods is permitted.
- [57] To uphold the lower court’s decision would, in effect, grant the respondent a monopoly in South Africa on a product to the same extent as if it enjoyed copyright protection, which is not the purpose of a trade mark; it would impermissibly provide the respondent with the effective right to control the use and sale of personal property legitimately acquired. This will also curtail the freedom to compete in the open market. The trade mark holder does not have an absolute and unassailable right to control the sale and distribution of its genuine products. The appellant in this matter is therefore entitled to the protection afforded by the exception contained in s 34(2)(d) of the Trade Marks Act.

Unauthorised use of a trade mark on invoices

[58] Before us, counsel for the respondent conceded that the appellant is not infringing on s 34(1) (a) of the Trade Marks Act through the sale of legitimate Calzanetto products. Instead, respondent's counsel limited the issue in the appeal to the argument that the appellant infringed on its rights by issuing invoices bearing the trade mark of Calzanetto.

[59] The respondent attached six invoices to its founding affidavit, which were issued by the appellant from February 2016 to October

2016. The respondent alleged that the invoices of the appellant featured the following:

1.1. A trade mark registered in the name of Calzanetto.

1.2. The website address of Calzanetto, being 'www.calzanetto.com'.

1.3. An email address containing the word 'Calzanetto', which is 'calzanetto@mweb.co.za'.

[60] The invoice was issued in the name of the company Calzanetto SA (Pty) Ltd and contained the associated VAT registration number. These invoices were issued after 16 November 2015, the date at which the company was wound-up. In its founding affidavit, it was alleged that this 'constituted unauthorised use of the Applicant's registered trade mark, name and get up in the course of trade by the Respondent in relation to goods or services in respect of which the trade mark is registered, which was intended to and in fact did deceive the Applicant's former clients and has or alternatively is causing confusion in the market place, all of which constitute an infringement of the Trade Marks Act 194 of 1993 and the Applicants rights.'

[61] Counsel for the respondent argued that these invoices were a misuse of the Calzanetto trade mark and that the appellant could not sell the products while purporting to be Calzanetto. It was argued that by doing so, the appellant infringed s 34(1)(a) of the Act, as the use of an identical or similar mark would deceive and/or cause confusion as to the source of the product. It created the impression that Calzanetto supplied the goods when it was actually the appellant who supplied the goods to the consumer. In short, consumers would not be aware of the identity of the seller who provided them with their products.

The use of a trade mark to create the impression of a 'trade association'

[62] In *Miele et Cie GmbH & Co v Euro Electrical (Pty) Ltd*, [27] the Appellate Division was confronted with facts similar to those in the present case. Although the case was decided under s 44 of the 1963 Trade Marks Act, it is instructive in understanding how s 34 of the 1993 Act applies in this case.

[64] The appellant in the Miele case was a company registered in West Germany. It was a manufacturer and supplier of high-quality domestic appliances that were sold under its trade mark 'Miele', and the respondent had been authorised to import, sell, service and repair Miele products in South Africa. The contract in terms of which the respondent was permitted to distribute Miele products came to an end, and the respondent was no longer allowed to use the names 'Miele' and 'Miele Appliances' as a trading

style.

[65] The respondent continued to use Miele's trade mark on its signage and displays after the cancellation of the agreement. The respondent also used the trade mark as its business name. The word 'Miele' was adorned at the back and sides of the respondent's delivery vehicle. On one of the doors of the vehicle appeared the words 'Miele Appliances' followed by the address of the respondent's shop. The respondent's own name did not appear on either the shop front or the vehicle.

[66] The court in Miele was satisfied that the respondent's use of the trade mark as its business name had not been for the purpose of indicating a connection in the course of trade between the goods and the proprietor of the mark; instead the trade mark was used to signify a connection between the respondent's business and that of the appellant.[28]

[67] In the case at hand, it can be similarly stated that the appellant's use of the 'Calzanetto' trade mark on the invoices to customers connoted the existence of a trade association between the trade mark holder and the supplier of the goods.

[68] It is necessary to distinguish between, on the one hand, the use of a trade mark as a badge of origin, which speaks to who produced the goods; and, on the other hand, the use of a trade mark in a manner which creates the impression that there is a trade association between the trade mark owner and the supplier of its goods. The question in this case is whether the unauthorized use of a trade mark on an invoice, which creates the impression that a trade association exists between the trade mark owner and the seller of its goods, constitutes an infringement of trade mark owner's rights under the Trade Mark Act, and s 34(1)(a) in particular.

Section 34(1)(a) and the use of a trade mark to create a 'trade association'

[69] As per the discussion above, the purpose of a trade mark is for it to serve as a 'badge of origin'. Turning back to the Verimark case, the SCA, in interpreting s 34(1)(a) of the Act, held that:

'It is trite that a trade mark serves as a badge of origin and that trade mark law does not give copyright-like protection. Section

34(1)(a), which deals with primary infringement and gives in a sense absolute protection, can, therefore, not be interpreted to give greater protection than that which is necessary for attaining the purpose of trade mark registration, namely protecting the mark as a badge of origin.'[29]

[70] The SCA endorsed the approach of the European Court of Justice in *Anheuser-Busch*, where the court was asked to determine the conditions under which the proprietor of a trade mark has an exclusive right to prevent a third party from using his trade mark without his consent under a primary infringement provision. The ECJ affirmed (at para 59) that—

“the exclusive right conferred by a trade mark was intended to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions and that, therefore, the exercise of that right must be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.”

