

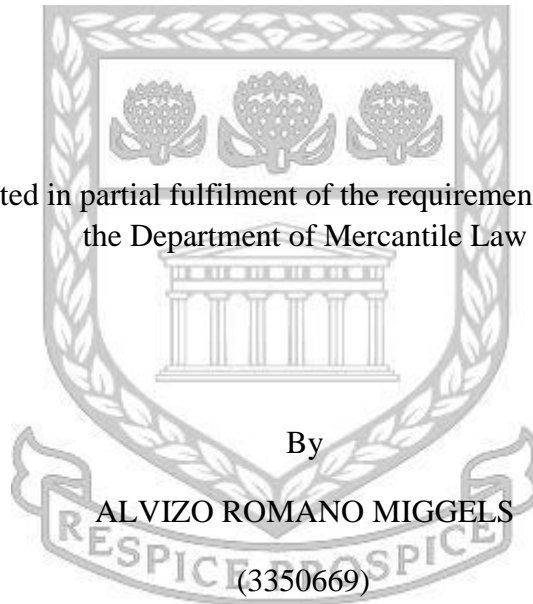


UNIVERSITY of the
WESTERN CAPE

FACULTY OF LAW

**AN ANALYSIS OF TRADE MARK INFRINGEMENT BY
DILUTION UNDER SOUTH AFRICAN LAW**

Mini thesis submitted in partial fulfilment of the requirements for the LLM degree in
the Department of Mercantile Law




Supervisor: Dr Y Mupangavanhu

DECLARATION

I declare that 'An Analysis of Trade Mark Infringement by Dilution under South African Law' is my own work, that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Student: Alvizo Romano Miggels

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Signature

Date: 26 February 2020



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First, I want to give the greatest acknowledgement to the Almighty. Through Him I had the peace of mind to complete this mini-thesis and I cannot imagine having done it otherwise.

I dedicate this thesis to the following people: My mother, Charmaine – for always believing that I could excel, to my sister Chemonique – for the many words of encouragement when I needed it most and my dad for supporting me in whatever I needed during my studies. I could never repay you. To the rest of my family both in George and Cape Town, you mean the world to me. Your continuous support was precious during this time. I cannot thank you all enough.

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LIST OF ABBREVIATIONS

CMT – Community Trademark Regulation

EU – European Union

EUTM – European Trademark

FTDA – Federal Trademark Dilution Act

IPR – Intellectual Property Rights

SA – South Africa

TDRA – Trademark Dilution Revision Act

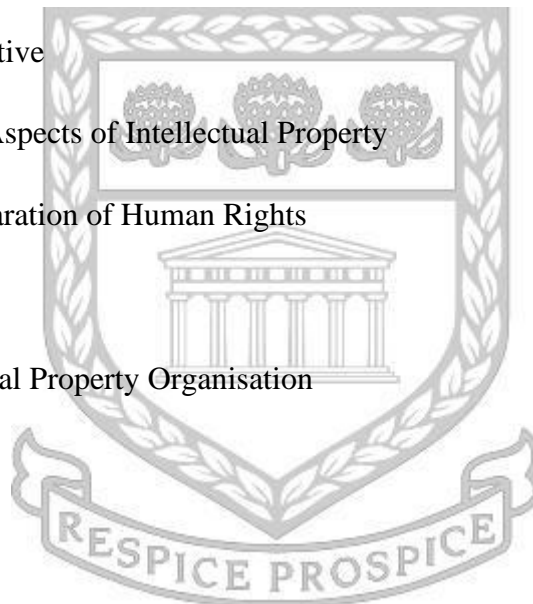
TMD – Trademark Directive

TRIPS – Trade Related Aspects of Intellectual Property

UDHR – Universal Declaration of Human Rights

US – United States

WIPO – World Intellectual Property Organisation



KEYWORDS

Anti-dilution laws

Blurring

Distinctiveness

Distinguishing Function

Infringement

Intellectual Property

Tarnishment

Trademark Dilution

Trademark Registration

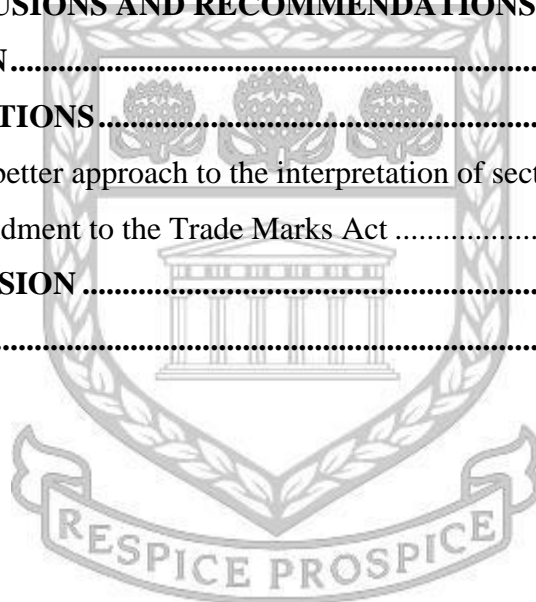
Trademarks



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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND TO THE STUDY

A trademark is a sign or mark that individualises the goods of a given enterprise and distinguishes it from those of the competitor.¹ A trademark is the proprietor's guarantee that his or her product will be identified and differentiated by consumers from those of the competitor.² Trademarks are important since they serve as a badge of origin.³ Therefore, a trademark proprietor wants his or her mark to bear positive connotations or create good memories in the minds of consumers.⁴ This is one of the core functions of a trademark, and often the reason why some trademark proprietors seek to protect their marks by means of registration.⁵

In order to qualify for registration, a trademark has to be distinctive to ensure that consumers can be alerted to the fact that they are dealing with a certain business.⁶ The ability of the public to distinguish the mark of a particular product from those of others is what draws consumers to certain businesses, and it is what makes them want to buy those products.⁷ A trademark serves as somewhat of a link between the consumer and the producer of the product, that link is established when the consumer is able to distinguish the product from a variety of others.⁸ In the event that the distinctiveness of the mark is in any way threatened, a proprietor can bring an infringement action to court. Infringement actions are aimed at protecting exclusive rights of the owner of the said marks as they can act against third parties who use similar marks.⁹

¹World Intellectual Property Organisation *WIPO Intellectual Property Law: Policy, Law and use* (2004) 68.

²Magliocca GN 'One and Inseparable: Dilution and Infringement in Trademark Law' (2000) 85 *Minnesota Law Review* 950.

³Pila J and Torremans P *European Intellectual Property Law* (2016) 372. The author says that in order for a trademark to be registered as such – 'it has to be capable of distinguishing the goods or services of one undertaking from those of other undertakings...'

⁴Schechter FI 'The Rational Basis of Trademark Protection' (1926-1927) 40 *Harvard Law Review* 813 830.

⁵*Beecham Group PLC & Others v Triomed Pty Ltd* 2002 (unreported judgment, case no 100/01, 11.)

⁶Goodberlet K 'The Trademark Dilution Revision Act of 2006: Prospective Changes to Dilution Definition, Claim analyses, and Standard of Harm' (2006) 6 *Journal of High Technology Law* 251; Section 9 of the Trademark Act 194 of 1993.

⁷Oswald LJ 'Tarnishment' and 'Blurring' Under the Federal Trademark Dilution Act of 1995' (1998) 36 *American Business Law Journal* 255.

⁸Naser MA 'Re-examining the Functions of a trademark' (2008) *Chicago-Kent Journal of Intellectual Property Law* 101.

⁹Dean O & Dyer A *Introduction to Intellectual Property Law* (2014) 41.

Unregistered marks are still protected in terms of the common law based on the ‘passing off’ action.¹⁰ Passing off is the most common form of unlawful competition. Unlawful competition aims to ensure that business endeavours remain within lawful bounds and traders do not use improper business techniques.¹¹ Passing off occurs when a trader uses the distinctive mark of a competitor to deceive consumers into accepting his or her products.¹² In order to successfully rely on ‘passing off’, a manufacturer has to prove that his or her product has acquired a reputation.¹³ In addition to the aforementioned, a manufacturer also has to prove that the imitation of his or her sign, get-up or trade name by the competitor will cause harm to the business’ goodwill and cause confusion amongst members of the public.¹⁴

In terms of statutory infringement, the Trade Mark Act¹⁵ makes provision for three distinct types of infringement actions under section 34. Primary infringement is contained in section 34 (1) (a) of the Act which provides that:

‘The rights acquired by registration of a trade mark shall be infringed by— (a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion.’¹⁶

Primary infringement occurs when the marks are ‘confusingly similar’.¹⁷ The trademark proprietor should show that the use of the mark in the course of trade was unauthorised, and it would likely deceive or confuse consumers about the origin or source of the goods.

The second type of infringement that is available to trademark proprietors is known as ‘extended infringement’. In order to bring an action to court based on this form of infringement, a trademark owner is required to show:

¹⁰Section 33 of the Trademark Act provides the following: ‘No person shall be entitled to institute any proceedings under section 34 in relation to a trade mark not registered under this Act: Provided that nothing in this Act shall affect the rights of any person, at common law, to bring any action against any other person’.

¹¹Dean O ‘Unlawful Competition: The role of Wrongfulness and dishonesty’ (1990) *Businessman Law* 17 <https://blogs.sun.ac.za/iplaw/files/2012/08/unlawful-competition-the-role-of-wrongfulness-and-dishonesty.pdf> [accessed on 16 August 2018].

¹²Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 57; See also *Capital Estate & General Agencies (Pty) Ltd v Holiday Inn Inc* 1977 (2) SA 916 (A) 929.

¹³Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 57.

¹⁴Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 60.

¹⁵Act 194 of 1993.

¹⁶Section 34 (1) (a) of the Act 194 of 1993.

¹⁷Dean O 2015 ‘Trademark Dilution Laughed Off’ Stellenbosch University Blog <https://blogs.sun.ac.za/iplaw/files/2012/08/trade-mark-dilution.pdf> [accessed on 19 April 2018].

‘The unauthorised use of a mark which is identical or similar to the trade mark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion.’¹⁸

The difference between primary and extended infringement is that with the former a plaintiff will be limited to proving use on similar goods for which the mark is registered.¹⁹ However, what must also be taken into consideration when dealing with primary infringement is that the scope of section 34 (1) (a) is wide enough to cover infringement related to the origin function of the mark as well as comparative advertising.²⁰ In contrast, with extended infringement a plaintiff will not be limited to mere similar goods. This infringement action encompasses both similar goods in relation to which the mark is registered and goods outside the parameters of the registered mark.

The focus of this thesis is on the third form of infringement, known as ‘infringement by dilution’. This infringement action is contained under section 34 (1) (c) of the Act. Trademark proprietors who intend to bring an action to court on this basis must show the following:

‘The unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception.’²¹

What makes infringement by dilution peculiar is that it is more concerned with the selling value of the mark.²² Trademark dilution occurs where the distinctiveness and subsequent marketing power of a mark is being threatened by an unfavourable association of a well-known mark with something that has a negative connotation.²³ This results in the well-known trademark becoming blurred or tarnished. In the case of tarnishment,²⁴ a proprietor must show that the detriment on which he relies is substantial to the point where there is a likelihood of harm to

¹⁸See section 34 (1) (b) of the Trade Mark Act 194 of 1996.

¹⁹*Beecham Group plc v Southern Transvaal Pharmaceutical Pricing Bureau Pty Ltd* 1993 (1) SA 546 (A) 559.

²⁰Comparative advertising was the issue in *Abott Laboratories* where the plaintiff’s product had been used in advertisements to illustrate the inferiority of defendant’s product. The court granted an interdict preventing the defendant from making such a representation but found there was no passing-off: See the case of *Abott Laboratories v UAP Crop Care (Pty) Ltd* 1999 3 SA 624 (C).

²¹See section 34 (1) (c) of the Trade Mark Act 194 of 1996.

²²Shikwambana N *Use or Abuse of: Well-Known Trademarks* (unpublished LLM Thesis, University of Pretoria) 29.

²³Rutherford BR *Misappropriation of the advertising value of Trademarks, Trade Names and Service Marks* (1990) 2 SA *Mercantile Law Journal* 152.

