

SOUTH AFRICA / JUDGMENT

Open Horizon Ltd v Carnilinx (Pty) Ltd (66901/2019) [2020] ZAGPPHC 674; 2020 BIP 415 (GP) (20 November 2020)

[2020] ZAGPPHC 674

COURT

North Gauteng High Court, Pretoria

BEFORE

W Hughes

CASE / FILE NUMBER

66901/2019

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IN

THE HIGH COURT OF SOUTH AFRICA

GAUTENG,

PRETORIA

Case No: 66901/2019

In

the matter between:

OPEN
HORIZON LTD.
APPLICANT
And
CARNILINX
(PTY) LTD
RESPONDENT

JUDGMENT

HUGHES, J

Background

- [1] In this application interdictory and ancillary relief is sought based on section 34(1)(a) of the Trade Marks Act 194 of 1993 (the Trade Mark Act). The applicant seeks to interdict and restrain the respondent from infringing its rights in its trade mark PACIFIC by using the marks ATLANTIC, ATLANTIC WAVE, ATLANTIC MENTHOL, ATLANTIC BREEZE, ATLANTIC BLUE, ATLANTIC CORAL, ATLANTIC APPLE CRUSH and ATLANTIC CHERRY CRUCH.

- [2] The applicant is the registered proprietor of trade mark registration nos. 2003/19330 PACIFIC Logo (the 2003 PACIFIC Logo), 2016/03118 PACIFIC, 2016/03134 PACIFIC Logo (the 2016 PACIFIC Logo), 2016/03151 PACIFIC STORM and 2016/03157 PACIFIC MIST, all in class 34 (the PACIFIC trade marks). The PACIFIC trade marks are registered in respect of, inter alia, "cigarettes" and the first registration took place on 5 November 2003.
- [3] The respondent is a South African company and a direct competitor of the applicant and was previously licenced in October 2015 by the applicant and its predecessor-in title, Savanna Tobacco Intellectual Property (Pty) Ltd (Savanna), for the manufacturing of PACIFIC BLUE cigarettes. The licence agreement was operative from November 2015 for a period of three years and in terms of same the respondent acknowledged Savanna's intellectual property in respect of PACIFIC BLUE trade mark. As the respondent gave an undertaking that during or after termination or cancellation, agreed to do anything that would in any way impair the applicant's rights.
- [4] Over the past twelve years the applicant and its predecessor have used the PACIFIC trade mark in South Africa since 2007. The applicant now seeks to register PACIFIC BLUE, PACIFIC BREEZE, PACIFIC BLUE logo and PACIFIC BREEZE logo trade marks. The products of the applicant are sold at retailers such as Shoprite, Spar Cardoso Cigarette Depot and Maratos & Co. and seek to extended it to Pick 'n Pay.
- [5] Sometime in 2017 the applicant and the respondent reached an agreement where the aforesaid licence of the respondent was cancelled as the respondent was selling counterfeit PACIFIC BLUE cigarettes manufactured without Savanna's authority. The counterfeit cigarettes were actually found on the premises of the respondent. The eventuality was that the parties settled to cancel the licence of the respondent and the respondent had to cease manufacturing PACIFIC BLUE cigarettes.
- [6] The licence agreement signed by the parties pertained to a clause where the respondent in essence acknowledged the intellectual property rights of Savanna in PACIFIC BLUE. Clause 5 of the said licence agreement reads:

‘5 Title to the Intellectual Property

5.1 The Licensee agrees that all right, title and interest in and to the Intellectual Property vests in the Proprietor and that it shall have no claim in and to the Intellectual Property.

5.2 The Licensee may not during or after termination or cancellation of this agreement:

5.2.1 dispute the validity or enforceability of these rights or the Patents;

5.2.2 do anything that contests; or

5.2.2 in any way impairs, any part of that right and title and interest of any of the intellectual property rights which may be the subject of this Agreement and will not direct or assist any other person to do so.’

