

SOUTH AFRICA / JUDGMENT

Royal Beech-Nut (Pty) Ltd. t/a Manhattan Confectioners v United Tobacco Company Ltd. t/a Willards Foods (584/90) [1992] ZASCA 113; 1992 (4) SA 118 (AD); [1992] 2 All SA 337 (A) (3 June 1992) [1992] ZASCA 113

COURT

Supreme Court of Appeal

BEFORE

Corbett, Hefer, Nestadt, Goldstone, Nicholas

CASE / FILE NUMBER

584/90

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Case No 584/90

IN THE SUPREME COURT OF SOUTH AFRICA (APPELLATE DIVISION)

In the matter between:

ROYAL BEECH-NUT (PROPRIETARY) LIMITED

t/a MANHATTAN CONFECTIONERS

Appellant

and

UNITED TOBACCO COMPANY LIMITED

t/a WILLARDS FOODS

Respondent

CORAM

: Corbett CJ, Hefer, Nestadt, Goldstone JJA et Nicholas
AJA.

DATE OF HEARING: 11 May 1992

DATE OF JUDGMENT: 3 June 1992

JUDGMENT

CORBETT CJ/

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CORBETT CJ: The appellant applied unsuccessfully to the Transvaal Provincial Division for a final interdict based upon an alleged passing-off by the respondent. With the leave of this Court the appellant now appeals against the whole of the judgment of the Court a quo. The facts upon which the appeal must be decided are reasonably straightforward and may be summed up as follows:

The appellant is a South African corporation which in 1989 acquired the business, together with the goodwill and trade marks pertaining thereto, of a company known as Manhattan Confectioners (Pty) Ltd. The business formerly conducted by Manhattan Confectioners (Pty) Ltd was started in 1947 by a family partnership, which traded as "Manhattan Confectioners", and this business was taken over in 1967 by Manhattan Confectioners (Pty) Ltd.

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The partnership manufactured and distributed certain confectionery products known as marshmallows and gums and from the inception of the business it used in relation thereto a trade mark consisting of the word MANHATTAN written in a special manner (to which I shall later refer). The partnership's successors-in-title have continued to run the business in the same way and to make use of the MANHATTAN mark. At present MANHATTAN confectionery, in the marshmallow and gum categories, is sold throughout the Republic of South Africa and in certain neighbouring countries. The usual retail outlets are supermarkets, specialist confectionery stores, rural trading stores and cafes. The number of retail distributors selling MANHATTAN confectionery is estimated at 6000 and appellant's turnover in the field of marsh-marshmallows and gum confectionery amounted in the year ended 28 February 1989 to R11,5m. This represents a 29% share of the South African market for these products.

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Over the years appellant and its predecessors in the business (to whom I shall collectively refer as "Manhattan Confectioners") have extensively advertised and otherwise promoted their MANHATTAN confectionery. It is alleged on behalf of appellant, and not disputed by respondent, that the trade mark MANHATTAN enjoys a "considerable reputation" in the confectionery field and has become distinctive of the goods marketed by Manhattan Confectioners.

The respondent trades, through one of its divisions, as "Willards Foods". This division manufactures and distributes what are termed "salty snacks", mainly potato chips. Since about 1964 the trade mark WILLARDS has been used in relation to respondent's potato chips. This mark has acquired a substantial reputation in the field of salty snacks, especially potato chips, and has become distinctive of respondent's products. At the time of the litigation in

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the Court a quo 37% of the potato chips sold in South Africa (through about 23 000 outlets) were WILLARDS chips; and in the year 1988 respondent's sales of products bearing the WILLARDS trade mark exceeded R100m in value. Respondent markets its products through the same kinds of outlets as does appellant.

In July 1989 respondent commenced marketing potato chips in packets upon which appeared not only the WILLARDS trade mark but also the mark MANHATTANS. In the main answering affidavit filed on behalf of respondent it is stated that the word MANHATTANS and the style of its depiction on respondent's goods (about which more anon) was used in order to symbolize the well-known skyline of Manhattan Island in the City of New York and not as an attempt to imitate the mark used on appellant's confectionary products. This is not disputed by appellant.

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It is appellant's case, as presented on appeal, that in marketing its potato chips under the trade mark MANHATTANS respondent is passing off its product "as being connected in the course of trade" (the words used in appellant's heads of argument) with the appellant. And it seeks relief in the form of a final interdict. I should perhaps at this point make it clear that none of the trade marks hitherto referred to is registered under the trade marks legislation.