²⁴The court in *Triomed Pty Ltd v Beecham group* (2001) 2 ALL SA 126 (T) held that ‘tarnishment’ [relates directly to] unfavourable associations being created between well-known registered trademarks and the offending mark.

his/her mark's uniqueness and reputation.²⁵ The existence of the likelihood of confusion on the part of the consumers is not a prerequisite.²⁶ Dilution seeks to protect the distinctive character of the mark as well as its commercial value as the court in the *Laugh It Off Promotions CC v South African Breweries International (Finance) B.V. t/a Sabmark International* case alluded to.²⁷

1.2 PROBLEM STATEMENT

The dilution of a trademark is one of the most challenging issues facing the sphere of trademark law in South Africa. Trademark proprietors have in the past relied successfully on primary and secondary or extended infringement. There has, however, been a dearth of cases on infringement by dilution thus far. The research in this study will primarily take the form of an evaluation of the development of the anti-dilution action and why there is dearth of successful cases in South Africa. To find answers to this overarching research objective certain sub-questions will be addressed in the thesis, namely:

- i. What are the general theories underpinning intellectual property law?
- ii. What must be proven in a case of trademark dilution?
- iii. How has the anti-dilution provision developed under SA law?
- iv. What has been the approach of the courts to dilution in South Africa?
- v. What can South Africa learn from the United States (USA) and European Union's (EU) approach to dilution?

1.3 SIGNIFICANCE OF STUDY

The rights relating to a trademark are said to be found in the fact that proprietors have acquired goodwill and a repute in their mark.²⁸ Trademark law has always protected that aspect of what a trademark embodied, *inter alia*, to serve as a symbol of where a product originates from and guarantee quality by the setting the registered trademark proprietor's goods apart from those

²⁵Van der Merwe A, Geyer S, Kelbrick R *et al Law of Intellectual Property in South Africa* 2ed (2016) 167.

²⁶*Bata Ltd v Face Fashions CC & Another* 2001 (1) SA 844 (SCA) para 144.

²⁷See the case of *Laugh It Off Promotions CC v South African Breweries International (Finance) B.V. t/a Sabmark International* 2005 (8) BCLR 743 (CC) para 40 where the court held: '...in our case too section 34 (1) (c) serves a vital purpose in preserving trade and commercial interest of owners of trade marks which have a reputation'.

²⁸Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 167.

of his competitors.²⁹³⁰ Trademarks serves an important role in commerce and have commercial value.³¹ For example, Google³² is valued at around 44 billion US dollars, while AT & T³³ is valued at roughly 28 billion US dollars.³⁴ Therefore, it is evident that the commercial value of these trademarks need protection.

The study is important for practitioners, judges, advisors and consultants operating in the area of trademark law due to the lack in clarity that exist in relation to infringement by dilution. Trademark proprietors are at risk of suffering financial loss if they are not able to protect their marks from dilution. The thesis will make recommendations whether the dilution provision contained in the Act need reform or whether the approach to the application of the anti-dilution provisions by our judiciary needs to change.

1.4 RESEARCH METHODOLOGY

The thesis will be a desktop study. It focuses on primary and secondary sources dealing with trademark dilution. The primary sources will include the relevant statutes as well as judicial precedent dealing with trademark dilution in South Africa. The study will also rely on international and national legislative provisions to lay the foundation for the argument that will follow throughout this thesis. The secondary sources will include journal articles, internet sources and books. The study also draws lessons from the application of trademark dilution in EU and USA.

1.5 LIMITATIONS OF STUDY

The thesis examines South Africa as well as other jurisdictions particularly the USA and the EU. This thesis uses the American jurisdiction because the dilution concept stems from the

²⁹Rutherford BR 'Misappropriation of the advertising value of Trademarks, Trade Names and Service Marks' (1990) 2 *SA Mercantile Law Journal* 153.

³⁰See Kaseke E 'Trademark Dilution: A comparative analysis' [Unpublished Doctoral Thesis, University of South Africa (2006) 41; Rutherford BR 'Misappropriation of the advertising value of Trademarks, Trade Names and Service Marks' (1990) 2 *SA Mercantile Law Journal* 153.

³¹Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 113.

³²Google is described as one of the world's most popular search engines, according to Stonefield S (2011) 'The 10 Most Valuable Trademarks' available at <https://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/#25ab845936b8/> [accessed on 20 August 2018].

³³AT & T is the largest local and long distance telephone services in the U.S, according to Stonefield S (2011) 'The 10 Most Valuable Trademarks' available at <https://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/#25ab845936b8/> [accessed on 20 August 2018].

³⁴Stonefield S (2011) 'The 10 Most Valuable Trademarks' available at <https://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/#25ab845936b8/> [accessed on 20 August 2018].

USA.³⁵ The EU was selected since it has similar trademark laws as South Africa. Courts often make reference to EU judgments and thus it is deemed appropriate to look at how the anti-dilution provisions have been applied for guidance.³⁶ It must be borne in mind that the social, economic and political circumstances differ and the thesis takes into consideration the different prevailing circumstances.³⁷ The thesis is cognisant of the fact that the application and interpretation of the anti-dilution provisions in these jurisdictions might not be appropriate for SA.

1.6 CHAPTER OUTLINE

Chapter 1: Introduction

This chapter is an introductory chapter. It introduces the topic by providing an overview of the three forms of dilution and it deals with the research question, significance of study as well as provides the chapter outline.

Chapter 2: Conceptual Framework to Trademarks in the South African context

This chapter will analyse the various theories that underpin intellectual property law and how this gives rise to the justification of the existence of infringement by dilution in the Trademarks Act 194 of 1993.

Chapter 3: Infringement by dilution in South Africa

An examination of the forms of trademark dilution takes place in this chapter and the requirements provided in terms of section 34 (1) (c) of the Trademarks Act are discussed. It will also examine the approach of the courts in South Africa insofar as cases dealing with trade mark dilution are concerned.

Chapter 4: Comparative Analysis: Dilution in the USA and EU

This chapter is dedicated to the US and EU's approach to trademark infringement by dilution. The objective of the comparative study is to identify the possible lessons which South Africa could draw from these two jurisdictions.

³⁵Schechter F I 'The Rational Basis of Trademark Protection' (1927) 40 *Harvard Law Review* 818.

³⁶*Laugh It off Promotions CC v South African Breweries International (Finance) Bv t/a Sabmark International* 2006 (1) SA 144 (C) para 36 where the court held that: '...UK cases provides an useful starting point in our understanding of the terms of section 34 (1) (c)'.

³⁷Zweigart K & Koetz H *Introduction to Comparative Law* 3ed (1987) 47.

Chapter 5: Conclusions and Recommendations

This chapter contains the conclusion and the recommendations regarding infringement by dilution in South Africa. The chapter further provides a brief summary of the findings in each chapter and draws some lessons from the approaches adopted in the USA and the EU.



CHAPTER 2: CONCEPTUAL FRAMEWORK TO TRADEMARKS

2.1 INTRODUCTION

The previous chapter served as an introduction to this thesis. This chapter examines the various theories in intellectual property law. This chapter will bring into perspective some of the concepts that are relevant to understanding intellectual property and the corresponding rights that are available to owners or creators. The rationale behind this is to illustrate that intellectual property rights are more justifiable than what critics have been making it out to be. There is a need to establish why intellectual property (IP) rights holders deserve proprietary interests that are exclusive. The theories discussed include utilitarianism, natural rights theory, personhood theory, reward theory, labour theory and the social planning theory. The theories are discussed in no specific order even though there is a hierarchy that is followed by some theorists.³⁸

2.2 AN OVERVIEW OF IP PROTECTION

Legal theory suggests that trademarks constitutes property rights, thus deserving property rights protection. These property rights are the same as ordinary property rights protected in terms of section 25 Constitution of the Republic of South Africa. Intellectual property is not considered physical property but rather as intangible property.³⁹ It is regarded as produce that stems from the human intellect.⁴⁰ The protective notion of trademarks, which is a form of IP, is even contained within Article 27 of the Universal Declaration of Human Rights,⁴¹ where it states that trademark proprietors should be able to enjoy the fruits of their intellectual produce. This relates directly to the notion that one should be afforded ownership for their creation and that it is a basic human right.⁴² Intellectual property rights are an important aspect of law and

³⁸Davis P 'Competing views of Intellectual 'Property,' (2009) The Scholarly Kitchen – 13 April 2009, available at <https://scholarlykitchen.sspnet.org/2009/04/13/competing-views-to-intellectual-property/> [accessed on 7 December 2018].

³⁹Du Bois M 'Justificatory Theories for Intellectual Property Viewed through the Constitutional Prism' (2017) 21 *PELJ* 4.

⁴⁰Moss A 'Trademark as a property right,' *George Mason Law & Economics Research Paper*, (2107) available at <https://dx.doi.org/10.2139/ssrn.2941763> [accessed on 18 November 2018].

⁴¹Article 27 (1) of the UDHR reads: Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancements and its benefits. Article 27 (2) continues to state that, [e]veryone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

⁴²See Article 27 (2) of the Universal Declaration of Human Rights where it states '...everyone has the right to the protection of the moral and material interest resulting from any scientific, literary or artistic production of which he is the author; See also Mostert The Development of the Natural-law Principle as One of the Principles Underlying the Recognition of Intellectual Property. A Historical Survey from Roman Law to Modern-day Law' 1987 *SALJ* 480.

serve a greater purpose than mere ownership. The creation of IP takes time and effort, and as a result, it requires some form of recognition. This is because IP is an investment on the part of the creator.⁴³

There has been a continued debate regarding the lack of protection of IP by legal authors and on whether owners of IP should be given a monopoly over their creation, and the circumstances in which this should be allowed.⁴⁴ The various theories that are used to explain the concept of IP date as far back as 1600.⁴⁵ These theories, however, have not attracted much philosophical attention until recently.⁴⁶ The philosophical aspect of IP emerged as a response to the use of monopoly power to spur innovation.⁴⁷ These theories can serve as the basis in determining the value of Intellectual Property Rights (IPR).⁴⁸ The later refers to rights that are awarded to owners of IP for the fruits of their original human intellectual creativity and ingenuity.⁴⁹

2.3 THEORIES UNDERPINNING IP PROTECTION

2.3.1 The Utilitarianism Theory

The word 'utilitarian' refers to the accumulation of all fruits that one can enjoy from his or her produce.⁵⁰ This theory describes the circumstances in which it is said that IPRs are vested in the creator but for a limited period only.⁵¹ The basis is to circumvent the situation whereby proprietors are given a monopoly over their creations.⁵² The rationale behind this notion was to curb social welfare loss and exploitation by others. This theory has been particularly useful when it comes to technological works because it was deemed appropriate to apply where it

⁴³Sharma DK 'Intellectual Property and the need to protect it,' (2014) available at <https://doi:10.5958/2250-0138.2014.00014.5/> [accessed on 10 December 2018].

⁴⁴Mrad F 'The Effects of Intellectual Property Rights Protection in the Technology Transfer Context On Economic Growth: The Case of Developing Countries' (2017) 23 *Journal of Innovation Economics & Management* 43; Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property Law in South Africa* (2016) xxiv.

⁴⁵Phillips J & Firth A *Introduction to Intellectual Property Law* (1995) 41.

⁴⁶Menell S *Intellectual Property: General Theories* (1999) available at <https://www.dklevine.com/archive/ittheory.pdf> [accessed on 30 October 2018].

⁴⁷Menell S *Intellectual Property: General Theories* (1999) available at <https://www.dklevine.com/archive/ittheory.pdf> [accessed on 30 October 2018].

⁴⁸Du Bois M 'Justificatory Theories for Intellectual Property Viewed through the Constitutional Prism' (2017) 21 *PELJ* 6.

⁴⁹South African Institute of International Affairs *Intellectual Property Rights and South Africa's Innovation Future Trade Policy Report* No 23 (2013) 7.

⁵⁰See the Oxford Dictionary 'utilitarianism,' available at <https://en.oxforddictionaries.com/definition/utilitarianism> [accessed on 01 January 2019].

⁵¹See Basic Aspects of Intellectual Property on <https://wipo.org> [accessed on 14 January 2019].