- [7] It now transpires that the respondent is selling and has sort to register cigarettes bearing the marks ATLANTIC WAVE, ATLANTIC MENTHOL, ATLANTIC BREEZE, ATLANTIC BLUE, ATLANTIC APPLE CRUSH and ALANTIC CHERRY CRUSH, which collectively will be referred to as the infringing marks.
- [8] The full range of the PACIFIC products are:
- [SEE PDF AND RTF VERSIONS FOR IMAGE]
- [9] The full range of the ATLANTIC products are:
- [10] The applicant's case is that the respondent deliberately adopted conceptually similar trade marks to by systematically coping and imitating that of PACIFIC brand in order to confuse the consumer. This is further compounded by the use of similar brand queues such as the wave device and the sub-brand names of BREEZE, BLUE and WAVE. In addition, the packaging and the get-up used by the respondent imitates that of PACIFIC products. This is so as the menthol brands are packaged in green and white, whilst the blue brands are decked in blue and white. The applicant contends that the respondent's adoption of trade marks and get-up which is confusingly similar to that of PACIFIC was with a view of gaining an unlawful advantage in the market place and riding on the coattails of the applicant's efforts. That being the case, the applicant alleges that the respondent's conduct amounts to unlawful competition.
- [11] The respondent raised a point in limine as regards the applicant's locus standi in its answering affidavit. However, at the hearing of this application the respondent abandoned this point.

The application to strike out

- [12] The applicant on the other hand sought to strike out portions of the respondent's deponents affidavit on various grounds, from being hearsay, irrelevant, vexatious and scandalous. The applicant sought to substantiate its application by way of its replying affidavit and also sought of the respondent to pay the costs of this application.
- [13] The striking out notification reads as follows:

'TAKE NOTICE FURTHER that the replying affidavit of Yeshene Singh ("Mr Singh"), dated 17 October 2019, will be used in support of the relief sought above and the relevant paragraphs of Mr Singh's affidavit are identified in annexure "A".

TAKE NOTICE FURTHER that, in the event of the above Honourable Court not granting the relief set out above, the Applicant's response to the allegations sought to be struck out are contained in the affidavit of Mr Singh.'

- [14] No opposition was filed to the aforesaid application to strike out as such the applicant contends that it is entitled to the relief it has sought in its application to strike out. The respondent submits that this cannot be so as the applicant's application is not properly before court as there is no supporting affidavit for that application. Further, that the notice to strike out does not require the respondent to oppose nor does it request the respondent to file an affidavit.
- [15] Notably the application to strike out was filed on 4 November 2019, whilst the replying affidavit which the applicants' places reliance for this application was filed prior to the notice on 17 October 2019. This affidavit alludes to the fact that an application will be made at the hearing for the striking out and the notice to do so will follow shortly.
- [16] The question to be asked is whether the application to strike out is properly before the court and in accordance with the rules of court. Or even in terms of the common law. In my view the simple answer is no. As submitted by the respondent rule 6(15) of the Uniform Rules of Court is emphatic that the court must be satisfied that the applicant would be prejudiced if the application is not granted. Clearly the applicant ought to demonstrate this to the court. A striking out application in terms of rule 6(15) is an interlocutory application and must accord with rule 6(11), in that it ought to be on notice. As regards rule 6(11) the court dealing with such application will only do so 'where the issues have been fully and precisely determined in the papers between the parties.'[1]
- [17] In light of the aforesaid the application to strike out is not properly before this court and is thus dismissed with costs.

The Case at hand

- [18] The respondent has opposed the main application and avers that the marks are not phonetically, visually and/or conceptually similar as they pertain to two different oceans in two different geographical locations. As such a 'direct conceptual contrast between the trade marks' is created. The respondent submits that the parties are not direct competitors and that the respondent's brand is sold in the upper end market, which does not compete with the lower end entry market and cheaper cigarettes such as the applicants. The discern tobacco consumer are brand loyal and not easily influenced to use other brands. There was thus no likelihood of confusion or deception that may arise. In fact, no evidence of confusion has been advanced, so submits the respondent. The respondent is adamant that the applicant has no right to monopolise the idea of using the name of an ocean in respect of class 34 goods, or for that matter, any goods as there are a multitude of ocean themed trade marks that were registered in relation to cigarettes and tobacco products prior to the applicant's trade marks.

