

IP BRIEFS

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FROM THE EDITOR

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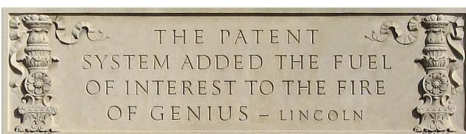
There is more than just spring in the air this September! The National IP Strategy, after much anticipation, was Gazetted on 28 August for comments. The policy announced a phased approach that will focus on public health and International IP Co-operation for Phase I. I reserve further comments for the moment.

Of significance to IP owners and users is the Multilateral Convention (MLI) to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) that was released by the Organisation for Economic Co-operation and Development (OECD) on November 24, 2016 and signed by 68 countries on June 7th, 2017.

BEPS refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. According to the OECD website, over 100 countries and jurisdictions are collaborating to implement the BEPS measures and tackle BEPS.

The BEPS has far reaching consequences for IP owners with regards to IP structuring. BEPS defined a Plan of 15 actions including Guidance on Transfer Pricing Aspects of Intangibles (A8) which outlines a number of fundamental proposed changes to Transfer Pricing Guidelines. The recommendations prevent companies from assigning the profit arising out of IP to a group company simply because it has legal ownership. Instead, profit is to be shared between those parts inter-related companies that have responsibility for the development, enhancement, maintenance, protection and exploitation of that IP.

The BEPS plan defines three main areas: Coherence (Act 2-5) which requires that tax laws of different countries should operate in such a way that income falls in at least one tax jurisdiction and that no income should essentially be tax free; Substance (Act 6-10) in that the income tax base should be aligned with the substance of how and where people responsible for creating value actually operate from and Transparency (Act 11-14) wherein all relevant tax authorities should have data on a taxpayer's global activities to ensure that taxpayer is paying its fair share of taxes. The new rules are shaping the competitiveness of countries, business models, industries and key companies within different sectors. It is affecting mergers and acquisitions, business ownership models (public vs. private vs. institutional) and the shape of the supply chain within organizations. The BEPS project is not just about changing very complex tax laws, it is also about fundamentally changing the behavior of multinational organizations. Companies will need to revisit how they look at IP ownership and how their global R&D organization is set up because the potential tax cost for the R&D function has just become more important!



Truth is ever to be found in the simplicity, and not in the multiplicity and confusion of things.

-Issac Newton

A Question for Interpretation

By

Tim Burrell



South African patent law practitioners are these days understandably befuddled by what the correct question is that needs to be asked in interpreting a patent claim.

Practitioners in the field and the Courts alike, in considering the interpretation of a given patent claim, are wont to trot out strings of tests that have been proposed and accepted over the years. Many such questions are antiquated and otiose if not downright contradictory. The array of concepts with which the reader is regaled is bewildering. To name but some: They range from seeking out piths and marrows; to not peering too closely at a claim; to mechanical or chemical equivalents; to primary and secondary evidence; to textual infringement; to avoiding literary interpretations; to looking to the intention of the draftsman of the claim; to searching out the meaning of an integer of a claim with reference to the body of the specification; to having recourse to authoritative dictionaries; and to not construing a claim as covering something which was obviously known in the art at the time of its drafting.

A glance at the most recent judgments of South African Courts on the question of patent claim interpretation will illustrate the point.

Many of the questions which I have summarized have the ring of echo chambers. And many there are judgments in which the Court is reported to have said something like “Applying all these legal dicta to the facts in issue, the Court concludes....” For my part, I have never been able fully to understand how such an exercise is intellectually possible.

My purpose in writing this short article is certainly not to disparage our Courts, which undoubtedly do

their best, but rather to recapitulate some of the reasoning in chapters 2, 4 and 5 of the 4th edition of my text book, *Burrell's South African Patent and Design Law*, and which led me to propose the following question, which I will call Burrell's question, as the correctly formulated question for a South African Court or practitioner (which or who I will call “the analyst”) to ask of itself, in determining whether there has been infringement of a patent claim.

The question which I formulate in paragraph 5.28 my text book is this:

What would a person skilled in the art, on an integer-by-integer and purposive analysis of the claim, understand the forbidden field to be?

Let me break down my question into its constituent parts.

But first a brief word about a patent specification.

THE SPECIFICATION

The drafting of patent specifications is a highly-specialized art and a notoriously difficult exercise in many cases.

A complete specification consists basically of two parts, the functions of which are essentially different.

The first is the body. Its function is descriptive of the invention so as to instruct the public how to carry out the invention when the field is eventually open.

The second is the claims. The function of a claim is not descriptive but is to define the invention and thus to inform prospective rivals of the field denied to them whilst the patent remains in force.

The specification thus teaches what the invention is and how it works and the claims define the inventive concept.

This means that the claims fall to be interpreted as standing separate from the body of the specification and with greater exactitude than the body of specification.

THE PERSON SKILLED IN THE ART

Who is this “person skilled in the art” who stalks through patent jurisprudence?

He or she or a team (“he”) is none other than the hypothetical addressee of the specification and claims who would in effect be the typical representative of the ordinary skilled or qualified person engaged in the art and who is endowed with a reasonable degree of common sense.

The person skilled in the art is a notional concept, akin to the reasonable man so well known in our common law.

Once an expert is over qualified and has a level of expertise which is outside the realm of a notional person skilled in the art, the expert no longer qualifies as a notional person skilled in the art. The question of whether a given analyst qualifies as person skilled in the art is a question of fact for the decision of the Court in the light of the contents of the specification, the nature of the art and obviously, the evidence before the Court.

THE CLAIMS

There is no requirement that the claims of a patent must be co-extensive with the disclosure in the specification. Indeed, they rarely are. In fact, they would be badly drawn were they to be. They must be clear and relate to a single invention. Subject only to the further statutory requirement that the claims must be fairly based on the disclosure in the specification, the scope of the claims may be for

more or less than that disclosed in the body of the specification.