⁵²Menell S *Intellectual Property: General Theories* (1999) available at <https://www.dklevine.com/archive/ittheory.pdf> [accessed on 30 October 2018].

could be seen that those works are useful in performing certain tasks.⁵³ The economic theory is closely related to the utilitarianism theory.⁵⁴ Though the focus of the discussion in this thesis is mainly on trademarks, it should be mentioned that the economic theory has also been useful in the area of copyright law.⁵⁵

The utilitarianism theory is also relevant to other forms of intellectual property, namely trademark law. As mentioned in chapter one of this thesis, trademarks are in existence since they help consumers in identifying the product of one proprietor from the product of another.⁵⁶ Therefore, trademarks exist to prevent confusion or deception. The utilitarian theory helps the proprietor as it creates the avenue to further their business prospects. However, it is not particularly useful when it concerns dilution of the proprietor's trademark, as the theory does not support monopolies.

The utilitarian theory of intellectual property has developed and evolved in an interdependent relationship. It started with the 'evolution of the modern state: from the formation and maturation of the mercantilist nation-states through the industrial revolution and rise of the modern capitalist economy'.⁵⁷

2.3.2 Social Planning Theory

This theory is one of the least established theories amongst the ones discussed within this chapter. However, it deserves as much attention as any other theory since it is considered one of the most important theory when it concerns trademark protection.⁵⁸ It is also applied, *inter alia*, in the sphere of industrial designs.⁵⁹ This theory concerns itself with creating an attractive, equitable or just culture within the realm of intellectual property including the trademark

⁵³Wilkof N 'Theories of Intellectual Property: Is it Worth the Effort?' (2014) *Journal of Intellectual Property Law & Practice* 275.

⁵⁴Illie L 'Intellectual Property Rights: An Economic Approach' (2014) 16 *Procedia Economics and Finance* 549, the author says that the economic theory can be both a positive or negative influence on growth and development. However, IPRs systems should on what is termed 'market economy mechanisms' to circumvent problems when information is created and disseminated...

⁵⁵Posner RA 'Intellectual Property, The Law and American Economic Association,' (2005) available at <https://pubs.aeaweb.org/doi.dfp> [accessed on 14 January 2019].

⁵⁶Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* 115.

⁵⁷Crowne EM 'The Utilitarian Fruits Approach to Justifying Patentable Subject Matter'(2011) 10 *The John Marshall Review of Intellectual Property Law*.

⁵⁸Naser MA 'Re-examining the Functions of a trademark' (2008) *Chicago-Kent Journal of Intellectual Property Law*.

⁵⁹Fisher W 'Theories of Intellectual Property' *New Essays in the Legal and Political Theory of Property* (2001) 6.

system.⁶⁰ The theory acknowledges that by creating trademarks, proprietors face two stages. The first stage relates to the link of the mark to the product and secondly, the link the consumer makes to that former association.⁶¹ Knowledge of the product will therefore directly educate consumers and bring about demand for the product.⁶² The social planning theory can be considered a safety mechanism for trademarks. It protects the essence of a trademark which is the origin function and the marketability of the mark.

2.3.3 Natural Rights Theory

A natural rights justification for private property has been developed by jurist John Locke and it remains a central pillar of the property theory today.⁶³ This theory translates into the saying that ‘to which one puts his labour shall become his’. Therefore, any product that is produced by using any natural elements should be considered the product of the person, who mixed his/her labour with any material, and that person should be considered the owner thereof. The mere fact that the producer of this product removed elements of any material’s natural state, thereby creating something new is what excludes other persons from claiming ownership over the product. Immanuel Kant spoke of the ‘natural obligation’ to respect the author’s ownership of his works.⁶⁴ The natural rights theory supports the view that there is need for more protection, an increase in the scope and duration of IPRs.⁶⁵ However, the scope of this theory is far too wide, and therefore it would not be able to cater for a balance that is needed between the rights of the holder *vis-à-vis* the rights of the user. The theory focusses on the rights the creator, which is what an action for trademark infringement does.

2.3.4 The Personhood Theory

This theory finds its existence in the works of jurist Immanuel Kant. It has similarly been integrated into the work of other jurists, for example, Radin.⁶⁶ The personhood theory is central to modern legal writing and its perspective is to achieve proper development. For humans to

⁶⁰Fisher W ‘Theories of Intellectual Property’ *New Essays in the Legal and Political Theory of Property* (2001) 4.

⁶¹Naser MA ‘Re-examining the Functions of a trademark’ (2008) *Chicago-Kent Journal of Intellectual Property Law* 102.

⁶²Maniatis M ‘*The Communicative Aspects of Trade Marks: A Legal, Functional and Economic Analysis*’ (1998) (Ph.D. dissertation, University of London) 14, 16.

⁶³See Menell PS *Intellectual Property: General Theories* (1997) 157.

⁶⁴Byrd S & Hruschka J ‘The Natural Law Duty to Recognise Private Property Ownership: Kant’s theory of Property in his Doctrine of Right,’ (2006) 56 *The University of Toronto Journal* 274.

⁶⁵Hettinger E ‘Justifying Intellectual Property’ (1989) 18 *Philosophy and Public Affairs Journal* 18; See Drahos P (1996) *Philosophy of Intellectual Property* 51.

⁶⁶Menell S *Intellectual Property: General Theories* (1999) 158, available at <https://www.dklevine.com/archive/ittheory.pdf> [accessed on 30 October 2018].

be considered a person, an individual needs some control over resources in the external environment.⁶⁷ This essentially translates into having ownership over property. The necessary assurances of control take the form of property rights.

The personhood justification for property emphasises the extent to which property is personal. The justification is strongest where an object or idea is closely intertwined with an individual's personal identity and weakest where the 'thing' is valued by the individual at its market worth. Netanel hints at the rich legacy of continental copyright law and its moral rights tradition to the personality theory established by Kant and Hegel, pointing out degrees distinguishing the various strains within the theory.⁶⁸ For example, Kant viewed literary work as part of the author's person and hence not something you can dispose of or detach from the author. Hegel, by contrast, differentiated between one's mental ability as an inalienable part of the self, but not the act of expression. More importantly, Hughes suggests that the personhood theory can be used to argue for an action based on trademark dilution.⁶⁹ This is because the personhood theory is closely linked to individual autonomy, and the close relation between the owner of a trademark and his/her mark. This relationship is endangered by the act of trademark dilution.

2.3.5 Incentive/Reward Theory

The incentive theory rests on the notion that one must give producers of products some form of remuneration or acknowledgement for their creation. Therefore, for every product created a manufacturer should be rewarded, thus creating a platform for other manufacturers to create products as well. This theory supports the view that intellectual development stems from giving credit to producers where it is due, not only with the aim to motivate existing and future producers, but that it may be beneficial to the society at large.⁷⁰ There is also the opinion by some authors that in order for the incentive theory to work manufacturers need recognition and a line has to be drawn between the said incentive *vis-a-vis* the access of the public to these products.⁷¹ The basis of protection that this theory provides for is that there should be some sort of public benefit, which trademarks provides for, albeit in an indirect manner. Trademarks

⁶⁷Du Bois M 'Justificatory Theories for Intellectual Property Viewed through the Constitutional Prism' (2017) 21 *PELJ* 12.

⁶⁸Menell S *Intellectual Property: General Theories* (1999) 158, available at <https://www.dklevine.com/archive/ittheory.pdf> [accessed on 30 October 2018].

⁶⁹Port K 'The 'Unnatural' Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?' (1994) *Seton Hall Legislative Journal* 532.

⁷⁰Du Bois M 'Justificatory Theories for Intellectual Property Viewed through the Constitutional Prism' (2017) 21 *PELJ* 11.

⁷¹Du Bois M 'Justificatory Theories for Intellectual Property Viewed through the Constitutional Prism' (2017) 21 *PELJ* 12.

benefits the public in the marketplace. The moment another proprietor creates a disassociation between the original creator and the public, the reward becomes increasingly less.

2.3.6 Labour Theory

This theory was by jurist John Locke. Locke had the idea that as human beings we were created by God and placed on earth to create and own things.⁷² He was of the view that sustainability was derivative from being able to possess common items alongside others. He drew his justification for the promotion of private property from various ideologies. The main belief in this regard is, that whatever a man has taken from nature and added his labour should, in law, be his property. The essence of this theory is equally encapsulated in the notion that without the product being created by the manufacturer, the product would not be in existence. The creator should therefore enjoy ownership.⁷³ However, what must be understood about adding labour to natural elements is that, the manufacturer can only acquire property rights in that product when there is enough material left in the common world for others to use.⁷⁴ Essentially, this means that should the manufacturer have exhausted all the material, no right to that property would therefore accrue.

2.4 Justification for Trademark Protection

The point of departure is in ascertaining whether the theories discussed above can be used to justify the trademark protection and the existence of a claim based on section 34 (1) (c) of the Trademark Act.⁷⁵ As mentioned in the previous chapter, the primary purpose of a trademark is four-fold, first to denote the origin of the product. Second, to distinguish the product from that of other manufacturers. Third, to advertise the product to the public at large.⁷⁶ Fourth, a trademark guarantees quality.⁷⁷ A trademark therefore fulfils an important role. The registration

⁷²See Locke *Second Treatise of Government* chapter 5 paragraph 27 where his discussion begins with the description of ‘a state of nature in which goods are held in common through a grant from God ... The individual must convert these goods into private property by exerting labour upon them. This labour adds value to the goods, if in no other way than by allowing them to be enjoyed by a human being’.

⁷³Hettinger EC ‘Justifying Intellectual Property’ (1989) 18 *Philosophy & Public Affairs* 37.

⁷⁴Locke J ‘Second Treatise of Government’ in Peardon (ed), Thomas P in ‘*Essay concerning the true original extent and end of civil government*’ (1652) 17.

⁷⁵Act 194 of 1993.

⁷⁶Annand & Norman *Blackstone’s Guide to the Trademarks Act 1994* 14; See also Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 115.

⁷⁷Kruger H ‘Trademark and Brand Dilution: An Empirical Investigation’ (2014) [Unpublished PhD, Stellenbosch University] 33.

of a trademark means that trademark proprietor may then bring an action of infringement on a statutory basis.⁷⁸

The theories collectively aim to ensure that proprietors are recognised for their intellectual creations in a fair and equitable manner. Each of the theories contributes in part to the reason why it is essential to have infringement actions such as dilution. The theories show that proprietors should be rewarded for their creativity. However, there is a need to strike a balance by placing a limitation on the monopoly enjoyed by the proprietors in respect of their creations *vis-à-vis* the interest of the public. There is no doubt that each of the theories has a valuable contribution towards the rationale behind the necessity of trademark protection. Therefore, the theories serve as a point of departure when determining the importance of IPR.⁷⁹

2.5 Conclusion

The various theories underpinning intellectual property have been discussed in this chapter with the viewpoint of establishing whether any single theory could be used to justify infringement by dilution action. The natural rights theory is based on the idea that it is imperative to afford creators of intellectual property ownership over their property. Similarly, the personhood theory illustrates that it is important to give creators of intellectual property some ownership, as this theory deems intellectual property to be part of the person who created it. The labour theory is based on the idea that the proprietor invents, create and design new property and without their labour the product would not be in existence. The proprietor should, therefore, logically be the owner and should enjoy the fruit of his labour.

In terms of the utilitarianism theory, trademark proprietors should have exclusive rights over their products for a limited duration. This could explain the rationale behind IPR being protected for a limited period.⁸⁰ The term for trademarks may, however, be renewed. In South Africa, the term can be renewed upon payment of additional fees.⁸¹ Protection of a trademark generally last as long as it utilised commercially.⁸² The social planning theory aims to ensure that proprietors are able to enjoy the fruits of their creation in a just and equitable manner. Finally, the incentive theory is aimed at affording the creator a benefit for creating something

⁷⁸Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 139.

⁷⁹Du Bois M 'Justificatory Theories for Intellectual Property Viewed through the Constitutional Prism' (2017) 21 *PELJ* 33.