[19] The respondent claims that the prior registrations demonstrate that the concept of an ocean's name, as well as ocean themes, have been used in relation to cigarettes and tobacco products since as early as 1936 and has been used by various proprietors over the years. Significantly, the applicant failed to oppose the registration

of the trade mark registration nos. 2008/15031CASPIAN, 2011/14012 OCEAN MIST and 2017/02881 WINSTON ARCTIC, which were registered after the applicant's initial registration in 2003 and cover goods in class

34. This the respondent contends is a concession that it is in fact not entitled to monopolise the concept of an ocean.

[20] The applicant seeks relief in terms of section 34(1) (a) which states:

‘34. Infringement of registered trade mark —

(1) The right acquired by the registration of the 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 of a mark so nearly resembling it as to be likely to deceive or cause confusion.

(b) ...’

[21] As highlighted by the applicant and confirmed by the Supreme Court of Appeal in Verimark (Pty) Ltd v BMW AG where the court held that for the applicant to succeed in an application in terms of section 34(1)(a):

‘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 a trade mark registration, namely protecting the mark as a badge of origin. In Anheuser-Busch⁸ the ECJ 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.’

That is the case, 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.' [2]

[22] As highlighted by the applicant in its heads of argument, it has to demonstrate that the trade mark nearly resembles it as to likely to deceive or cause confusion, that it is used in relation to the same goods and services that the trade mark is registered, that the use is in the course of trade, unauthorised and its use is as a trade mark.

[23] The applicant's registered mark is PACIFIC, whilst, the respondent's infringing mark is ATLANTIC. The applicant argues that both are confusingly similar as they reference to oceans and the image of such exhibits is precisely the same idea. More so argues the applicant is the use of the wave device by the respondent as is depicted on the applicant's packaging. Hence, the applicant argues that the marks are conceptually similar.

[24] In addition, the applicant contends that the marks are phonetically confusingly similar as they both end off with IC and more so when used with the generic description of the good, such as PACIFIC CIGARETTES and ATLANTIC CIGARETTES.

[25] I must point out that from the outset and in argument the phonetically confusing issue was not the case and neither was it pursued by the applicant. In fact, the applicant was at pains to demonstrate that the crux of its case was the issue of conceptual similarity.

[26] It is within the same market that the trade mark and the infringement mark are used or displayed, likewise the same goods, cigarettes, are used to display the marks. The applicant argues that such is likely to cause deception or confusion.

[27] Pertinently, in my view, is one of the defences raised by the respondent, being that there are other ocean themed trade marks that were registered in relation to cigarettes and tobacco products prior to the applicant's trade marks and in the same class 34, such as ARKTIC, WAVE, GULF, CASPIA, OCEAN MIST WINSTON ARCTIC COOL and BAYSIDE. Hence, the respondent demonstrates that as far back as 1936 the concept of the ocean as a name in relation to cigarettes has been used by various proprietors. More so is the marks of CASPIAN, OCEAN MIST and WINSTON ARCTICE, which are in class 34 and

the applicant did not oppose their registration. The respondent regards this as a concession that the applicant is in fact not entitled to the monopoly of the concept of the ocean.

[28] The aforesaid submission was advanced by the respondent on the basis that the applicant is not the only trade mark proprietor that utilises the ocean trade mark in respect of goods in class 34.

[29] The respondent points out that the case of the applicant in its founding papers is premised on the fact that the dominant feature of the infringed mark, ATLANTIC and that of its trade mark PACIFIC, conjure up the image of the ocean and convey the same idea, hence they are conceptually identical.

[30] This led to the conceptual similarity relied upon by the applicant in order to object to the use of the respondent's mark.