The function of the claim draftsman is to provide a skilled and carefully formulated definition of the scope of the claims. He has a perilous route to follow for the claim must be neither too wide for that could render the claim invalid nor too narrow for that could make it too easy to avoid infringement.

AN INTEGER-BY-INTEGER ANALYSIS OF THE CLAIM

What is clear on our law is that what is required is a careful integer by integer analysis of a claim vis-à-vis the components of the allegedly infringing product or method.

It is not, or at least it should not be, a requirement that any such an integer be essential. An enquiry into the essentiality of a given integer inter alia harks back to the likes of the now outmoded so-called “doctrine” of “pith and marrow”.

It has to be remembered in this regard that there is no window into the mind of the claim draftsman. He may have intended that a given integer of a claim would be regarded by an analyst as an essential integer or he may not have intended such an interpretation.

A PURPOSIVE ANALYSIS OF THE CLAIM

The adjective “purposive” was first used in a speech by Lord Diplock. It has become part of patent jargon and is to be equated with the more common and understandable word “reasonable” or its synonym “sensible”.

The specification and claims do not constitute a document *inter rusticos* for which broad allowance is to be made.

The words used in a claim in particular should be interpreted as chosen upon skilled advice and addressed by a person skilled in the art to a person skilled in the art. The latter is more often than not a potential infringer who is entitled to know exactly

what he may or may not do on a reading of the forbidden field as defined in the claim.

UNDERSTANDING THE SCOPE OF THE FORBIDDEN FIELD

The evidence proffered by a person skilled in the art falls to be assessed as an opinion not harboured by him subjectively but as the meteward of the notional person skilled in the art.

The analyst of a patent claim thus has to do his best to view the claim through the prism of that meteward, and not, as I suggest below, is so often the case, to allow his own opinion to trump that evidence.

WHAT GOES WRONG IN ANALYSING A CLAIM

The synopsis of the basis of the question which I have posed as outlined above represents something of an egg dance around many judgments of our Courts and which, in my view, are in disarray as to the correct approach to be adopted in interpreting a patent claim.

I think that two failings are discernible among analysts of patent claims.

The first is that there is a clear propensity to treat a patent claim and the specification as a single document in which, following the common-law rules of interpretation of statutes, agreements, wills and documents in general, like words are to be given like meanings throughout the text. Such an approach reflects a lack of appreciation of the role that patent claims fulfil.

The second is that patent claim analysts don't like to be told what to think, even by a plausible witness. As Winston Churchill put it: "I am always ready to learn although I do not always like being taught." Who does?

But it is what a credible witness makes of a given word or integer that matters. It is his interpretation, and not that of the analyst, or a dictionary for that matter, which provides the answer to the question.

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Tanith Robertson is an associate in ENSAfrica's IP department. She is a qualified trade mark practitioner, and specialises in trade mark litigation.

BMW still shaping trademark law

In the more recent case of *BMW v Grandmark*, the motor company tried to use its trade mark registrations to stop a company that supplies BMW replacement parts (parts that fit BMW vehicles but are not manufactured by BMW). The mark was used in the form: "GORDON AUTO BODY PARTS CO. LTD; MFG LOT: 1004A; GD471: BM3 SRS 92-05 HOOD."

BMW failed as the SCA was of the opinion that the use is descriptive and not trade mark use *per se*. The court explained its thinking as follows: "It can hardly be said that the trade mark is used as a badge of origin when the label states it to have a different origin. Moreover, the numbering surrounding and immediately following the mark clearly reflects its use to identify the component concerned."

The recent decision of the UK Court of Appeal in the case of *BMW v Technosport* is not dissimilar. In this case BMW sued a firm that carries out business as a repairer of BMWs and Minis and used the trade mark BMW and the roundel logo in various ways.

The BMW trade marks appeared on the exterior of the firm's premises, inside the premises, on the side of vans, on business cards, on the firm's website, as a Twitter handle @TechnosportBMW, and on T-shirts.

The matter before the court was whether this usage by the repair firm was descriptive use in the sense that it told the public what the firm did, or whether it falsely suggested a trade connection between the firm and BMW. The court described the two types of usage as "informative use" and "misleading use", expressions that would equate with South African expressions of non-trade mark use and trade mark use. To add to the confusion, the European courts express these concepts in different terms still, in that they talk of the fact that a trade mark registration is only infringed if the function of the trade mark (generally origin-indicating) has been negatively affected or compromised.

The Court of Appeal went on to say that BMW had been quite right not to complain about Technosport's use of the term "the BMW specialists" as this was perfectly legitimate informative use (non-trade mark use).

The Court of Appeal went on to say that BMW had been quite right not to complain about Technosport's use of the term "the BMW specialists" as this was perfectly legitimate informative use (non-trade mark use). But the company had been within its rights to complain about the other uses made by Technosport, all of which went well beyond simply explaining that the firm specialises in the repair of BMW vehicles. The court made it very clear that using another company's trade mark in your trading style is misleading, as is the use of the company's logo.

This UK judgment is useful because, although it dealt with issues that have to a certain extent already been dealt with in South Africa, it examined different types of use in considerable detail. The judgment is also likely to be persuasive in South Africa, as UK judgments generally are. South African businesses should therefore bear in mind that, although they might be justified in using another company's trade mark to describe what it is that they do, they need to think very carefully about how they use that trade mark.