⁸⁰See section 37 (1) of the Trade Marks Act 194 of 1993, it states that '...registration of a trade mark shall be for a period of 10 years, but may be renewed from time to time in accordance with the provisions of this section'.

⁸¹See section 37 (3) of the Trade Marks Act 194 of 1993.

⁸²Webster & Page *South African Law of Trade Marks* para 9.30.

new. This theory envisages a constant creation and innovation due to the benefits given to the creators.

The discussion illustrated that there is no single theory that justifies IP protection.⁸³ For example, the need for the dilution action is justified in one way or the other in each theory since each of them caters for a different aspect of trademark protection. It can, however, be deduced from the discussion that the existence of trademark dilution is found particularly within the labour and personhood theories.⁸⁴ The next chapter examines the concept of infringement by dilution in South Africa.



⁸³See Menell PS *'Intellectual Property: General Theories'* (1997) 163.

⁸⁴Crowne EM *'The Utilitarian Fruits Approach to Justifying Patentable Subject Matter'* (2011) 10 *The John Marshall Review of Intellectual Property Law* 756.

CHAPTER 3: INFRINGEMENT BY DILUTION IN SOUTH AFRICA

3.1 INTRODUCTION

The preceding chapter dealt with the theories underpinning intellectual property protection. The aim was to establish whether a single theory existed that could be used to justify trademark protection. This chapter discusses the infringement of a trademark by dilution. The rationale is to ascertain the requirements for a claim based on section 34 (1) (c) of the Trade Marks Act (Act).⁸⁵

This chapter seeks to answer the question: what is the justification for providing protection against dilution and what are the forms of dilution that exist in South Africa? The cases that have been brought before the courts are examined as well as the approach adopted.

3.2 BACKGROUND TO DILUTION

Prior to the commencement of the Trade Marks Act,⁸⁶ the only protection afforded against infringement of trademarks under the old Act was in terms of the ‘classical infringement action’.⁸⁷ The dilution provision, therefore, did not exist in the old Act. The introduction of section 34 (1) (c) was a progressive step by the legislature.⁸⁸ However, when it was introduced in 1993, it provided protection to proprietors of registered marks only.⁸⁹ This means proprietors of unregistered marks were not afforded such protection. In terms of the common law, the trademark should have acquired a reputation for protection to be afforded to it in terms of the doctrine of passing-off.⁹⁰

As alluded to in chapter one of this thesis, the concept of trademark dilution is not novel. It became the *magnum opus* of Frank Schechter in the early 1800s.⁹¹ Dilution deals directly with

⁸⁵Section 34 (1) (c) of the Act reads that the rights acquired by registration of a trademark shall be infringed by— the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trademark registered, if such trademark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trademark, notwithstanding the absence of confusion or deception.

⁸⁶194 of 1993.

⁸⁷Dean OH ‘Parallel Importation – and the trade mark infringement’ (1987) 17 *Businessman’s Law* 3.

⁸⁸Webster & Page *South African Law of Trademarks* (1997) par 12.24.

⁸⁹Trade Marks Act No.62 of 1963, section 44 provides that ‘the rights acquired by registration of trade mark shall be infringed by (a) unauthorised use a trademark in relation to goods or services in respect of which a trade mark is registered, of a mark so nearly resembling it as to be likely to deceive or cause confusion.

⁹⁰Alberts W ‘Trademark law: Can an unregistered mark be protected prior to the acquisition of a reputation?’ (2015) 48 *De Jure* 430.

⁹¹Schechter F ‘The Rational Basis for Trademark Protection’ (1970) 60 *The Trademark Reporter* 330.

the disassociation of the proprietor's registered trademark from the original product.⁹² The distinctiveness of a mark is an essential element of a trademark. The act of trademark dilution is seen as affecting the distinctive character or reputation of a trademark.⁹³

Trademarks fulfil various functions, including, but not limited to distinguishing the goods or services from those of others, indicating the source of the goods as well as guaranteeing the quality of the goods.⁹⁴ The functions of a trademark as well as its commercial value are essentially threatened by the act of dilution. Webster and Page state that trademark dilution does not exist to protect the mark of the owner but the advertising value or selling ability of the mark.⁹⁵ Infringement by dilution is consequently aimed at protecting the commercial value of a trademark.⁹⁶ Frankfurter J held the following in respect of trademarks '...the protection of trademarks is the law's recognition of the psychological function of symbols'.⁹⁷ The introduction of section 34 (1) (c) in the 1993 Act to deal with infringement by dilution is welcomed under SA trademark law.

3.3 FORMS OF DILUTION

Dilution is a term used to refer to instances where there is unauthorised use of a well-known mark by another that has the tendency to blur or tarnish the image or reputation of a mark without the likelihood of confusion or deception.⁹⁸

3.3.1 Dilution by Blurring

Blurring is defined as the deterioration or weakening of the distinctive character or inherent uniqueness of the trade mark.⁹⁹ The registration of a trademark is aimed at securing the commercial value attached to the reputation of the mark. Dilution by blurring occurs when one starts manufacturing products bearing a well-known mark without acquiring the necessary

⁹²Rierson S 'The Myth and Reality of Dilution' (2012) 11 *Duke Law & Technology Review* 212.

⁹³Kelbrick R 'The term 'well-known' in South African trademark legislation: some comparative interpretations' (2005) 18 *The Comparative and International Law Journal of Southern Africa* 437.

⁹⁴See Section 2 of the Trademark Act 194 of 1993; Beier F 'Territoriality of Trade Mark Law and International Trade' (1970) *International Review of Industrial Property and Copyright Law* 61.

⁹⁵Webster & Page *South African Law of Trademark* para 12.24.

⁹⁶Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 165.

⁹⁷*Mishawaka Rubber & Woolen Mfg Co v SS Kresge Co* 316 US 203, 205 (1942).

⁹⁸Moskin JE, 'Dilution or Delusion: The Rational Limits of Trademark Protection' (1983) *Trademark Reporter* at 122 – 129; See Trademark Basis: A Guide for Business *International Trademark Association* (2012) 12.

⁹⁹Rimmer M 'The Black Label: Trademark Dilution, Culture Jamming and the No Logo Movement' (2008) 5 *The Scripted* 26; The SCA in *Laugh it Off* held that blurring occurs when marks are used on non-competing goods in a way which makes it difficult to ascertain the product's origin.

permission from the owner.¹⁰⁰ There must be some evidence indicating the lessening of the capacity of the well-known trademark's ability to distinguish. Infringement by dilution action is aimed at preventing the exploitation or free riding on the reputation of a trademark. The law creates this safety-net for trademark proprietors by securing avenues for relief should their mark be diluted by other proprietors.

Dilution by blurring is also concerned with the annihilation of customer attraction to a certain product due to those customers not being able to properly ascertain the origin of a product. This form of dilution does not only have far-reaching consequences for the continued operation of a business, but it creates other obstacles for business. In the event that another proprietor uses a well-known mark on something of lesser quality, unwholesome or inferior products, consumers could refrain from buying the products entirely. There is no end to the negative effects of blurring since it has far-reaching effects on the business as a whole.

3.3.2 Dilution by Tarnishment

The court in *Triomed (Pty) Ltd v Beecham Group plc & others*¹⁰¹ defined tarnishment as the creation of an unfavourable association between a well-known mark and the allegedly infringing mark. Tarnishment is a more intense and destructive form of trademark dilution since it results in the loss of sales by virtue of reduced commercial magnetism of the mark.¹⁰² In other words, dilution by tarnishment creates a weakening in the well-known mark's ability to encourage consumers to buy the product.¹⁰³

Dilution by tarnishment may be separated into two categories namely, i.e. direct and indirect tarnishment. Indirect tarnishment involves the use of the reputation of a well-known mark in a way that seemingly creates the impression that these proprietors are associated and thereby contributing to the weakening of the original brand's advertising quality. Direct tarnishment is where a proprietor aims to destroy the reputation of another proprietor by creating false information about the business itself.¹⁰⁴ This is done in the hope of dissuading consumers to support this business by creating unfavourable views in relation to the business. Neither of the two forms of dilution essentially creates a more favourable association between the well-known

¹⁰⁰Macias W & Cervino J 'Trademark dilution: comparing the effects of blurring and tarnishment cases over brand equity' (2017) 12 *De Gruyter Open* 1.

¹⁰¹2001 (2) SA 522 (T).

¹⁰²Van der Merwe R, Geyer S & Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 167.

¹⁰³At 557C-D.

¹⁰⁴*Triomed Pty Ltd v Beecham Group plc & others* 2001 (2) SA 522 (T) 555.

trademark *vis-à-vis* the allegedly infringing mark. Tana Pistorious explains how tarnishment takes place in the context of using a well-known mark's exact font and colours in relation to a negative phrase, such as 'enjoy cocaine' with Coca-Cola.¹⁰⁵ The association of Coca-Cola with cocaine is aimed at weakening the well-known trademark and is therefore prohibited.

3.4 REQUIREMENTS FOR TRADEMARK DILUTION

3.4.1 The scope of section 34 (1) (c) of the Trade Marks Act 94 of 1993

Section 34 (1) (c) deals with infringement by dilution. This section holds that dilution occurs where there is:

'...unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception...'.¹⁰⁶

The parameters of section 34 (1) (c)¹⁰⁷ have particularly been confined to the prohibition against trade mark dilution in the form of either blurring or tarnishment.¹⁰⁸ However, what makes this section particularly useful is that there is no need for the public to be confused between the registered trademark and the secondary use of the mark.¹⁰⁹

3.4.2 Requirements

Unauthorised Use

The use requirement is not defined in the Trade Marks Act, and therefore we have to look to case law to ascertain the meaning ascribed to it by the courts. Generally, a broad distinction is drawn between proprietors who use the mark of another. Firstly, there is a category of secondary use that aims to illustrate, inform and to comment.¹¹⁰ The second category of

¹⁰⁵In her article, Pistorius T 'Trade-Mark Tarnishment: Should We 'Laugh It Off' all the way to 'Telkomsucks' and 'Hellcom' (2004) 16 *South African Mercantile Law Journal* at 728: 'Cabbage patch kids into carbage patch kids' was used with the slogan 'enjoy cocaine' in the font of the Coca-Cola mark'.

¹⁰⁶Trade Marks Act 94 of 1993, section 34 (1) (c).

¹⁰⁷Act 94 of 1993.

¹⁰⁸*Laugh It off Promotions CC v South African Breweries International (Finance) Bv t/a Sabmark International* 2006 (1) SA 144 (C) at 3.

¹⁰⁹Job C 'The Trade Mark Similarity Threshold and Function in Dilution law : A Comparative Analysis' (2018) 30 *South African Mercantile Law Journal* 456; Dogan SL & Lemley M 'Trademark Use Requirement in Dilution Cases' (2007) 24 *The Santa Clara Computer & High Technology Law Journal* 1.

¹¹⁰Section 2 (2) of the Trade Marks Act.

secondary use is when the mark is used for criticism or to poke some fun at a brand.¹¹¹ Section 34(1) (c) focuses more on use that aims to be destructive to an existing trademark's reputation. The court in the case of *Commercial Auto Glass (Pty) Ltd v BMW AG*¹¹² was tasked to establish whether the defendant's use of the product of the plaintiff was, firstly, infringing on the mark of the plaintiff. Secondly, whether the use of the mark constituted trademark infringement of the well-known registered mark. Lastly, whether the public would associate the two marks as having a commercial connection. It was held the 'use' requirement was to be looked at in the following way:

‘...if the user does not unequivocally make it clear that his goods are not connected in the course of trade with the proprietor of the trademark, it cannot be bona fide. It follows that bona fide use in s 34(1) (c) means honest use of a trademark, without the intention to deceive anybody and while unequivocally making it clear that the goods are not connected in the course of trade with the proprietor of the trademark.’¹¹³

The court concluded there was no factual evidence to support the view that the defendant wanted to use the mark of the plaintiff for purposes of identifying or distinguishing his product, therefore, the defendant's argument failed in this case.¹¹⁴ The Act does not necessarily require the plaintiff to show that the mark used by the other party was used as a trademark.¹¹⁵ There are also opposing views on this matter. An international academic, Stacey Dogan, is of the view that the mark is considered as 'used' when the secondary user incorporates the mark for descriptive, informing and critiquing purposes.¹¹⁶ In the South African context, Karjiker, resultantly notes that use is prohibited on products other than the product in respect of which the mark was registered.¹¹⁷ However, other authors are of the opinion that 'use' should not be limited to those parameters only but include instances where the mark is used for non-source identifying purposes.¹¹⁸

In the course of trade

¹¹¹Dogan SL & Lemly MA 'The Trademark use requirement in dilution cases' (2008) 24 *The Santa Clara High Technology Law Journal* 3.