It is trite law that by adopting the trade mark of his rival, or one so closely resembling it as to be calculated to deceive or cause confusion, a trader may be held to have impliedly represented that his goods are those of his rival or that they are connected in some way with his rival. If such conduct causes or is calculated to cause his rival damage, either in the form of diversion of custom or damage to or misappropriation of his goodwill, then the delict of passing-off is committed

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and the guilty party may be restrained by interdict from such conduct. One of the elements which a plaintiff in a passing-off action based upon such an implied representation must establish is a reputation in such trade mark. By this is meant that by user or advertising or some similar means the trade mark has become associated in the mind of the purchasing public with goods emanating from the plaintiff and has thus become distinctive of his goods. Because only if there is such a reputation will the user by the defendant, on his own goods, of this mark, or one deceptively similar, be capable of amounting to an implied representation that defendant's goods emanate from the plaintiff or are connected in some way with the plaintiff and thus be capable of causing consequential damage to the plaintiff. In this case there is no dispute that appellant's trade mark MANHATTAN has acquired a reputation and in the mind of the

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purchasing public has become distinctive of the goods marketed by Manhattan Confectioners under that trade mark. The two main issues debated on appeal were:

- (a) whether appellant has established (for the onus is on it) that the respondent's use on its products of the trade mark MANHATTANS is likely to cause deception or confusion in the sense described above; and
- (b) whether respondent's aforesaid use of the trade mark MANHATTANS is calculated to cause consequential damage to the appellant.

I shall proceed to consider issue (a).

The first point to note in regard to the question of deception or confusion is that the parties do not carry on their activities in a common field. They manufacture and market different kinds of product: certain types of confectionery in appellant's case and

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salty snacks, mainly potato chips, in respondent's case. Appellant attempted, on the papers and in argument, to make out the case that the parties were in fact engaged in the same or closely related fields of activity; and in this it was said that they both marketed in the same kinds of outlets what were termed "impulse foods" or "snack foods". I do not propose to enter into the question as to what these so-called classes of food comprehend, for, in my view, the classifications are artificial and ignore what I conceive to be a very substantial distinction between marshmallows and gums, on the one hand, and potato chips on the other. Certainly any confusion which might arise owing to the use by respondent of the MANHATTANS mark could never result in the diversion of custom from the appellant: at most it could cause damage to his goodwill or amount to the partial misappropriation thereof.

The fact that the parties are not engaged in

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the same field of activity does not, of course, preclude a finding of passing-off: it is merely a factor to be taken into account in deciding whether there is a likelihood of deception or confusion and/or whether the plaintiff has suffered or is likely to suffer damage as a result of the defendant's activities (see *Capital Estate and General Agencies (Pty) Ltd and Others v Holiday Inns Inc. and Others* 1977 (2) SA 916 (A), at 929 E - H; *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd* (1) 1989

- (1) SA 236 (A), at 251 F-I). Appellant's counsel recognised this and, while conceding that respondent's use of the MANHATTANS mark could not lead the purchasing public to think that respondent's goods (i.e. potato chips) were the goods which they associated with appellant's MANHATTAN mark (i.e. confectionery), nevertheless contended that there was a likelihood of the public being deceived into thinking that respondent's product was "another horse out of the same stable" (cf *Hollywood Curl* case, at 251 G).

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In the *Lorimar Productions* cases 1981 (3) SA

1129 (T) Van Dijkhorst J stated (at 1141 F - G):

"It is, however, only in the exceptional case where there will be passing off yet no actual common field of activity. Competition is normally the casus belli. In general terms competition involves the idea of a struggle between rivals endeavouring to obtain the same end. It may be said to exist whenever there is a potential diversion of trade from one to another. For competition to exist the articles or services of the competitors should be related to the same purpose or must satisfy the same need."

In my view, the Court will not readily conclude that in the case of disparate goods the defendant's product will be regarded as another horse from the plaintiff's stable. There must be cogent grounds to justify this conclusion. And it must be borne in mind that what has to be gauged is the likely reaction of ordinary members of the purchasing public, not that of lawyers or traders or persons engaged in the kinds of business conducted by the parties.

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There are a number of other features in this particular case which have a direct and important bearing upon the issue of deception or confusion. In the first place, it is to be noted that the appellant places no reliance whatever upon the get-up of its and the respondent's goods. Indeed various photographic exhibits included in the papers show that, apart from the trade marks MANHATTAN and MANHATTANS, the respective get-ups are entirely different. And what is striking is the variety of get-ups used by both parties for the different products marketed by them. Appellant's counsel sought to neutralize dissimilarity of get-up by arguing that there could be deception or confusion flowing from "audial" (i e aural) use of the marks. What he sought to convey was that persons who had only perceived the mark aurally and had not seen it in the context of the get-up of the goods could be deceived or confused. The same argument was addressed to the Judge a quo, who dismissed it partly on the ground that this was not the