RENTOKIL – PASSING OFF CASE NAMIBIA

Kareema Shaik



Kareema Shaik is a qualified attorney and trade mark practitioner specialising in litigation relating to trade marks, copyright, passing-off, unlawful competition, domain name disputes and company and business name objections. She completed her LLB through Stellenbosch University, is an admitted attorney and a member of SAIIPL

Justice Parker AJ of the Namibia High Court issued a landmark decision in 2016 in an application for the cancellation of a registered trade mark and a counter-application of passing-off. There have not been many reported cases in Namibia concerning trade mark law, so the decision provides some much-needed guidance on the interpretation and application of the Trade Marks in South West Africa Act 48 of 1973 (“the Act”) and the common law.

The Applicant, Mr. Michael Demtschuk, a Namibian resident trading as Rentokil Namibia Pest Control Services brought an application for the cancellation of a trade mark registration for the mark RENTOKIL in the name of the Respondent, Rentokil Initial 1927 PLC, a UK-based company.

The Applicant adopted the trade mark RENTOKIL in 1998 and has used it continuously in Namibia since then in relation to his pest control business. At the time of the adoption of the mark, the Applicant conducted a search of the local companies register and, finding no conflicting company names, registered a defensive company name for RENTOKIL PEST CONTROL.

According to its website, the Respondent has “over 90 years of global experience, and support[s] over 65 countries over the world” in the field of pest control. The Respondent does not have any branches in Namibia but did apply to register the RENTOKIL trade mark in 2003 in class 37 in relation to pest control services. Its application proceeded to registration in 2010.

The Applicant sought the cancellation of the Respondent’s registration on the basis that:

1. In view of his local reputation in the mark RENTOKIL, the use of the trade mark by the Respondent would be likely to deceive or cause confusion in terms of Section 16(1) of the Act;
2. alternatively, the mark was registered with no *bona fide* intent by the Respondent to use the mark in Namibia and that there has, in fact, been no *bona fide* use of the mark locally, in terms of Section 36(1)(a) of the Act;
3. alternatively, a continuous period of 5 years had lapsed during which there had been no use of the mark in Namibia by the Respondent, in terms of Section 36(1)(b) of the Act.

The Respondent filed a counter-application seeking an order:

1. interdicting the Applicant from competing unlawfully with the Respondent by passing off his business as being associated or connected with the Respondent by using the name, trading style and trade mark RENTOKIL;
2. interdicting the Applicant from infringing the Respondent’s registered trade mark; and
3. directing the Applicant to change his defensive company name.

The Court found that any reputation in the RENTOKIL trade mark in Namibia since 1998 should be attributed to the Applicant. As such, any use of the mark by the Respondent would be likely to deceive and cause confusion detrimental to the goodwill established by the Applicant. The Court further found that the Trade Marks in South West Africa Act did not recognise nor protect foreign well-known trade marks and, as such, to succeed with the counter-application the Respondent was required to prove a reputation in the mark in Namibia for purposes of a passing-off claim under the common law. To prove a reputation, the Respondent needed to establish that it traded in Namibia “*in the sense that it has an ongoing business in Namibia and has customers*”. Foreign popularity alone cannot bar the adoption and registration of the trade mark in Namibia by another party.

The Respondent argued that it had acquired a reputation in the RENTOKIL trade mark in Namibia through the international fame of the trade mark including in South Africa (which could have led to spill-over popularity in Namibia) and through indirect use in Namibia by its South African subsidiaries. The Respondent was, however, criticised by the Court for failing to provide any affidavits by its subsidiaries confirming these facts. Without such affidavits, the evidence amounted to hearsay and was, as such, inadmissible. In the absence of local use, despite the Respondent’s popularity elsewhere, the Court found that the Respondent had not acquired a protectable reputation under the common law. On the third ground of cancellation i.e. 5-year non-use preceding the application, the Respondent contended that the cancellation application was non-suited as the 5-year non-use period should be calculated from the date of registration of the mark i.e. 20 May 2010 and not the filing date thereof i.e. 17 March 2003. The Respondent argued that it cannot be expected of a trade mark applicant to start commencing use of the trade mark before it obtains registration thereof. The non-use period in South Africa is calculated from the date of registration. The Court rejected this argument and the application was upheld and the Respondent was ordered to approach the local trade marks registry to cancel its registration. The counter-application was refused.

.co.za – jurisdiction of High Court



Dale Healy is a partner with Adams & Adams Attorneys in the firm's trade mark litigation practice. Dale advises clients in connection with all aspects of trade mark and brand enforcement, including trade mark infringement, passing-off and unlawful competition proceedings, trade mark oppositions and cancellations, company name objections and domain name disputes. He also advises clients on all aspects of copyright law, such as ownership, licensing and enforcement.

In an unreported judgement of 28 July 2017, the High Court, Gauteng Division, Pretoria dispelled whatever misgivings there might have been in connection with its jurisdiction to decide domain name complaints in terms of the Alternative Dispute Resolution Regulations (“ADR Regulations”) published in terms of the Electronic Communications and Transactions Act 25 of 2002 (“the ECT Act”).

The case before court was *Rostruct Mining (Pty) Limited v Rosond (Pty) Limited and Uniform SA*, case no. 2013/76243.

The ADR Regulations promulgated under the ECT Act entitle a complainant to object to a domain name on the basis that it is an abusive registration (as defined in the regulations).

The applicant (Rostruct Mining) had lodged a complaint in terms of the ADR Regulations, alleging that the domain name *rostruct.co.za*, registered by the first respondent (Rosond), was an abusive registration. On this basis, the applicant sought an order for the transfer of the domain name to it. The single adjudicator ruled that the applicant had failed to establish a right to the name *ROSTRUCT*, an essential requirement for a successful complaint. The complaint was refused. The applicant elected not to pursue the appeal procedure provided for in the ADR Regulations (an appeal to a panel consisting of 3 adjudicators).

Instead, the applicant simply instituted proceedings in the High Court for a declaratory order that the domain name in

the hands of the first respondent was an abusive registration and sought an order for the transfer of the domain name. The enabling provision in terms of the regulations, so the applicant contended, was Regulation 11(1). It reads:

“Nothing done in terms of these Regulations prevents any party from litigating on any related matter in the High Court of the Republic of South Africa”.