¹¹²[2007] SCA 96 RSA 6.

¹¹³*Bayerische Motoren Werke AG v Autostyle Retail* (TPD case 5887/2005).

¹¹⁴*Commercial Auto Glass (Pty) Ltd v BMW AG* [2007] SCA 96 SA at para 14.

¹¹⁵*Verimark Pty Ltd v BMW AG* 2007 (6) SA 263 (SCA) para 13.

¹¹⁶Dogan S & Lemley M 'The trademark use requirement in dilution cases' (2008) 24 *Santa Clara High Technology Law Journal* 542.

¹¹⁷Karjiker S 'The role of reputation in trademark infringement' (2018) 4 *Tydskrif vir Suid-Afrikaanse Reg* 729; See section 34(1) (c) of the Trade Marks Act 94 of 1993.

¹¹⁸*Rescuecom Corporation v Google* 459 F Supp 2d 393, 398 – 03 (NDNY) (2006), the court held that the sale of keyboard-based advertising does not constitute 'trademark use'.

The plaintiff must show that the use of the mark was done during ordinary business or commerce. In the case of *Beecham Group plc v Transvaal Pharmaceutical Pricing Bureau Pty Ltd*¹¹⁹ the appellant had numerous trademarks registered for the purposes of advertising medicine. The respondents, in this case, were allegedly infringing on the trademarks of the appellant under the old Act by using one of their marks in relation to a computer program.¹²⁰ The court held that:

‘...use in the course of trade other than in the goods for which the trademark is registered and not in order to prey upon or take advantage of the reputation and goodwill of the proprietor of the mark, and that the section should be interpreted so as to exclude such use’.

Therefore, the requirement is concerned with the use of the mark during commercial activity for economic or financial benefit. Generally, this requirement does not prove to be problematic.

which is identical to the registered mark or similar to the registered mark

The issue regarding similarity came before the court in the case of *Bata Ltd v Face Fashions*.¹²¹ In this case, the applicant sought an order from the court prohibiting the respondent from manufacturing clothing bearing the words, ‘power,’ ‘powerhouse,’ or even ‘powerhouse’.¹²² In addition to the order, the applicant averred that the respondent had created the idea in the minds of the public that their products were connected to one another.¹²³ The court had to determine the meaning of ‘similar’ in the absence of confusion by consumers.¹²⁴ The court held that ‘similar’ is always difficult to define because there are various degrees of similarity.¹²⁵ Therefore, the court opted to interpret the word in a restricted manner.¹²⁶ The court held that if given a broader definition the possibility exists that a monopoly would be created in respect of the trademarks of registered marks.¹²⁷ It further held that this could certainly not have been the intention of the legislature. The court remarked that trademark dilution does not occur when there is only a slight resemblance between the marks concerned because a sufficiently close link needs to be established in order for anyone to bring a claim

¹¹⁹1993 1 SA 546 (A) 559 C-D.

¹²⁰*Beecham Group plc v Transvaal Pharmaceutical Pricing Bureau Pty Ltd* 1993 (1) SA 546 (A) 4.

¹²¹*Bata Ltd v Face Fashions CC & Another* 2001 (1) SA 844 (SCA) 852.

¹²²*Bata Ltd v Face Fashions CC & Another* 2001 (1) SA 844 (SCA) at para 4.

¹²³See *Bata Ltd* at para 4.

¹²⁴2001 (1) SA 844 (SCA) 852 at 5.

¹²⁵*Bata Ltd v Face Fashions CC & Another* 2001 (1) SA 844 (SCA); Kaseke E ‘Trademark Dilution: A Comparative Analysis’ (2006) [Unpublished Doctoral Thesis, University of South Africa] 453.

¹²⁶*Bata Ltd v Face Fashions CC & Another* 2001 (1) SA 844 (SCA) 852.

¹²⁷*Lucky Star Ltd v Lucky Brands (Pty) Ltd* (164/2015) ZASC 77 at para 13.

under section 34 (1) (c).¹²⁸ The court further held that the failure of the appellant to prove trademark dilution stems from the fact that no sufficient evidence was submitted to prove a case of dilution.¹²⁹

In relation to any goods or services

The use of the trademark by the secondary proprietor is not limited to the same goods or even related goods.¹³⁰ The trademark may have been used on goods falling in different classes to which the mark is registered and still amount to infringement. It can, therefore, be deduced that the dilution action creates a wider scope for liability. The plaintiff must prove to the court that a third party misused his or her trademark and that it was done without his permission. Infringement can, therefore, occur when the mark is used on any goods. The legislature seems to have made this requirement less restrictive compared to primary and extended infringement.

The registered mark is well-known in the Republic

The definition of 'well-known,' was considered in the case of *McDonald's Corporation v Joburgers Drive-in Restaurant*.¹³¹ In deciding whether McDonald's trademark(s) is 'well-known,' the court held ordinarily a mark is considered well-known in the Republic when the mark is 'well-known to persons interested in the goods or services to which the mark relates'.¹³² In addition, the court held that, in proving the requirement, the question exists whether the mark is known well enough by a sufficient amount of people that warrants protection against deception or confusion.¹³³ The term was interpreted to mean that the mark should have a reputation in a wider section of the country to those who would be interested in buying the goods of the proprietor.¹³⁴ Well-known, in this context, should be interpreted to mean the same awareness of the mark as one would need in terms of a common-law action for 'passing off'.¹³⁵ However, some authors are of the opinion that this particular term can be categorised in two broad fields. The first is reserved for marks that have enough fame for it to be granted protection

¹²⁸2001 (1) SA 844 (SCA) at para 14.

¹²⁹2001 (1) SA 844 (SCA) para 15.

¹³⁰Navsa ZM (2009) 'Trademark dilution: No laughing matter' 31 *EIPR* 456.

¹³¹1997 (1) SA (SCA).

¹³²*McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Another* 1997 (1) SA 1 (SCA) 37.

¹³³*McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Another* 1997 (1) SA 1 (SCA) 38.

¹³⁴*McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Another* 1997 (1) SA 1 (SCA) 65.

¹³⁵*McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Another* 1997 (1) SA 1 (SCA) 40.

against dilution and the latter for marks that are so well-known that they are afforded protection in territories where they are not even formally registered.¹³⁶

The unauthorised use of the mark would likely take unfair advantage of the distinctiveness and repute of the mark

A trademark becomes distinctive when the mark has acquired a degree of familiarity in the minds of the public. One of the viewpoints on the aspect of ‘reputation’ is that there is a differentiated and disjointed application of the concept when dealing with infringement under section 34 (1) (a), (b) and (c), respectively.¹³⁷ This concept was dealt with by the court in *Adidas AG v Pepkor Retail Limited*¹³⁸ where the court stated that:

‘[a]n aggrieved trader can establish such distinctiveness (or reputation) in respect of the goods or merchandise by adducing evidence as to the manner and the scale of the use of the name, mark or get-up which justifies the inference that the name, mark or get-up has become recognised by a substantial section of the relevant public as distinctive of the aggrieved trader’s ‘goods or merchandise.’

A trademark must be capable of distinguishing the goods or services and should serve as a badge of origin.¹³⁹ A trademark may be inherently capable of distinguishing or it becomes distinctive through prior use. Distinctiveness is at the heart of trademark protection since a mark that is not distinctive cannot be registered.

Consumers rely on the reputation of the trademark. Therefore, what this requirement aims to protect is the owner’s right to the reputation. The ‘reputation’ of the mark refers to the opinion that a relevant section of the community or public holds about a certain product. The misappropriation or commercial exploitation of the mark’s ability to sell or attract customers is prohibited in terms of dilution.¹⁴⁰ This is because the owner of a trademark creates a unique identity for himself/herself and uses the said identity to lure the customers into buying from

¹³⁶Kelbrick R ‘The term ‘well-known’ in South African trademark legislation’ (2005) 38 *The Comparative and International Law Journal of Southern Africa* 435.

¹³⁷Karjiker S ‘The role of reputation in trademark infringement’ (2018) 4 *Tydskrif vir Suid-Afrikaanse Reg* 728.

¹³⁸(178/12) [2013] ZASCA 29.

¹³⁹Van der Merwe A, Geyer S and Kelbrick R *et al Law of Intellectual Property in South Africa* (2016) 120. See also Rutherford B ‘Trade Marks and Comparative Advertising’ (2010) 43 *The Comparative and International Law Journal of South Africa* 181.

¹⁴⁰Rutherford B, ‘Misappropriation of the Advertising Value of Trade Marks, Trade Names and Service Marks’ (1990) 2 *South African Mercantile. Law Journal* 151, 153 – 156; Kaseke E ‘Trademark Dilution: A Comparative Analysis’ (2006) [Unpublished Doctoral Thesis, University of South Africa] 153.

the business.¹⁴¹ The reputation of the business forms part of the goodwill of the business.¹⁴² A good reputation leads to commercial magnetism whereby customers are drawn to a business. The secondary user, therefore, takes advantage of the selling power of the mark as well as its reputation.¹⁴³ Reputation is an integral part of infringement by dilution since it could be the reason why some marks may not pass the infringement test under sections 34 (1) (a) or (b) which require the likelihood of confusion or deception.¹⁴⁴

This requirement can be viewed from a different perspective. The court in the case of *Lucky Star Ltd v Lucky Brands (Pty) Ltd*¹⁴⁵ was of the view that the Trade Marks Act affords trademark proprietors the ‘absolute’ right to prevent others from using their marks in a way that would likely bring the perception in the mind of the public that there is a connection between the businesses of the respective owners.¹⁴⁶ There are also known instances where a proprietor could use another’s mark albeit in a fair manner. The use of mark is considered fair where a proprietor uses the mark of another for purposes of ordinary description of their product and in that instance the use is not seen as trade mark infringement.¹⁴⁷

Use must be detrimental to the distinctive character of the registered mark

This requirement was dealt with in the case of *Verimark Pty Ltd v BMW AG*.¹⁴⁸ In this case, the plaintiff is a well-known motor vehicle manufacturer. The defendant is the market leader in the field of direct television marketing in which demonstrative television commercials are used.¹⁴⁹ In this case the defendant promoted cleaning products and the advertisement showed the mark of the plaintiff. The plaintiff alleged that the logo on its BMW car is clearly visible in the advertisement and that *Verimark* was infringing its trademark. It further argued that allowing the defendant to advertise the product bearing its trademark would likely bring the public to

¹⁴¹Mostert F ‘Trademark Dilution and Confusion of Sponsorship in the United States, German and English Law’ (1986) 17 *International Review of Industrial Property and Copyright Law* 80 – 95, 86.

¹⁴²Swaine K, Ash S & Aylen D *et al* ‘Distinctly Different? Trademarks and the standard for Distinctiveness (2018) <http://www.mondaq.com/uk/x/678410/Trademark/Distinctly+different+Trade+marks+and+the+standards+fo+r+distinctiveness> [accessed on 16 Aug 19].

¹⁴³Rutherford BR ‘Misappropriation of the Advertising Value of Trade Marks, Trade Names and Service Marks’ (1990) 2 *SA Mercantile. Law Journal* 151, 153 – 156; Van Heerden & Neethling, *Unlawful Competition* (1995), Chapter 8, ‘Leaning On: Undue Influencing of Customers’.

¹⁴⁴Karjiker S ‘The role of reputation under Trade Mark Infringement’ (2018) 4 *Tydskrif vir Suid-Afrikaanse Reg* 730.

¹⁴⁵1164/2015 2016 ZASCA.

¹⁴⁶*Lucky Star Ltd v Lucky Brands Pty Ltd* 1164/2015 2016 ZASCA 8.