The ECJ said (at para 60), where the use of the mark is such that it creates the impression that there is a ‘material link in trade between the third party’s goods and the undertaking from which those goods originate’. There can only be primary trade mark infringement if it is established that consumers are likely to interpret the mark, as it is used by the third-party, as designating or tending to designate the undertaking from which the third party’s goods originate.”

[71] Therefore, in assessing infringement, regard must be had as to whether this function, namely, to distinguish the goods or services of the trade mark owner from those of others, has been undermined. The main question then is whether the use of the infringing mark impacts on this ‘badge of origin’ function of the mark.

[72] It is the meaning to be accorded to the term ‘origin’ that has become central to this dispute. Does it refer to the source of the product, in other words, to the identity of the trade mark owner, or does it refer to the identity of the seller of those goods as well? Does s 34(1)(a) seek to prevent confusion as to the who the seller is, or does it seek to prevent confusion as to who the producer of the goods is?

[73] The SCA in *Verimark* stated that if the use of the trade mark ‘creates an impression of a material link between the product and the owner of the mark there is an infringement; otherwise there is not.’[30] In *R v Johnstone*, quoted above, a badge of origin is indicative of ‘a connection in the course of trade between the goods and the proprietor of the mark.’ These cases do not speak to infringement being the creation of the impression that a link exists between the supplier of the goods and the trade mark holder from whom the goods originate; instead these cases only refer to the connection between the goods and the trade mark proprietor. Thus the phrase ‘badge of origin’ refers to the source, meaning the identity of the trade mark holder in respect of the goods; it is not a reference to the existence of a trade association between the supplier and seller of the goods.

[74] This principle was enunciated more clearly in the case of *Yuppiechef Holdings (Pty) Ltd v Yuppie Gadgets Holdings (Pty) Ltd*,[31] where the SCA, in respect of a s 34(1)(a) claim, stated as follows:

‘The trademark serves as a badge of origin of the goods or services to which it is applied. The reference to a badge of origin was directed at the original source of the goods or services, not the mechanism through which they were acquired.’[32] (Emphasis added).

[75] In essence, s 34(1)(a) is a primary infringement provision. As a primary infringement provision, its purpose is to protect the use of the trade mark as a badge of origin – to prevent its use in a manner which deceives or confuses the consumer as to the source of the product, the source of the product being the trade mark holder, i.e. the original source.

[76] The ‘badge of origin’ function does not extend to the trade mark connoting the existence, to the consumer, of a trade association between the trade mark owner and the supplier of the goods. To echo the SCA in Verimark, there is no infringement if the use of the mark does not create an impression of a material link between the product and the owner of the mark.[33]

[77] As such, s 34(1)(a) does not apply to instances where the trade mark is used to create an impression that a trade association exists between the trade mark owner and the seller of goods bearing the trade mark.

For the above reasons, I would uphold the appeal with costs and substitute the order of the court below as to read as follows:

1. The application is dismissed with costs.

K. E. MATOJANE

JUDGE OF THE HIGH COURT

I agree

L. WINDELL

GAUTENG LOCAL DIVISION, JOHANNESBURG

Date of hearing:

28 October 2019

Date of judgment:

12 December 2019

Appearances:

Counsel for the Appellant:

Adv. S M Katzew

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Instructing Attorneys:

Du Toit-Sanchez-Moodley Inc.

Counsel for the Respondent:

Adv. M Cooke

Instructing Attorneys:

H Miller, Ackerman & Bronstein

- [1] Act 194 of 1993 (The Trade Marks Act 194 of 1993 repealed the Trade Marks Act 62 of 1963 and came into force on 1 April 1995)
- [2] Protective Mining & Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd 1987 2 SA 961 (A)
- [3] No.68 of 2008
- [4] Commercial Auto Glass (Pty) Ltd v BMW AG 2007 6 SA 637 (SCA)
- [5] Webster and Page South African Law of Trade Marks at para 12.7
- [6]
- [1984] ZASCA 51; 1984 3 SA 623 (A) at 640G
- [7] Bata Ltd v Face Fashions CC 2001 1 SA 844 (SCA)
- [8] 1993 1 SA 546 (A) at 557F-I
- [9] [1955] 1 All E R 621 (QB)
- [10] Beecham Group at 559B-D
- [11] Webster and Page Issue 19 footnote 4 above at para 12.10
- [12] Esquire Electronics Ltd v Executive Video 1986
- (2) SA 576 (A) at 590D
- [13] Verimark (Pty) Ltd v BMW AGBMW AG 2007 (6) SA 263 (SCA)
- [14] B R Rutherford 'Trade Mark infringement by parallel importation', Modern Business Law Vol 1 (1979)
- [15] See Cochrane Steel Products (Pty) Ltd v M-Systems Group (Pty) Ltd 2016
- (6) SA 1 (SCA) at para 24
- [16] Ibid, para 16
- [17] Although the appellant did not expressly identify the section that it relied on as being s 34(1)(a) in its pleadings, it has framed and argued its case in terms of s 34(1)(a), and the substance of its claim falls within this category of trade mark infringement.