The first respondent opposed the application, raising 3 preliminary defences (in addition to its defence on the merits):

1. the High Court lacked jurisdiction to decide the matter;
2. the matter was *res judicata*;
3. the applicant had failed to establish rights to the name *ROSTRUCT*.

The court agreed with the applicant's submission that Regulation 11(1) simply means that a pending domain name dispute, properly lodged in terms of the regulations, does not preclude parallel High Court proceedings concerning a corresponding trade mark dispute – for example, a trade mark opposition or a trade mark cancellation. The court went on to hold that implicit in the wording of Regulation 11(1) is that a party who elects to follow the procedure provided for in the regulations must complete the procedure and may only approach the court for relief after the proceedings have run their full course in terms of the regulations. Thus, the court held that the applicant had not exhausted its internal remedies, such that the court

application, even if interpreted as a review in terms of the Promotion of Administrative Justice Act 3 of 2000 (“PAJA”), could not succeed.

Seen as an administrative review, the conclusion was that the proceedings were premature and the court did not have jurisdiction to hear the application.

The court went on to hold that, if the adjudicator's decision could not properly be called an administrative decision to which the provisions of PAJA would apply, then it could only be a judicial decision, in which case the first respondent's second defence (of *res judicata*) required consideration.

Simply put, the doctrine of *res judicata* means that a final judgment by a competent court or tribunal is deemed to be correct. The doctrine prevents the re-hearing of the same dispute and serves the policy function of bringing an end to litigation. The court held that, in every respect, the dispute before it was the same dispute that had come before the adjudicator – the same relief was sought; the parties were the same; and the issues were the same. As such, the court concluded that the matter was *res judicata*.

Finally, on the merits of the claim, the court held that the applicant had, in any event, not established rights to the name *ROSTRUCT* and, therefore, found that the first respondent had no case to answer.

In conclusion, the High Court upheld all 3 preliminary defences raised by the first respondent.



Janusz Luterek is a partner in the patent department at Hahn & Hahn Inc where he specializes in food law and intellectual property law. Janusz serves on the Department of Health Food Law Advisory Group and has been intimately involved in the current food Labelling regulations

The bite is back in ASA's bark

advertisement if it has been published.

1.3 The ASA is directed to include in its standard letter of complaint the contents of paragraph 1 and that a non-member is not obliged to participate in any ASA process, but that should it not participate, the ASA may still consider the complaint, for the purposes set out in paragraph 1.2.

The effect of this order is that the authority of the ASA is restored to the extent that it existed prior to May 2016 when DuPlessis AJ effectively stripped it thereof in the High Court matter between Herbex and the ASA which is the subject of this order and which has substantially been overturned.

Thus, as from the present moment, the ASA may investigate and make finding on advertisements of non-members but such findings shall only be binding on its members and on broadcasters under the Electronic Communications Act.

The order allows the ASA to make decisions on whether adverts conform to advertising standards and inform its members of this outcome, even where the advertisers and publishers are not members. Members can then use the ASA ruling to decide whether to accept advertisements before they are published or withdraw them if they have already been published. ASA rulings will also be made publicly available, giving consumers

important information on whether advertising complies with industry standards.

The ASA must make the wording in its correspondence clear that non-members are not obliged to participate in ASA processes.

Although it is unlikely that companies intending to mislead consumers will become members of the ASA, this order gives the ASA the authority to make the public aware of adverts which mislead the consumer or which have unsubstantiated claims.

Consumers should also bear in mind, and make use of, the Consumer Protection Act, especially Section 29 and 41 thereof that prohibit deceptive and misleading advertising, and report such advertisements through the Consumer Goods and Services Ombudsman, the National Consumer Commission, or the Provincial Consumer Protectors who have the authority to take steps against such advertisers under the law, rather than under an association such as the ASA.

On 29 September 2017 the SCA issued an order making the settlement between the Advertising Standards Authority and the Herbex (Pty) Ltd an order of the honourable Court in the following terms:

1.1 the Advertising Standards Authority of South Africa (the ASA) has no jurisdiction over any person or entity who is not a member of the ASA and that the ASA may not, in the absence of a submission to its jurisdiction, require non-members to participate in its processes, issue any instruction, order or ruling against the non-member or sanction it;

1.2 the ASA may consider and issue a ruling to its members (which is not binding on non-members) on any advertisement regardless of by whom it is published to determine, on behalf of its members, whether its members should accept any advertisement before it is published or should withdraw any

Gaelyn Scott



Gaelyn Scott is a director at ENSAfrica and heads up the IP department. She specialises in strategic brand management and the enforcement of IP rights, both locally and internationally, with extensive experience in Africa

IP, RELIGION, CULTURE AND POLITICS

IP is a field of law that's forever evolving, highly relevant, often fascinating and deals with everyday tangible issues, brands and products that we encounter in the marketplace and media. Three recent news stories illustrate IP intersection with other worlds.

Religion and charity

It appears that the Roman Catholic order the Missionaries of Charity, which is associated with arguably the world's most famous nun, Mother Teresa, has registered, as a trade mark, the blue and white colour combination (three blue stripes, one thicker than the other two) that appeared on the sari or habit that Mother Teresa wore every day for 50 years, and which is still worn today by nuns in the order. The colour combination has apparently been registered as a trade mark for clothing and textiles, as well as stationery and charitable services. It's reported that leprosy patients in Kolkata weave some 4 000 saris featuring the colour combination every year, and that these saris are distributed to nuns worldwide. The order apparently sought trade mark registration for defensive purposes rather than commercial ones. It seems that a number of parties have been falsely seeking to associate themselves with the Missionaries of Charity – a school, a bank, several shops in Kolkata that sell Mother Teresa books and memorabilia, and fundraisers. It's been announced that the order will sympathetically consider requests to use the trade mark from those who are proposing to make non-commercial use of it. Colours and colour combinations can, of course, be registered as trade marks, but it is very difficult.