¹⁴⁷*Hudson & Knight (Pty) Ltd v D H Brothers Industries (Pty) Ltd t/a Willowtown Oil and Cake Mills & another* 1979 (4) SA 221 (N) 224F-G and 225A-B.

¹⁴⁸2007 (6) SA 263 (SCA).

¹⁴⁹2007 53 (SCA) para 2.

associate the two marks. The plaintiff wanted to obtain an interdict to stop the defendant from continuing to use its mark.¹⁵⁰

One of the questions before the court was whether *Verimark's* use of the mark was detrimental to the BMW logo.¹⁵¹ The court thus had to determine the likelihood of dilution through blurring of the BMW logo. The court held that an association in the mind of the public does not necessarily translate into blurring or tarnishment of the mark. The court held that there must be evidence of actual detriment or unfair advantage.¹⁵² It failed to see how the BMW logo would be detrimentally affected where it is used as coincidental to the defendant's product.¹⁵³

The court above illustrated that when having to prove dilution, a trademark proprietor must prove that he or she suffered damage at the hands of the secondary user. The court was of the opinion that this requirement is essential for a section 34 (1) (c) claim, and that it had to be proven to satisfy the court that there would be a disassociation between the plaintiff's business and the product used in identifying the defendant's business.¹⁵⁴ Trademark owners are not merely required to show that the use of their mark by another might cause damage. The standard of evidence is onerous and problematic since there must be actual harm resulting from the use of the mark by the defendant. It can be argued that the distinctive character of a mark might be damaged over a long period of time, a factor which the court did not take into consideration. The defendant does not need to show another's logo when advertising their product as this may amount to free riding.

Use must be detrimental to the repute of the registered mark

Businesses rely heavily on the reputation of its trademark to boost the selling capability of the product. Therefore, if the business is associated with unsavoury practices it is not likely going to benefit the business nor will it increase sales. The Act does not specify what this requirement is limited to. Consequently, the term 'detrimental' should bear its ordinary meaning. Use of the plaintiff's trademark by the defendant should negatively affect or erode the selling power of the plaintiff's mark. It is important to note that this requirement relates directly to an earlier

¹⁵⁰2007 (6) SA 263 (SCA) para 2.

¹⁵¹*Verimark Pty Ltd v BMW AG* 2007 53 (SCA) para 12.

¹⁵²*Verimark Pty Ltd v BMW AG* para 14.

¹⁵³*Verimark Pty Ltd v BMW AG* para 15.

¹⁵⁴*Verimark Pty Ltd v BMW AG* para 8.

requirement. The reputation that a mark acquires may be essentially linked to its distinctiveness.

3.5 JUDICIAL APPROACH TO TRADEMARK DILUTION

The action of trademark dilution has come before the South African courts numerous times since the enactment of the Trade Marks Act in 1993. This part examines what seems to be the approach to dilution in South Africa. It is thus necessary to look at the various judgments that have dealt with 34 (1) (c) action.

One of the cases that dealt with the issue was that of *Bata Ltd v Face Fashions*.¹⁵⁵ As discussed earlier the matter concerned the use of ‘power’ and ‘powerhouse’ on clothing, with ‘power’ being used mostly on footwear while ‘powerhouse’ was being used on different types of clothing including leisure wear. The claim was based on section 34(1)(a) as well as (34) (1) (c). In deciding whether there was infringement by dilution, the court looked at the word ‘similar’. It held that: ‘similar’ must obviously be construed in the context in which it appears and, in my view, it should not be given too wide or extensive an interpretation for the purposes of s 34(1)(c).¹⁵⁶ It was further held that while section 34 (1) (c) is aimed at preserving the reputation of the trademark, giving the word ‘similar’ an extensive interpretation might have the effect of creating an unacceptable monopoly to the proprietor of a trade mark and this would unduly stifle freedom of trade .¹⁵⁷ The court was of the view the first respondent’s mark had a slight or superficial resemblance to those of the appellant, but the likeness between the two marks was not sufficiently close or marked to enable the Court to hold that the marks were similar for the purposes of s 34(1)(c). In addition, no particulars or evidence was adduced before the court to prove that use of the mark would take unfair advantage or be detrimental to the repute of the appellant’s trademark. The claim for dilution by infringement was thus dismissed. It is important to note that the court in this case did not provide clear guidelines to future litigants relating to what constitutes ‘similar’ and whether secondary use would take unfair advantage of a mark in the context of the dilution provision.¹⁵⁸

¹⁵⁵2001 (1) SA 844 (SCA).

¹⁵⁶2001 (1) SA 844 (SCA) 852.

¹⁵⁷2001 (1) SA 844 (SCA) 852.

¹⁵⁸2001 (1) SA 844 (SCA) para 15.

In *Verimark v BMW AG*,¹⁵⁹ the court had to decide whether the well-known BMW logo had been infringed in terms of section 34 (1) (c).¹⁶⁰ The court held that unfair advantage or the detriment must be properly substantiated to the satisfaction of the court when bringing a claim in terms of section 34 (1) (c).¹⁶¹ It was further held that a mental association does not necessarily lead to blurring or tarnishment of the mark.¹⁶²

The Supreme Court of Appeal was also afforded the opportunity to adjudicate on a matter relating to dilution in *Yair Shimansky Another v Brown the Diamond Store Proprietary Limited*.¹⁶³ The issue in this case was whether use of the mark ‘EVOLYM’ on engagement rings, wedding bands and pendants infringed ‘EVOLVE,’ which was used on men’s wedding bands.¹⁶⁴ The court was tasked to ascertain whether these two marks were so similar that the public would not be able to distinguish them from one another. This case dealt mainly with primary infringement under section 34 (1) (a). There were no arguments that were made in terms of section 34(1) (c) even though the claim included both provisions. The court dismissed the claim. By implication, the court also denied the possibility of infringement by dilution having occurred. The court held that there were conceptual differences between the marks and there was also no likelihood of confusion or deception.¹⁶⁵

The Supreme Court of Appeal in the case of *Yuppiechef Holdings (Pty) Ltd v Yuppie Gadgets Holdings (Pty) Ltd*¹⁶⁶ again dealt with dilution. Yuppiechef, the appellant, registered the name ‘Yuppiechef’ as a mark in respect of different types of kitchen equipment. Yuppiechef alleged that the respondent, a company bearing the name Yuppie Gadget Holdings (Pty) Ltd was infringing its mark which it was using in relation to an online business selling gadgets for household and office use under the ‘Yuppie Gadgets’ mark.

The court noted that:

‘This section casts its net more broadly than the earlier sub-sections in that it applies in the absence of confusion and deception. It does not require trademark use by the infringer, nor does it necessarily require

¹⁵⁹See a detailed discussion of this case under part 3.3.4.2 above.

¹⁶⁰*Verimark Pty Ltd v BMW AG* 2007 (6) SA 263 (SCA) para 2.

¹⁶¹2007 (6) SA 263 (SCA) 14.

¹⁶²*Verimark Pty Ltd v BMW AG* 2007 (6) SA 263 (SCA) para 15.

¹⁶³(9/2014) [2014] ZASCA 214.

¹⁶⁴*Yair Shimansky Another v Brown the Diamond Store Proprietary Limited* [2014] ZASCA 214.

¹⁶⁵See the case of *Yair Shimansky v Browns the Diamond Store* (9/2014) [2014] ZASCA 214 at para 21, 22 and 23; See also Scott G (2015) ‘The Scrabble case: Likely to cause confusion’

<https://www.ensafrica.com/news/IP-ENSight-29-Apr-2015?Id=1800&sTitle=IP%20ENSight%20%20-%2029%20Apr%202015> [accessed on 01 March 19].

¹⁶⁶(1088/2015) 2016 ZASCA 118.

an attack on the origin function of the trademark. Its purpose is to protect the reputation, advertising value and selling power of a well-known mark.’¹⁶⁷

This provision is, therefore, wider than section 34 (1) (a) and (b). At the heart of infringement dilution is the need to protect the selling power or reputation of the mark. It is also important to note that confusion or deception is not a requirement for infringement by dilution. The court held that for Yuppiefchef to succeed in its claim:

‘...it was necessary...to show the mark Yuppief Gadgets was similar to its mark and that its use would take unfair advantage of its mark or would be detrimental to the distinctive character or repute of its mark.’¹⁶⁸

Judge Wallis made reference to the decision in *Bata Ltd v Face Fashions CC* where the court made an important observation and stated that:

‘It is not wholly clear how the two marks can exhibit a marked resemblance or likeness without so nearly resembling one another that there is a likelihood of deception or confusion, but I need not resolve that *conundrum*.’¹⁶⁹

It can be deduced that the problem with section 34 (1) (c) lies partly with the interpretation of the word ‘similarity’ of the marks. Judge Wallis adopted the interpretation in *Bata Ltd* and concluded that the similarity in the two marks was in the use of the word ‘Yuppief’, and that does not make them similar for the purposes of section 34 (1) (c).¹⁷⁰

The court reinforced the decision in the *Verimark* case and stated that unfair advantage or the alleged detriment must be properly substantiated on a balance of probabilities to the satisfaction of the court.¹⁷¹ It was concluded that the claim based on section 34 (1) (c) must fail on the basis that there was no evidence that Yuppief Gadgets would obtain an unfair advantage or Yuppiefchef would suffer any detriment in the absence of confusion or deception.

The Constitutional court also had to deal with dilution by tarnishment in *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International and Another*.¹⁷² The court was tasked with weighing up the trademark owner’s right to intellectual property with the infringer’s right to freedom of expression¹⁷³ under section

¹⁶⁷*Yuppiefchef Holdings (Pty) Ltd v Yuppief Gadgets Holdings (Pty) Ltd* 1088/2015) 2016 ZASCA 118 para 43: emphasis added.

¹⁶⁸*Yuppiefchef Holdings (Pty) Ltd v Yuppief Gadgets Holdings (Pty) Ltd* 1088/2015) 2016 ZASCA 118 para 43.

¹⁶⁹(1088/2015) 2016 ZASCA 118 para 44: emphasis added.

¹⁷⁰(1088/2015) 2016 ZASCA 118 para 44.

¹⁷¹(1088/2015) 2016 ZASCA 118 para 45.

¹⁷²2006 (1) SA 144 (CC).

¹⁷³See 2006 (1) SA 144 (CC) para 27.

16 of the Constitution.¹⁷⁴ The court noted that dilution is aimed to protect the unique identity and reputation of a mark that is considered well-known in the Republic. The Constitutional Court stated that

‘...a party that seeks to oust an expressive conduct protected under the Constitution (based on dilution) must, on the facts, establish a likelihood of substantial economic detriment to the claimant’s mark. ...the probability of material detriment to the mark envisaged in the section must be restricted to economic and trade harm. In essence the protection is against detriment to the repute of the mark, and not against the dignity but the selling magnetism of the mark. In an open democracy valuable expressive acts in public ought not to be lightly trampled upon by marginal detriment or harm unrelated to the commercial value that vests in the mark itself.’¹⁷⁵

The Constitutional Court made it clear that freedom of expression cannot be limited without a good reason. The proprietor must, therefore, show actual detriment to the reputation of the mark and economic harm to the satisfaction of the court.¹⁷⁶ The court did not uphold the argument made by the applicant that the respondent took advantage of its reputation and that it would likely lead to economic harm.¹⁷⁷ The applicant’s claim on the basis of section 34 (1) (c) consequently failed and the court did not grant the order in its favour.¹⁷⁸ This case illustrated that trademark dilution may limit the right to expression under the Constitution and that the monopoly it creates needs to be eliminated or restricted.¹⁷⁹

There are a few other cases where the claims have relied on section 34 (1) (c) of the Trademarks Act. Most of the cases were in the lower courts. South Africa follows the ‘*stare decisis*’ rule which means that the judgments made in higher courts are binding on the lower courts. The discussion of the following case is merely to illustrate how, years following the current highest judgment dealing with trademark dilution, litigants find it difficult to prove a case of dilution. In *Honda Giken Kogyo Kabushiki Kaisha t/a honda Motor Co Ltd v Big Boy Scooter*¹⁸⁰ the

¹⁷⁴Section 16 of the Constitution, 1996 reads: 1) Everyone has the right to freedom of expression, which includes—(a) freedom of the press and other media; (b) freedom to receive or impart information or ideas; (c) freedom of artistic creativity; and (d) academic freedom and freedom of scientific research. (2) The right in subsection (1) does not extend to—Chapter 2: Bill of Rights 8(a) propaganda for war; (b) incitement of imminent violence; or (c) advocacy of hatred that is based on race, ethnicity, gender or religion, and that constitutes incitement to cause harm.