- [18] In rejecting the appellant's reliance on section 34(2)(d) of the Act, the court a quo stated: 'This argument is clearly flawed because clearly the Section indemnifies a person who trade with the consent of the owner of the trade mark on this case the respondent does not have the consent of the applicant.'
- [19] *Television Radio Centre (Pty) Ltd v Sony Kabushki Kaisha t/a Sony Corporation & Another* 1987 (2) SA 994 (A). In this case, the appellant had imported Sony video cassette recorders into South Africa which had been manufactured by the trade mark owner for use in the United Kingdom. The appellant modified these recorders to enable them to receive local version of signals before selling them to the public. The court held that the videocassette recorders sold by the appellant had to be regarded as different machines from those which it had imported, given the substantial technical conversions required to make the machines operative in South Africa. The court found that the recorders sold by the appellant were thus not 'genuine goods' which had been marked by Sony with its trade mark and accordingly, the sale of such recorders by the appellant bearing

Sony's trade mark had constituted an infringement of the trade mark.

- [20] *Protective Mining & Industrial Equipment Systems (Pty) Ltd* 1987 (2) SA 961 (A) at 990. Section 44 of the 1963 Act, titled 'Infringement' provided as follows:

- (1) Subject to the provisions of subsections (2) and (3) of this section and of sections 45 and 46, the rights acquired by registration of a trade mark shall be infringed by—
- (a) unauthorized use as a trade mark in relation to goods or services in respect of which the trade mark is registered, of a mark so nearly resembling it as to be likely to deceive or cause confusion; ...

- [20] *Protective Mining & Industrial Equipment Systems (Pty) Ltd* 1987 (2) SA 961 (A) at 990. Section 44 of the 1963 Act, titled 'Infringement' provided as follows:

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- [21] ...

- [22] In *Protective Mining* at para 12 of the judgment the Appellate Division stated: 'To sum up: although the expression "use as a trade mark" is, in its ordinary meaning, wide enough to cover the sale of genuine goods marked with the trade mark of the proprietor, this expression had a well-established meaning in the common law and in earlier legislation in the context of infringement, viz to connote only use in respect of goods other than what have been called genuine goods. If it had been the intention of the Legislature to change the essential nature of trade mark infringement in this respect, it would no doubt have used

explicit language in this regard, as was indeed done in the extension of trade mark protection by ss 44(1)(b). And I do not think the introduction of the word 'unauthorised' could have effected such a change.'

[22] In Protective Mining at para 12 of the judgment the Appellate Division stated:

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[23] Protective Mining at 989F-G.

[24] Peter Ramsden A Guide to Intellectual Property Law (1 ed) 2011 Ch4-p180.

[25] Verimark (Pty) Ltd v BMW AG [2007] SCA 53 (RSA) paras 6-7.

[26] Verimark para 7.

[27] Miele et cie Gmbh & Co v Euro Electrical (Pty) Ltd 1988

(2) SA 583 (A).

[28] Miele at 599B-F

[29] Verimark (note ... above) para 5. In this case, the appellant marketed a car polish and used a photo showing the use of the polish on a BMW car as part of its

advertising campaign. The photo showed the BMW logo prominently. BMW alleged that this amounted to trade mark infringement as BMW had a trade mark for the logo in respect of both class and polish.

[30] Verimark para 7.

[31] Yuppiefchef Holdings (Pty) Ltd v Yuppief Gadgets Holdings (Pty) Ltd (Formerly Yuppief Stuff Online CC) (1088/2015) 2016 ZASCA 118.

[32] Yuppiefchef Holdings para 13.

[33] One can contrast the limited scope of s 34(1)(a) in protecting the trade mark as a 'badge of origin' to other sections of the Trade Marks Act. In Verimark, the Court was called upon to consider infringement under s 34(1)(d), the 'anti-dilution' clause, which it held to be wider. It stated as follows in respect of this section: 'Contrary to rather wide dicta in Johnstone (in para 17) stating the opposite, the position in our law is that this provision does not require trade mark use in the sense discussed as a precondition for liability. In other words, the

provision 'aims at more than safeguarding a product's "badge of origin" or its "source-denoting function"'. It also protects the reputation, advertising value or selling power of a well-known mark. But that does not mean that the fact that the mark has been used in a non-trade mark sense is irrelevant; to the contrary, it may be very relevant to determine whether unfair advantage has been taken off or whether the use was detrimental to the mark.'

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