The authorities take the view that colours should be available to all, and it is only in exceptional circumstances where a colour or colour combination that has, in fact, become solely associated with one enterprise in a particular industry will be granted a monopoly. The news reports do intimate that the Indian authorities may have been quite lenient when it came to the applications filed by the Missionaries of Charity.

Culture and fashion

In South Africa, there's been a media storm surrounding Louis Vuitton's adoption of culturally significant Basotho blanket designs in men's fashion items and garments that apparently sell in South Africa for an eye-watering ZAR33 000. The question is, is this cultural appreciation or cultural appropriation? South African designers have strong emotional views on the topic, as illustrated by the following quotes: *"African artists are also artists and designers ... it is not just something blank that everyone has the right to come and take."* - *"We are angry because we feel exploited ... it's not just that they are inspired by us ... that's a compliment, but you need to take it a bit further and involve us otherwise it's theft."* - *"Yes, Europe designer houses are looking at Africa and taking from our cultures ... it shows the world is interested in what Africa has to offer ... the downside is, of course, they are making a profit out of it."* - *"There are more respectful ways of doing it, for example, collaborating with local people who actually produced those products."*

The use of the Basotho blanket design raises issues of trade mark law and design law – both offer opportunities for

protection. But it also raises the vexed and controversial area of protection for traditional knowledge.

Politics and economics

In the UK, a dispute is brewing between the makers of the Toblerone chocolate bar, Mondelēz, and a budget store chain called Poundland who plans to bring out a Toblerone lookalike product. The news reports don't specify what the dispute is about, but the trade mark registrations for the triangular shape of the Toblerone bar is wellknown. Product shapes can be registered as trade marks with evidence of acquired distinctiveness on the part of the proprietor.

The background to this story is interesting. In the UK, the highly popular Toblerone bar has shrunk in size quite significantly over the past year, with the 400g bar going down to 360g, and the 170g bar going down to 150g. This is widely perceived to be a consequence of the Brexit vote in 2016, and the subsequent drop in the value of the pound. Because fast-moving consumer goods companies are keen to avoid price rises, they now adopt a practice of down-sizing the product in ways that are often hard to notice, a practice that is sometimes referred to as "shrinkflation". In this case, the size reduction involved increasing the spaces between the peaks. Poundland's proposed product features double peaks and is called Twin Peaks. A spokesman for Poundland is quoted as follows: "Poundland shoppers are savvy and the change in their favourite chocolate bar last Christmas didn't go unnoticed. That's why we've created a new £1 alternative for them – the size they wanted, with a British taste, and with all the spaces in the right places."

As I said at the outset, IP and its applications are fascinating!

YOU CAN DO ANYTHING, BUT DON'T STEP ON MY RED-SOLED SHOES!

RYAN TUCKER

Christian Louboutin, Christian Louboutin SAS v Van Haren Schoenen BV (Case

C-163/16), opinion delivered by the Advocate General, Maciej Szpunar on 22 June 2017

A recent opinion by the Advocate General ("AG") in the Court of the Justice for the European Union ("CJEU") has highlighted fascinating trademark issues pertaining to the relationship between colour and shape.

Although opinions handed down by the AG are not legally binding on the CJEU, this specific opinion – if accepted by the CJEU – may have huge ramifications for trade mark law in the EU, UK and, by extension, Africa and South Africa.

A clear confirmation that “non-traditional” trademarks may be registrable, subject to certain specific requirements, was set out in this opinion. The AG re-affirmed that it remains crucial that for a sign to constitute a mark – the first hurdle to overcome, in terms of registrability – it must be “capable of graphical representation”.

Furthermore, the AG offered an incisive view as to whether colour can be incorporated into the concept of shape as a trade mark, when assessing its registrability or validity.

Additionally, his opinion was a significant and noteworthy reminder that context is a factor to be considered when assessing the registrability and validity of trademarks – whether in prosecuting or enforcing them.

Finally, in line with prior judgments acknowledging the evidentiary weight of “acquired distinctiveness” as a basis for registrability, the AG referred briefly to this concept in the context of the question posed to him; but he placed less importance on this element. Instead, his stance was to give preference to the “public interest” requirement of keeping certain signs in the collective domain when assessing their registrability or validity.

Some background

Since 1992, Christian Louboutin (“Louboutin”), famed Parisian fashion designer of women's footwear and accessories, has applied a high-gloss red lacquer to the “outsoles” of his high-heeled shoes.



Ryan is the Owner and founder of RM Tucker Attorneys. Ryan is a specialist attorney in the fields of intellectual property law, music and entertainment law and commercial law. He holds an MSc in Genetics and Developmental Biology & Microbiology and Biotechnology

In 2008, he registered the red sole as a trademark (“Red Sole Trademark”) with the US Patent and Trade Office (USPTO). The application featured an endorsement that read: “The color(s) red is/are claimed as a feature of the mark. The mark consists of a lacquered red sole on footwear.” The written description was accompanied by a diagram indicating the placement of the colour.

For an example in practice of the 'Red Sole Trademark', see below:



Subsequently, the 'Red Sole Trademark' has been the subject of several legal disputes in the USA and elsewhere.