¹⁷⁵Para 56.

¹⁷⁶*Verimark Pty Ltd v BMW AG* 2007 (6) SA 263 (SCA); See also *Laugh it off Promotions v South African Breweries International* 2006 (1) SA 144 (CC) para 40.

¹⁷⁷See *Laugh it off Promotions v South African Breweries International* 2006 (1) SA 144 (CC) para 66; Dean O (2011) ‘Trademark Dilution: Laughed Off’ 2 [accessed 02 Feb. 19].

¹⁷⁸*Laugh It Off Promotions CC v South African Breweries International (Finance) Bv t/a Sabmark International* 2006 (1) SA 144 (C) para 66.

¹⁷⁹2006 (1) SA 144 (C) para 48.

¹⁸⁰(24784/16) [2017] ZAGPPHC 513.

court had to determine whether dilution had occurred. The plaintiff and defendant traded in the motorcycle manufacturing industry. The plaintiff is a well-known Japanese company whose products have been available in South Africa since 1964.¹⁸¹ The plaintiff sought an order preventing the defendant from using various registered marks of the plaintiff's business, which it claimed was diluting its business reputation. The court stated that:

'The use of the applicant's trademark of CRF does...afford the respondent an unfair advantage as the goods are the same being off-road motorcycles and both use the CRF mark with the engine capacity thereafter in numerical values. Thus, in the circumstances I find in respect of the trademark CRF of the applicant, the infringement in respect of section 34(1) (c) has been demonstrated.'¹⁸²

The court found thus that the defendant was deriving an unfair advantage due to the use of the plaintiff's mark. The mark which was being used by the defendant was the same. The court held that the defendant were liable based on section 34 (1) (c) and prohibited it from the continued use of the plaintiff's mark.¹⁸³ The court, however, failed to find similarity in applicant's trademark 'GL125' and the marks of the respondent 'CGL150', 'CGL150S', 'CGL200F', 'CCL150' and 'CCL200'.¹⁸⁴ It was held that there was no infringement with respect to the mark 'CGL125'.¹⁸⁵

It is very evident that dilution is difficult to prove due to the lack of successful cases in South Africa. Although the requirements for dilution are clearly set out, and unless the requirements are satisfied on a balance of probabilities, the action will fail. It seems that courts are reluctant to accept any argument in favour of infringement by dilution without proper evidence to show that the proprietor suffered economic harm. Likelihood of harm appears not to suffice in the circumstances. The standard appears quite high and as a result a litigant will continue to rely on dilution in the alternative and not as the primary action. Arguably, section 34(1) (c) might not serve an important purpose in the future since no litigant would like to pursue a matter where it is clearly difficult to discharge the burden of proof since litigation is costly. Karjiker correctly argues that the failure to appreciate the relevance of section 34 (1) (c) in protecting well known trade marks and how the provisions in s34(1) should be complementary may potentially

¹⁸¹(24784/16) [2017] ZAGPPHC 513 para 4.

¹⁸²(24784/16) [2017] ZAGPPHC 513 para 42.

¹⁸³(24784/16) [2017] ZAGPPHC 513 para 59 (b).

¹⁸⁴(24784/16) [2017] ZAGPPHC 513 para 37.

¹⁸⁵(24784/16) [2017] ZAGPPHC 513 para 43.

influence courts and litigants to characterise alleged trademark infringements as confusion-based infringement.¹⁸⁶

3.6 CONCLUSION

This chapter essentially had to ascertain the shortcomings in the anti-dilution provision, and the reason behind the lack of successful cases. This chapter sheds light on the difficulties in proving a claim based on trademark dilution. Section 34 (1) (c) casts its net more broadly than the other two forms of infringement. It applies in the absence of deception or confusion. In addition, it does not require the mark to have been used as trademark nor does it require proof of attack on the badge of origin.

The trend in South Africa seems to be that proprietors who institute claims based on dilution also include primary infringement. The arguments in court, however, tend to lean heavily on section 34(1) (a) instead of section 34(1) (c). This discussion also shows that where a claim is solely based on dilution, it has proven to be difficult to succeed on that basis alone. There are limited cases on infringement by dilution and the cases that have been analysed show that the rate of success has been extremely low. The interpretation and application of section 34(1) (c) appears to be problematic. In *Bata Ltd*, the court interpreted the meaning of ‘similarity’ and concluded that the marks were not similar. In *Verimark*, the court stated that unfair advantage must be properly substantiated to the satisfaction of the court. The Constitutional Court in *Laugh it Off* emphasised that economic harm must be shown. The burden of proof is much higher for this form of infringement compared to primary and secondary infringement. Furthermore, the trademark owner must prove actual harm resulting from the use of the mark by the defendant which is difficult since one would have to show that the loss is directly a result of use by the defendant. Therefore, the section has what one would call an ‘internal evidential limitation’, which means the section makes it inherently difficult for the proprietor to prove the requirements in section 34(1) (c) in a court of law. The case law suggest that a problem exist in how the requirements are interpreted. There is therefore a need for reform of the dilution requirements under the Act.

The following chapter focusses on trademark dilution in the European Union and the United States of America.

¹⁸⁶Karjiker S ‘The role of reputation in trade mark infringement’ (2018) 4 *Tydskrif vir Suid-Afrikaanse Reg* 735.

CHAPTER 4: TRADEMARK DILUTION IN THE USA AND EU

4.1 INTRODUCTION

The previous chapter of this thesis undertook an investigation of infringement by dilution found under section 34 (1) (c) of the Trade Marks Act in South Africa. This chapter focuses on trademark dilution in the United States of America (USA) and the European Union (EU). The aim of this chapter is to examine how the doctrine of dilution has been applied in these legal systems. The dilution concept stems from America. Therefore, its selection was important to further ascertain the country's approach to infringement by dilution.¹⁸⁷ The European trademark system was selected since its trademark laws bear a resemblance to some of the principles applied in the South African system. South African courts often refer to European courts' judgments, therefore, the comparison between these jurisdictions are not unorthodox.¹⁸⁸ Therefore, the aim of this chapter is to draw some lessons from the USA and the EU which may be used in finding a solution to the approach towards infringement by dilution in South Africa.

4.2 THE LEGAL FRAMEWORK IN THE UNITED STATES OF AMERICA

It is important to note that the USA adheres to a dual system of protection for its trademark laws which comprises of State and Federal law. In terms of the state system, proprietors only have protection in a specific region whereas under the federal system they are protected throughout the USA.¹⁸⁹ Trademark laws in the USA are governed primarily by the Lanham Act in terms of which protection is afforded to both unregistered and registered marks. Proprietors can approach State courts to challenge any violations of their marks. The Lanham Act did not initially contain provisions to protect proprietors against the trademark dilution.¹⁹⁰ This

¹⁸⁷Schechter FI 'The Rational Basis for Trademark Protection' (1927) 40 *Harvard Law Review* 813.

¹⁸⁸The court in *Verimark (Pty) Ltd v BMW AG* [2007] SCA 53 (RSA) para 5 referred to a principle formulated in the European Court of Justice; See also Jansen M 'The new Trade Marks Act 194 of 1993 Clarity or confusion?' (1999) 12 *The Forum* 24 where she writes, 'as guidance was often sought by our courts from UK decisions in determining intricate trade mark issues due to the 'close parallel' in the development of the UK and South African legislation which was recognized by his Lordship Mr Justice Plewman in *Luster Products Inc v Magic Style Sales CC* 1997 3 SA 13 (A) at 24.

¹⁸⁹The International Trademark Association 'State Trademark Registration in the United States' (2014) available at <https://www.inta.org/trademarkbasics/factsheets/StateTrademarkRegistrationsUSFactsheets.aspx> [accessed on 19 June 2020].

¹⁹⁰Wallace M 'Using the Past to Predict the Future: Refocusing the Analysis of a Federal Dilution Claim' 73 *University Cincinnati Law Review* (2005) 941.

position changed with the introduction of the Federal Trademark Dilution Act in 1996. As a Federal law, protection against dilution extends across states.¹⁹¹

4.2.1 The Lanham Act

In recognising the importance of ‘famous marks,’ the USA promulgated the Trademark Act in 1946 also known as the Lanham Act.¹⁹² It places a prohibition on false advertising as well as false designation of origin.¹⁹³ False advertising refers to misleading information that is given in relation to products but may include omitting vital information in relation to the use of a product.¹⁹⁴ False advertising is not directly linked to trademark dilution. It is important to note that the discussion in this thesis does not deal with ‘false advertising’ and is instead limited to infringement by dilution.

As mentioned above the Lanham Act did not incorporate provisions dealing with the protection of trademarks against dilution and the only federal remedy for trademark proprietors was based on a general trademark infringement claim.¹⁹⁵ Section 32 of the Lanham Act provided that:

‘Any person who shall, without the consent of the registrant— (a) use in commerce any reproduction, counterfeit, copy, or colourable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or (b) reproduce, counterfeit, copy, or colourably imitate a registered mark and apply such reproduction, counterfeit, copy, or colourable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided...’¹⁹⁶

Although the Lanham Act did not make provision for infringement by dilution, one of the oldest cases in the area of American trademark law *Tiffany Co v Tiffany Productions Inc*¹⁹⁷ demonstrates the existence or occurrence of dilution even before the inclusion of anti-dilution provisions. The plaintiff in this case was using the mark on jewellery. The defendant was the

¹⁹¹See USC s 1125(c) of the Trademark Dilution Act.

¹⁹²Alexander MJ & Heilbronner MK ‘Dilution under section 43 (c) of the Lanham Act’ (1996) 59 *Law and Contemporary Problems* 93.

¹⁹³See Section 43 of the Lanham Act of 1946.

¹⁹⁴See section 37 (1) of the Consumer Protection Act 68 of 2008.

¹⁹⁵Wallace M ‘Using the Past to Predict the Future: Refocusing the Analysis of a Federal Dilution Claim’ 73 *University Cincinnati Law Review* (2005) 941. See also Alexander MJ & Heilbronner MK ‘Dilution under section 43 (c) of the Lanham Act’ (1996) 59 *Law and Contemporary Problems* 93.

¹⁹⁶Section 32 of the Lanham Act of 1946.

¹⁹⁷*Tiffany Co v Tiffany Productions Inc* 147 Misc 679 (N.Y. Misc. 1932) (hereafter, ‘*Tiffany Co*’).

distributor of motion pictures, their logos contained a ‘diamond with a light emanating therefrom,’ which was advertised in such a way that could be misconstrued as being connected to the jewellery business of the plaintiff.¹⁹⁸ In addition to that, the defendant used a diamond ring with the name ‘TIFFANY’. A similar set up for their letters that included phrases like, ‘20 gems from TIFFANY,’ and ‘TIFFANY, IT’S A GEM,’ was also used.¹⁹⁹ The plaintiff sought to prevent the defendant from using its trademark TIFFANY in relation to counterfeit products relating to the marketing and distribution of film-related material.²⁰⁰ The plaintiff argued that Tiffany Co had acquired a ‘reputation that is unique in character for its exceptional high quality of workmanship and product, and also for the integrity and commercial reliability’.²⁰¹ The defendant’s name and product was not well-known prior to 1925.²⁰²

The Supreme Court held that the defendant diluted the mark of the plaintiff as it was using the former’s mark in operating their business, thereby using the plaintiff’s fame to its advantage.²⁰³ It further held that the real damage in cases like this is the: ‘gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods’.²⁰⁴ The more distinctive or unique the mark, the deeper is its impression on the public consciousness and the greater its need for protection against vitiation or disassociation from the product in connection with which it has been used.²⁰⁵ The court held that the use of these similar marks by the defendant was unfair and it was aimed at gaining a benefit from the plaintiff’s reputation.²⁰⁶ It also found that the adoption of the name, ‘Tiffany’ by the defendant, and its use of the name was reason enough to believe the defendant wanted to derive a benefit from the goodwill that the plaintiff had built in respect of its business. The court stated that the defendant’s conduct constituted unfair competition. The matter was thus dealt with in terms of unfair competition and not in terms of infringement by dilution.