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case made out by appellant in the founding affidavit. I agree. All that appellant's counsel could point to in the founding affidavit was an averment, in the context of establishing distinctiveness, to the effect that Manhattan Confectioners had "advertised its products on radio and (had) participated in radio promotions in which its MANHATTAN confectionery (had) been promoted". This does not constitute even an attempt to make out a case based on aural use of the mark; and, in any event, it falls far short of the evidence which would be needed to do so. In the second

place, although the words used to constitute the respective marks of the parties are almost identical, that is where the resemblance ends. In the case of appellant's mark the word MANHATTAN is depicted in capital letters, which vary in height: the letters HA in the middle of the word are of equal height, while the other letters progressively diminish in size towards the beginning and end of the word. The word appears against

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SEE ORIGINAL JUDGEMENT PICTURE
a background or frame of the same shape, i.e. long curved sides top and bottom and short vertical sides at each end. Sometimes this frame or background which might be described as a "truncated ellipse" is bordered by one or more different-coloured lines; in other cases it is plain. This is how it appears on a packet of marsh-mallows: Two samples of respondent's use of the MANHATTANS mark on its packaging were placed before the Court by appellant, the one relating to chips with a "mild mustard" flavour, the other "plain salted" chips. The general design and format of the packet is in each case virtually identical, only the background colour differs. In the one case it is red and in the other

Two samples of respondent's use of the MANHATTANS mark on its packaging were placed before the Court by appellant, the one relating to chips with a "mild mustard" flavour, the other "plain salted" chips. The general design and format of the packet is in each case virtually identical, only the background colour differs. In the one case it is red and in the other

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reddish brown merging into black. The front of the packet (I take the "mild mustard" version by way of example) has this appearance: SEE ORIGINAL JUDGEMENT PICTURE

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The immediate foreground is a pile of potato chips and in the middle distance is depicted a segment of the skyline of Manhattan Island at night. On the reverse side of the packet appear, inter alia, the word MANHATTANS (twice), written in the same style as on the front but in smaller script, the trade mark WILLARDS in larger form and a slogan, appearing fairly prominently in cursive script, "That's good times". It is respondent's claim, and it must be accepted, that this slogan (which seems to appear on the packaging of virtually all respondent's products) has been extensively used by respondent in advertising its various WILLARDS products and has become closely associated with its products.

From the foregoing it appears:

- (1) That the appearance of appellant's mark consisting of the word MANHATTAN with its elliptical frame or background is completely different from that of respondent's MANHATTANS

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mark, as it appears on the two examples placed before the Court.

- (2) That on the front of the respondent's packet (which appellant was at pains to emphasize would be the aspect of the packet most likely to be displayed to the customer) whenever the MANHATTANS mark appears it is in conjunction with the distinctive picture of potato chips and the eye-catching Manhattan skyline. This conjunction is emphasized by respondent in its advertisements on television of its MANHATTANS chips. (3) That on the respondent's packet the well-known trade mark WILLARDS appears back and front. Admittedly on the front the WILLARDS mark is less prominent than the MANHATTANS mark, but they are close to one another and if one looks at the latter one would tend also to see the

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former. Also on the back of the packet and just below the WILLARDS mark there appears the slogan "That's good times".

Thirdly, there is no evidence of actual confusion or deception in the sense that members of the purchasing public have been misled into thinking that the goods on which respondent uses the MANHATTANS mark emanate in some way from the appellant. Lack of evidence of actual confusion or deception is never in itself decisive, but it is a significant factor. By the time that the matter came to Court in April 1990 respondent had been marketing potato chips under the MANHATTANS mark for some nine months.

Fourthly, although appellant and respondent use the same kind of outlets for the marketing of their respective products, these are generally displayed on different shelves or separate areas on shelves. A

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retailer would not normally mingle confectionery and potato chips. Moreover, respondent's products are often, although not always, displayed for sale together with other WILLARDS products on a distinctive stand with the WILLARDS mark prominently displayed on it.

Fifthly, appellant's case postulates the ordinary member of the purchasing public being led to think, because of respondent's afore-described use of the MANHATTANS mark, that appellant had extended its business activities into the manufacture and marketing of potato chips. As appears from other cases, such "line extension" does occur in certain circumstances and types of business activity and this may provide a basis for a claim of passing off. In the present case, however, there is no suggestion in the evidence that confectionery manufacturers do, and are known to, diversify into the production of salty snacks and potato chips.

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Whether or not a case of deception or confusion has been made out depends upon a factual inference to be drawn from the evidence. The Judge a quo, having considered all the relevant factors and circumstances concluded that it was not likely that a substantial portion of the public would be confused by the respondent's use of the MANHATTANS trade mark. Having considered the submissions of appellant's counsel to this Court I remain unpersuaded that the Judge a quo

reached a wrong conclusion. Accordingly the appellant failed to establish an essential element of its claim for passing-off. Issue (b), that of consequential damage to the appellant, consequently falls away.

The appeal is dismissed with costs, including the costs of two counsel.

M M CORBETT HEFER JA) NESTADT JA) CONCUR GOLDSTONE JA) NICHOLAS AJA)

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