The first challenge to the validity of the 'Red Sole Trademark' emerged in 2012 in the United States Court of Appeals. The case involved Louboutin and Yves Saint Laurent Am. Holdings, Inc. ("YSL"), a rival 'high-end' fashion house. The Court of Appeals was faced with deciding whether Louboutin's 'Red Sole Trademark' had been infringed by YSL, which, in 2011, had brought out a line of single-colour shoes in purple, green, yellow and red. Louboutin initiated infringement proceedings against YSL, alleging that the sale of these shoes would cause confusion amongst consumers. Louboutin cited trade mark infringement and counterfeiting, false designation of origin, unfair competition, and trade mark dilution, and sought a preliminary injunction preventing YSL from selling any shoe, of any colour, incorporating the 'Red Sole Trademark'.

YSL counterclaimed that the 'Red Sole Trademark' was not valid in that it was merely

ornamental or functional, as it relates to a "non-traditional mark" i.e. a colour mark. In addition, YSL alleged that the 'Red Sole Trademark' was secured by fraud at the USPTO.

The Appeal Court found that the 'Red Sole Trademark', as registered, was (at least partially) ineligible for protection, as it would preclude competitors' use of red soles in *all* situations, including YSL's single-colour use. Thus, the Court affirmed that the so-called "colour depletion doctrine" took precedence over granting single colour *per se* trade mark monopolies to specific undertakings (in particular markets).

The Court concluded that the 'Red Sole Trademark' had, in fact, acquired a secondary meaning in the marketplace for women's high-heeled shoes, *by virtue of its contrast to the remainder of the shoe*. Thus, the acquisition of such secondary meaning by virtue of "acquired distinctiveness" merited some protection.

However, since YSL's single-colour shoe was determined by the Appeal Court not to be confusingly similar to the 'Red Sole Trademark's "contrast to the remainder of the shoe", the USPTO was ordered to limit the scope of Louboutin's 'Red Sole Trademark' accordingly. It is significant that the recent opinion by the AG, again, illustrates the need for further clarity in determining what level of "prior use" is needed for "non-traditional trademarks" to be registrable.

In a similar case, in 2016, the Swiss Federal Administrative Court refused to protect Louboutin's 'Red Sole Trademark'. The court held that the mark was merely a 'decorative' or ornamental element of the goods, i.e. the high-heeled shoes, and lacked the necessary "distinctiveness" to be registrable as a trade mark.

Meanwhile, in 2012, Dutch shoemaker, Van Haren, released its own shoe with a red sole. Louboutin sued Van Haren for trademark infringement, and a Dutch court ruled that the latter should stop manufacturing and selling black and blue shoes with red soles.

Louboutin's case was based on his Benelux trade mark registration number 0874489, which ultimately (after amendment) led to the following class 25 goods being covered: 'high-heeled shoes (other than orthopaedic shoes)'. The registration is endorsed as follows:

The trade mark consists 'of the colour red (Pantone 18 1663TP) applied to the sole of a shoe as shown (the contour of the shoe is not part of the trade mark but is intended to show the positioning of the mark)'. It is reproduced below:



characteristics of goods being monopolised'. The AG addressed this crucial concept in the law of trade marks by exclusively utilizing article 3 of the EU Directive 2008/95 -

'1. The following shall not be registered or if registered shall be liable to be declared invalid:

...

e) signs which consist exclusively of:

i) the shape which results from the nature of the goods themselves;

ii) the shape of the goods which is necessary to obtain a technical result;

iii) the shape which gives substantial value to the goods;

...' (My emphasis)

The above absolute grounds of refusal are reflected in article 2.1 of the Benelux Convention, which governs Netherlands trademark law.

The AG advocated that before addressing the main question asked by the District Court, it is important to delineate to which category of signs the contested mark belongs i.e. those consisting of colour *per se* or those consisting of the shape of the goods. Nevertheless, he stated that, regardless of how such marks are classified, it is also vital to take cognizance of the public interest in keeping certain signs in the public domain.

The difficulty the District Court had, prior to addressing its question to the CJEU, was that it, indeed, observed that the contested Benelux 'Red Sole Trademark' is indissociable from an aspect of the goods. However, it 'hesitated' to decide that this 'aspect' was "shape" as referred to in the Directive (see above). The Parties, which included Louboutin, Van Haren and several member states, diverged on this important point.

The AG affirmed that the classification of the contested mark is a factual question to be decided by the District Court. Further, the AG stated that, in this case or scenario (at least), it is of no consequence what category the mark is ultimately placed. '[T]he classification of the contested mark as a "position mark" [and/or colour *per se* mark] does not, of itself, prevent that same mark from consisting of the shape of the goods.' In the opinion of the AG what the District Court is required to determine is whether the mark 'is a *per se* colour mark or a mark consisting of the shape of the goods, but also seeking protection for a colour'.

The AG took a stance on the above issue. He opined that 'the mark at issue is better conceptualized as a mark consisting of the shape of the goods and seeking to protect a certain colour in relation to that

The District Court of The Hague, decided, prior to ruling thereon, to ask the CJEU for a preliminary ruling as to whether "[T]he notion of 'shape' is limited to the three-dimensional properties of the goods, such as their contours, measurements and volume, or does it include other (non-three-dimensional) properties of the goods, [like] colour?" The CJEU turned to the AG for his opinion, prior to making its own observations.

The Opinion of the AG

The AG began his opinion, published in June earlier this year, by referring to the trite principle that there needs to be a balance between the granting of monopolies - as in trade mark registrations - and market competition.

The District Court stated that 'signs consisting of colours *per se* give rise, in principle, to the same objections with regard to the risk of practical

shape'. Notwithstanding the fact that the 'Red Sole Trademark' sought protection for a certain colour, the AG asserted that when deciding on the registrability of the mark in question (and by inference to all "non-traditional trademarks"), 'protection is not sought in the abstract'. Instead, the placement of the colour, specifically on the sole, and in contrast with other parts of the high-heeled shoe, resulted in the AG's conclusion that a colour applied to a feature of the article can be considered as a trait reflected in the shape of the goods themselves.