Intrinsically what is required is establishing what the consumer's interpretation of the mark is through the eyes of the alleged

infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement;

otherwise there is not.[3]

[31] It is trite that the SCA has pronounced that in determining a trade mark in terms of section 34(1)(a): The decision involves a value

judgment

and "[t]he ultimate test is, after all, as I have already indicated, whether on a comparison of the two marks it can properly be said that there is a reasonable likelihood of confusion if both are to be used together in a normal and fair

manner, in the ordinary course of business." (SmithKline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd v Unilever plc [1995] ZASCA 26; 1995

(2) SA 903 (A) 912H.) "Likelihood" refers to a reasonable probability (ibid at 910B) although the adjective "reasonable" is perhaps surplusage. ...Registered trade marks do not create monopolies in relation to concepts or ideas. More recently this Court in Bata Ltd v Face Fashion CC and another 2001

(1) SA 844 (SCA) 850 par 9 pointed out that the approach adopted in Sabel BV v Puma AG, Rudolf Dassler Sport [1998] RPC 199 (ECJ) 224 accords with our case law. There it was said that the likelihood of confusion must "be appreciated globally"

(cf Organon Laboratories Ltd v Roche Products (Pty) Ltd 1976

(1) SA 195 (T) 202F – 203A and that the "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." Cf SmithKline at 910B-H and Canon par 16 - 17.[4] [That underlined is my emphasis]

[32] In advancing further with the debate as to whether the marks are conceptually similar I am guided by Harm JA, yet again, in Cowbell AG where he reiterated that:

‘Albeit in the context of the interpretation of a European Community Council Directive, the European Court of Justice in *Sabel* (at 223 - 224) made some observations that are pertinent

to the present issue: “the likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope.” Also - “. . . the perception of marks in the mind of the average consumer of the type of goods or services plays a decisive role in the global appreciation of the likelihood of confusion. The average consumer normally perceives a mark as a whole and does not proceed to analyse its various details.” Further - “. . . the criterion of 'likelihood of confusion which includes the likelihood of association with the earlier mark' contained in Article 4(1)(b) of the Directive is to be interpreted as meaning that the mere association the public might make between two marks as a result of their analogous semantic content is not in itself a sufficient ground for concluding that there is a likelihood of confusion within the meaning of that provision.” The last statement was, however, preceded by a qualification: “It is therefore not impossible that the conceptual similarity resulting from the fact that two marks use images with analogous semantic content may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character, either per se or because of the reputation it enjoys with the public.” [5] [My emphasis]

[33] Taking away that which is pertinent from the paragraph quoted I am fortified in my view that the applicant cannot claim domain over the oceans and their names as registered trademarks do not create a monopoly of ideas. Having said this the fact that both marks end in IC is in itself not sufficient to say that the mark has ascribed the conceptual similarity of the trade mark PACIFIC. This is so as many marks end in IC.

[34] The applicant’s quest to monopolise the concept of the ocean is ill founded and this is so as the other registrations of connotations of the ocean were never challenged until the mark of the respondent surfaced. I reiterate what was said above one cannot monopolise a thought or concept, likewise in this instance the ocean.

[35] Let us go a step further, the applicant did not object to the marks registered with ocean connotations mentioned above, but for the respondent. In my mind this is primarily so due to the previous relationship which did not end well.

[36] To qualify this, it is evident that conceptually the two oceans are vastly different on a global level, geographically and factually. The marks when remembered ‘by general impressions or by some significant or striking feature than by a photographic recollection of the whole.’[6]

[37] Finally, just to put things in perspective.

‘1. Setting aside the decision by the respondent dated 4 August 2016, which is attached as annexure "MHP1" to the founding

affidavit of Martin Hugo Prinsloo;

2. The respondent to remove the disclaimer of the word "Pacific" against the trade mark registration number 2003/1 9330 Pacific Logo in class 34 in the name of the applicant.’

[38] The aforesaid order does not, in my view, solidify the trade mark of the applicant, as having been a forgone conclusion that the use of the name of the ocean for cigarettes is indicative of the products of the applicant and is exclusive to the applicant.

Unlawful competition

[39] The issue in this respect is if the issue of unlawful competition was filed timeously.