Furthermore, he contended that, if the CJEU agreed with his stance, then the 'Red Sole Trademark' would 'potentially be caught by the prohibition contained in article 3(1)(e)(iii) of the Directive 2008/95'. This provision bars a trade mark from registrability or, if registered, allows for its removal from the register, should the contested mark consist *exclusively* of a shape which gives substantial value to the goods.

To complete his analysis, the AG reminded us of the importance of the context in which the mark finds itself. When dealing with the fashion industry, the "colour-shape combination" of the goods is an integral part of the attractiveness and commercial appeal of the goods. Thus, if registrable, such marks would

distort competition in this sector.

The AG added one key caveat to the above by suggesting that the analysis related *exclusively* 'to the intrinsic value of the shape...'. The reputation that resides in the trade mark or its owner's business was not a significantly critical factor in the above analysis. This raises essential and fundamental questions in relation to "acquired distinctiveness" as it relates to the registrability of "non-traditional trademarks" or their continued validity.

Comments

In my opinion, the true, crucial question, notwithstanding the AG's remarks above, is whether the public is moved in any degree to buy an article (like shoes) because of its colour alone, particularly single colours? Is colour *per se* a source identifier or capable of distinguishing the goods of one proprietor from that of its competitor (within certain sectors or markets)? In my humble opinion, it is conceivable that colours *per se* (even single colours) are more easily seen as distinctive, and therefore registrable, in relation to services as opposed to goods.

What is very interesting to be taken from the AG's opinion is the link that he drew between colour and shape as marks. This link has not (to my knowledge), as yet, been explored by the courts. If the

CJEU accepts the line of argument raised by the AG in this opinion, it would seem that an additional layer of enquiry needs to be addressed for colour *per se* marks to be registrable; and perhaps for all "non-traditional trademarks".

In this case, despite Louboutin's complying with the recommendations made in a previous case (see *Libertal*) for the filing and ultimate registrability of a colour *per se* trademark, the AG looked beyond this and addressed the absolute bars to registration i.e. whether the colour *per se* as applied to an article (3-D shape) results from the nature of the goods themselves and/or whether the shape gives substantial value to the goods in question. Also, the AG's opinion shows how closely the four basic requirements for trade mark registrability – a sign must constitute a 'mark' and be 'capable of graphic representation'; the mark must constitute a 'trade mark' in that the mark must be used or proposed to be used for the 'purpose of distinguishing'; "distinctiveness", whether inherent or acquired; and the absolute (and relative) grounds for refusal or invalidity of a trade mark – interplay with each other.

Whilst the South African Trade Marks Act contains a prohibition, in section 10(5), against marks that consist *exclusively* of a shape which derives from the nature of the goods themselves, there is no specific prohibition – as there is in article 3 of the Directive (see above) – against shapes that give substantial value to the goods. In UK and EU law, these two

prohibitions are dealt with separately in their legislation: although this does not mean that they are mutually exclusive.

From the AG's opinion, and in particular his reference to the context and marketplace milieu in which the mark finds itself (like the fashion industry in this case), I am inclined to believe that a court in South Africa would derive this line of argument through the development of either of subsections 10(5) or 10(11) of the South African Trade Marks Act or in conjunction. In this way, the balance between the granting of a monopoly right and the public interest of keeping certain signs free for use by all – which the AG referred to at the beginning of his opinion – can be maintained.

As intricate and nuanced as the AG's opinion is, it is not binding on the CJEU, as I mentioned earlier. Therefore, it will be interesting to see if the CJEU comes to the same conclusion. If so, this could be far-reaching, not only for brands, but also for the future of trade mark law – with a potentially chilling effect on brand owners seeking to obtain registration for colour marks *per se*, or those seeking to rely on “acquired distinctiveness through prior use” to support their applications for registration of “non-traditional” trademarks.

It is also noteworthy to advise readers that the second phase of the European Union Trade Mark Legislative Reform came into effect from 1 October 2017. A critical element of this legislative reform is

that the requirement relating to “capable of graphic representation” has been removed completely, as long as the mark can be represented electronically with ‘certainty and precision’ (so any format that can be easily represented and accessed, including electronic formats using “generally accepted technology”), and with the introduction of ten non-exhaustive “types” of trade marks –

- a) word
- b) figurative
- c) shape
- d) colour
- e) sound
- f) position
- g) pattern
- h) motion
- i) hologram
- j) multimedia.

This should, theoretically, make non-traditional trade marks easier to register. The above types of trade marks should be indicated when filing an application.

What is pleasing is that the South African Trade Marks Office has already made provision for the additional (last 5) types of trade marks in the above list in its Guidelines for the Registration of non-traditional trade marks (available on www.cipc.co.za).

It will be interesting to see how these changes will affect the decision of the CJEU in this case. Will the *Siekmann* principles, as extended in the *Libertal* case, take a back seat to the new legislative reform referred to above? Will the

CJEU mould a new test for “graphic representation”? Will its discussion deal only with certainty and precision, excluding the other *Siekmann* principles? How the CJEU deals with these issues will affect our court's interpretation of this requirement, or prompt our own legislative reform.

Havaianas: not a flop

A recent BBC article entitled “Havaianas: How a Brazilian flip-flop took over the world” doesn’t mention IP once, yet it contains some useful IP lessons.

The article looks at how Havaianas went from a cheap, working-class footwear brand in Brazil to a highly successful international fashion brand – the company behind the brand, Alpargatas, now sells some 200-million pairs of flip flops per annum, has dedicated shops in malls all over the world, and was recently sold for USD1-billion. So, how did the company manage this remarkable turnaround, and how is any of this relevant to IP?

The article says this: “It is one of the simplest shoes on the planet: a piece of plastic, roughly the outline of your foot, with a crude strap holding the sole to your toes.” What that’s telling us is that there’s clearly no technology involved here, the company didn’t achieve its success on the back of patents. What Havaianas does have, however, is a very strong identity. The article says that Havaianas come “in all colours and styles ... strappy ones, shiny ones, ones in the colour of your favourite football team, ones with huge platform wedges.” It goes on to say that “it is this strong identity that has helped it hold its own against cheap versions of what is an easy-to-replicate design.”



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So, what constitutes this strong identity? Well, for starters, there’s the name, a distinctive one that stands out from the crowd and that the company would probably have found quite easy to protect and enforce.

Then there’s pattern and ornamentation, things that can be protected through both trade mark and design registrations. The issue of pattern and ornamentation in the context of shoes has come up in various trade mark cases. One of these cases, in fact, involved Havaianas, where Alpargatas sued a company called Too Beach for trade mark infringement, and Too Beach defended by claiming that the trade mark registration was invalid.

A French court held that a European trade mark registration that Alpargatas has for a figurative trade mark that it applies to footwear is valid – this trade mark was described in the proceedings as “a pattern composed of two symmetrical sequences of geometrical figures in the form of an elongated S, intertwined and positioned slantwise”. The appeal court held that the pattern is seen as a trade mark by the French public and that it has become distinctive – there was survey showing an extraordinary 92% public recognition of the pattern. The court made the point that the pattern is arbitrary, and that the mere fact that it is decorative doesn’t mean that it doesn’t function as a trade mark.

In South Africa, the significance of pattern and ornamentation as a trade mark has also been recognised. In a counterfeit case involving Puma and Rampar Trading, the Supreme Court of Appeal held that Rampar Trading copied Puma’s distinctive split form trade mark on the inner and outer sides of its shoes. The argument that Rampar Trading merely used the pattern as ornamentation was rejected by the court. Colour also clearly plays a big role with Havaianas, and this is something that can potentially also be protected by trade mark law. Colour does tend to be important in products, including footwear, and we’ve written many times about this in previous articles.

So, there is, in fact, considerable IP behind the Havaianas success story, despite the fact that the product is about as low-tech as it gets.



The Juta Law Reports

The following judgments were reported since June 2017*

Patent — Lapsing — Claim for damages — Jurisdiction of High Court — Defendant attorneys' firm allegedly allowing patent to lapse, and, as a result, plaintiff unable to prosecute alleged patent infringement by third party — Common-law claim for damages in delict — Fact that part of enquiry into damages might have to be referred to Commissioner of Patents not meaning the High Court lacked jurisdiction to determine whether defendant was negligent — Exception based on court's alleged lack of jurisdiction dismissed. *Trustco Group International (Pty) Ltd v Hahn & Hahn Incorporated* Case No: 78757/2014 20-06-2016 GP, De Vos J 7 pages Serial No: 1228/2016 — CD 11/2017

Trademark — Expungement — No bona fide use for five years — Two marks MORRIS for machinery — Applicant seeking expungement on ground that there was no use of MORRIS mark by anyone other than itself for the five years up to three months before the application — Respondent's answer to case marked by vagueness and incoherence — No evidence that its MORRIS products ever entered South Africa — Respondent failed to demonstrate permitted use — Application for expungement granted — Trade Marks Act 194 of 1993, s 27(1). *Morris Material Handling SA (Pty) Ltd v MHE Technologies Inc* Case No: 79173/15 10-05-2017 GP, Tuchten J 25 pages Serial No: 0795/2017 — CD 12/2017

Trademark — Registration — Similarity to existing mark — CP FRESHMART and FRESHMARK — Applicant applying for registration of trademark CP FRESHMART in class 35 for 'retail services in relation to food and beverages' — Opposed by proprietor of FRESHMARK in number of food product classes — Similarity in appearance, sound and concept — Reasonable probability of confusion or deception resulting — Application for registration refused — Trade Marks Act 194 of 1993, s 10(14). *Shoprite Checkers (Pty) Ltd v Charoen Pokphand Group Co Ltd* Case No: 72005/2015 28-07-2016 GP, Louw J 10 pages Serial No: 0910/2017 — CD 12/2017

Trademark — Registration — Similarity to existing mark — MAXUS and tower device and DEUTZ and tower device — DEUTZ mark clearly distinguishable by use of word 'Deutz' — Also difference in main scope of business of parties — No deceptive degree of similarity — Opposition to registration dismissed. *SAIC Motor Co Ltd v Deutz AG* Case No: 65401/2015 13-05-2016 GP, Van Oosten J 10 pages Serial No: 0911/2017 — CD 12/2017

Trademark — Registration — Similarity to existing mark — PEPSI TWIST and LEMON TWIST — Whether word 'twist' capable of distinguishing — Court finding that word inherently adopted to distinguish and mark TWIST also, by use, become capable of distinguishing — Court also finding that, viewed globally, there was a likelihood of confusion — Appellant's appeal against granting of respondent's mark upheld. Trade Marks Act 194 of 1993, s 10(1) and s 10(2)(a). *Atlantic Industries v Pepsico Inc* Case No: A479/2014 24-05-2017 GP, Louw J 18 pages Serial No: 0904/2017 — CD 13/2017

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events...



Golf Day

The annual golf day was held at Pretoria Country Club on 15 September 2017. Despite the fairly low level of participation, the day was a great success.

The lack of enthusiasm to participate in the Institute's social events is concerning. The Functions Committee and Council are considering to discontinue the social events in the future. This is unfortunate as these events provide excellent opportunity for members to network on a social level and have some fun together. The Functions Committee will be reviewing the format of these events, as well as the timing thereof and appeals to SAIPL members to participate and support these functions.

Next Up:

Annual Dinner - 10 Nov 2017
Venue: River meadow manor Irene

AGM - 15 November 2017
Pretoria CC at 14H30

for more details contact Marie-Louise Grobler at
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