[40] In considering where the value of liability lies as regards the principles on unlawful competition, I am mindful of the dicta of Navsa JA in *Pexmart CC v H. Mocke Construction (Pty) Ltd*:

Before dealing with whether the conclusions by the court below were justified, it is necessary to pause and consider the principles on which liability for unlawful competition rests. In *Schultz v Butt* 1986 (3) SA 667 (A) at 678F-H the following was stated:

‘As a general rule, every person is entitled freely to carry on his trade or business in competition with his rivals. But the competition must remain within lawful bounds. If it is carried on unlawfully, in the sense that it involves a wrongful interference with another’s

rights as a trader, that constitutes an *injuria* for which the Aquilian action lies if it has directly resulted in loss.’

In *Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) Pty Ltd* 1968 (1) SA 209 (C), the following was stated at 219C-D:

‘Though trade warfare may be waged ruthlessly to the bitter end, there are certain rules of combat which must be observed. “The trader has not a freelance. Fight he may, but as a soldier, not as a guerrilla.”’[7]

[41] The applicant submission in respect of this aspect is that it is unable to carry on its business without unlawful and wrongful interference by the respondent as one of its competitors. Specifically, the applicant advances the fact that:

‘Bearing in mind the history of this matter and the fact that the Respondent was previously licensed by the Applicant and its predecessor-in-title, STIP, there can be no doubt that the only plausible explanation is that the Respondent deliberately adopted its confusingly similar ATLANTIC marks and get-ups in order to imitate the Applicant's successful PACIFIC range of products, thereby obtaining a springboard advantage and taking unfair advantage of the Applicant's fruits and labours. The Respondent is also unlawfully interfering with the Applicant's exclusive rights in its PACIFIC trade marks and PACIFIC get-ups.’

[42] It must be highlighted that the applicant in its founding affidavit sought relief in line with the prescripts of section 34 (1) (a). It transpired that the main application was only issued on 5 September 2019, the answer thereto on 3 October 2019 and the replying affidavit on 17 October 2019.

[43] The respondent argues that the applicant submits that at the time it advanced its application this was on the premise of section 34(1)(a). Going forward in the litigation the applicant now advanced further

submissions.

The respondent argues that at the close of pleadings, the applicant was adamant that it was perusing the matter in terms of section 34(1)(a). However, six months after pleadings had closed the applicant raised the second defence, being that the agreement was in force and effect in terms of the principle of unlawful competition.

[44] As set out above and duly determined, I am of the view that there is no need to determine the issue of unlawful competition in these circumstances. In the result, the application to strike out is dismissed with costs and the application in terms of section 34

(1) (a) is also dismissed with costs.

Order

[1] The application to strike out is dismissed with costs.

[2] The application in terms of section 34(1)(a) is dismissed with costs such to include the costs of two counsel where so employed.

W HUGHES

JUDGE OF THE HIGH COURT

GAUTENG DIVISION OF THE HIGH COURT, PRETORIA

Electronically submitted therefore unsigned

Delivered: This judgement was prepared and authored by the Judge whose name is reflected and is handed down electronically by circulation to the Parties/their legal representatives by email and by uploading it to the electronic file of this matter on Case Lines. The date for hand-down is deemed to be 20 November 2020.

Virtually Heard: 27 August 2020

Electronically Delivered: 20 November 2020

Appearances:

For the applicants: Adv. SALMON SC

Instructed by: Von Seidels

For the Respondent: Adv MICHAU SC

Instructed by: Moore Attorneys

- [1] Saharawi Arab Democratic Republic v Owners and Charterers of the Cherry Blossom 2017 (5) SA 105 (ECP) at 129D.
 - [2] Verimark (Pty) Ltd v BMW AG 2007
 - [6] SA 263 (SCA) at para 5.
 - [3] Idip para 7.
 - [4] Cowbell AG v ICS Holdings Ltd [2001] 4 All SA 242 (A) at para 10.
 - [5] Idip para 14.
 - [6] Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd 1984 (3) SA 623 (A).
 - [7] Pexmart CC v H. Mocke Construction (Pty) Ltd [2018] ZASAC 172 (3 December 2018) at para 62.
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