¹⁹⁸*Tiffany Co* 680.

¹⁹⁹*Tiffany Co* 680.

²⁰⁰*Tiffany Co* 680.

²⁰¹*Tiffany Co.* 680.

²⁰²*Tiffany Co.* 680.

²⁰³*Tiffany Co.* 682; In an obiter remark, the United Patent Office held, phrase ‘Tiffany Tone’ as used by the defendant was likely to cause confusion in the mind of the public, while not conclusive, is evidence which is entitled to considerable weight on the issue of confusion.

²⁰⁴*Tiffany Co* 681.

²⁰⁵See Schechter F ‘The Rational Basis for Trademark Protection’ 825.

²⁰⁶*Tiffany Co.* 682.

In *Clinique Laboratories Inc v Dep Corp*²⁰⁷ the plaintiff sought an interdict to prevent the defendant from infringing its trademark.²⁰⁸ The plaintiff in this case is a wholly owned subsidiary of the Estee Lauder, Inc., a manufacturer of make-up, fragrance and skin-care products. The latter product being the only one in issue in this case. The plaintiff had exclusive use of the trademarks ‘CLINIQUE,’ and ‘CLINIQUE C’ within the Estee Lauder line of business and it has maintained the said trademarks for over twenty-five years. The defendant sold hairstyling, oral care and skin care products, amongst others. In late 1996, the defendant began production on a six-State skin-care product called, ‘basique simplified skin-care’.²⁰⁹ This line consisted of nine products, including soap, cleansers and toners, which were distributed to major retailers like Wal-Mart. The plaintiff alleged that Basique infringed its trademark and relied on the provisions of the Lanham Act²¹⁰ to challenge the use of using ‘BASIQUE SIMPLIFIED SKIN-CARE’ and single letter ‘B’. The plaintiff alleged that the designation infringed two of its registered trademarks, i.e. ‘CLINIQUE’ and ‘CLINIQUE C’. In addition, the plaintiff alleged that the use of the letter ‘B’ and ‘BASIQUE’ constitutes a false designation of origin in the course of business and that it violated section 43 (a) of the Lanham Act.²¹¹ In order to be successful under section(s) 32 or 41 of the Lanham Act, Clinique had to prove that its mark was protected and that the defendant’s mark or dress results in the likelihood of confusion.²¹² The validity for the marks owned by Clinique was not in dispute since they had been registered. Registration conclusively establishes ownership of the mark in relation to the skin-care products. This satisfied the first requirement.

It is significant to note that the plaintiff in this case relied on general trademark infringement as well as section 43(a) which deals with false designations of origin. The court was of the view that both the CLINIQUE C and CLINIQUE marks are arbitrary designations with no description to which products they relate which makes them strong. The court reiterated that the Lanham Act does not require ‘actual confusion’ for dilution.²¹³ The court found there is no

²⁰⁷*Clinique Laboratories v Dep Corp* 945 F Supp 547, 561 (S.D.N.Y 1996) (hereafter ‘*Clinique*’).

²⁰⁸The plaintiff averred several things, but this section deals only with the dilution claim which the plaintiff based on s1125 or section 43 (c) of the Lanham Act.

²⁰⁹*Clinique* 549.

²¹⁰See 15 US C 1114 (Section 32 of the Lanham Act).

²¹¹Section 43 (a) of the Lanham Act prohibits ‘any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin...likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association...with another person, or as to the origin sponsorship, or approval of his or her goods, services, or commercial activities by another person...’.

²¹²*Clinique* 551.

²¹³The list of eight factors that was developed by the court as the test for confusion which apply to both competing and non-competing products are relevant to general trademark infringement claims.

evidence to support that the defendant would likely tarnish the mark by using it on a cheaper product. In determining whether the plaintiff's mark could be diluted by blurring, the court held that the plaintiff showed that its mark may suffer from dilution by blurring if the defendant is not prohibited from continuing to use trade dress or mark.²¹⁴

Previously, the Lanham Act only provided for general remedies but following the amendment of the Lanham Act, provision was made specifically for claims of trademark dilution. The amendment is discussed below.

4.2.2 Federal Trademark Dilution Revision Act

In 1996, the USA enacted the Federal Trademark Dilution Act (FTDA) to specifically deal with trademark dilution. It amended section 43 of the Lanham Act to provide a new cause of action for federal trademark dilution. The rationale behind the amendment to the Lanham Act was to create a comprehensive system of regulation for trademarks across the USA.²¹⁵ A void that existed in the federal protection of trademarks with respect to dilution was filled by the enactment of the FTDA since it made provision for both dilution by blurring as well as by tarnishment.²¹⁶ Blurring refers to the 'whittling away' of the distinctive character of the mark whilst tarnishment occurs when there is a negative association of the plaintiff's mark with something that is unsavoury.

A plaintiff who wanted to prove dilution of a trademark using section 43 (c) had to prove the following:

- (a) their mark is famous
- (b) the defendant's adoption of the famous mark happened after it became famous
- (c) the mark of the defendant dilutes the famous mark.²¹⁷

To prove that the infringing use would likely cause dilution, the amendment requires proof of actual dilution.²¹⁸ The FTDA does not require a 'likelihood of confusion' in a claim of dilution,

²¹⁴*Clinique* 563.

²¹⁵Fhima IS *Trade Mark Dilution in Europe and United States* (2011) 7.

²¹⁶Section 2 of the Trademark Dilution Revision Act of 2006: The same Act is known as the Federal Trademark Dilution Act.

²¹⁷See 15 USC s1125 (c).

²¹⁸See s15 U.S.C. 1125; See also Prager EA 'The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion' 7 *Fordham Intellectual Property, Media and Entertainment Law Journal* (1996) 126.

a position which is identical to South Africa. Only famous marks are protected against dilution. Examples of famous marks include GOOGLE, KODAK and COCA-COLA. The test for 'famous' is that the mark must be widely recognised by the general consuming public of the USA as a designation of source of the goods or services of the proprietor of the mark.²¹⁹ The FTDA makes provision for the factors which a court may take into account when determining whether a mark is sufficiently famous to be granted protection from dilution, namely:

- i. the degree of inherent or acquired distinctiveness of the mark;
- ii. the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- iii. the duration and extent of advertising and publicity of the mark;
- iv. the geographical extent of the trading area in which the mark is used;
- v. the channels of trade for the goods or services with which the mark is used;
- vi. the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
- vii. the nature and extent of use of the same or similar marks by third parties;
- viii. whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.²²⁰

The court may consider all the above factors in deciding whether a mark possesses the requisite degree of recognition that is required for a famous mark. The use of 'may' means it is not peremptory. It is important to note that the famous mark should also have been federally registered.

*Ringling Bros-Barnum Bailey Combined Shows Inc v Utah Div of Travel Development*²²¹ is instructive with respect to infringement by dilution. The issue in this case was whether the famous mark, 'THE GREATEST SHOW ON EARTH' was being diluted by Utah's junior mark the 'GREATEST SNOW ON EARTH' which was being used on the winter recreational activities. In other words, the question was whether the use of the GREATEST SHOW ON EARTH' was in violation of 15 USC 1125, section 43 (c).²²² The trademark 'GREATEST

²¹⁹Section 43(c) (2) of the Trademark Dilution Revision Act of 2006.

²²⁰See Section 43 of the Trademark Act of 1946 as amended by s15 U.S.C. 1125 of the Federal Trademark Dilution Act.

²²¹170 F. 3d 449 (1999) 46.

²²²*Ringling Bros-Barnum & Bailey Combined Shows Inc v Utah Division of Travel Development* 170 F 3d 449 (4th Cir. 1999).

SHOW ON EARTH' was being used in respect of a circus. The court concluded that to establish dilution of a famous mark under the Federal Act it requires proof that:

- (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that;
- (2) causation;
- (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services.²²³

The court in this case decided that the use of the phrase 'GREATEST SNOW ON EARTH' did not violate section 43 (c) of the Lanham Act, meaning that dilution did not take place. The court held that the evidence before it was not indicative of the presence of the factors listed under the Act. Furthermore, the court was not satisfied that based on the factors and the lack of the evidence to prove harm suffered by the plaintiff was enough to establish that dilution had occurred.²²⁴

In *Malletier v Veit*²²⁵ the court made an important statement relating to the standard of federal trademark infringement in the different States. The plaintiff in this case was the owner of the LOUIS VUITTON trademark, the exclusive distributors of Louis Vuitton products all of which bears their mark.²²⁶ The trademark is registered in respect of multiple products but most notably travelling bags, hat boxes, shoe boxes used for luggage, hand bags, pocketbooks, satchels, *et cetera*.²²⁷ The defendants advertised, distributed, offered and sold counterfeit versions of the plaintiff's products bearing the Louis Vuitton registered trademark.

The plaintiff regarded its mark as inherently distinctive with sufficient fame to warrant the necessary protection against dilution.²²⁸ The plaintiff alleged, amongst other things, that the defendants diluted its trademark by selling these products and that there was a likelihood that consumers would associate his business with that of the defendant. In addition, it was alleged that the defendant would derive an unfair benefit from the reputation of the plaintiff. The court

²²³ *Ringling Bros-Barnum & Bailey Combined Shows Inc v Utah Division of Travel Development* 170 F.3d 449 (4th Cir. 1999).

²²⁴ *Ringling Bros-Barnum & Bailey Combined Shows Inc v Utah Division of Travel Development* 170 F.3d 464 (4th Cir. 1999).

²²⁵ 211 F. Supp. 2d 567 (E.D. Pa. 2002).

²²⁶ *Malletier v Veit*, 211 F. Supp. 2d 567 (E.D. Pa. 2002).

²²⁷ *Malletier v Veit*, 211 F. Supp. 2d 572 (E.D. Pa. 2002).

²²⁸ *Malletier v Veit*, 211 F. Supp. 2d 574 (E.D. Pa. 2002).

held that the mark in question was diluting the distinctiveness of the registered mark.²²⁹ In addition, it concluded that due to the fame the plaintiff's mark had acquired, there is no doubt that its mark will further be diluted if continued use is allowed.²³⁰

In 2003, the Supreme Court was called to decide on another case involving trademark dilution in *Moseley v Secret Catalogue Inc*²³¹ The determination in this case extended to what needed to be proven for a plaintiff to be successful in a claim based on dilution. The plaintiff in this case is the owners of a retail store, which they solely run, and the defendant is in the business of selling women's lingerie in a setting that is made to look like a bedroom. The issue before the court was whether the plaintiff business, 'VICTOR'S LITTLE SECRET,' was diluting the defendant's use of the VICTORIA'S SECRET mark.²³²

The court noted the similarity between the two businesses. It held actual dilution is prerequisite for an action of trademark dilution to be successful and that likelihood of dilution is not sufficient. According to the court, the contrast between the reference to a 'lessening of the capacity' of the mark, and the 'likelihood of confusion, mistake or deception' confirms the position that actual dilution must be established. However, the court clarified that there is no need to prove actual loss of sales and/or profit. It is evident from this case that the owner of senior mark need not prove that he suffered actual loss by blurring or tarnishment.²³³

In *Starbucks Corp v Wolfe's Borough Coffee Inc*²³⁴ the appeal addressed the question whether a party could use the name 'MR CHARBUCKS,' in relation to their coffee business. STARBUCKS is a well-known for their specialty coffee and related products.²³⁵ The other party, Black Bear, sells roasted coffee beans and related goods via email to a small number of people in New England supermarkets.²³⁶ The court had to determine whether Black Bear had contravened the FTDA and resultantly committed dilution. It was held that there was no actual dilution, which would establish a violation of federal trademark law, nor a likelihood of

²²⁹ *Malletier v Veit*, 211 F Supp 2d 581 (E.D. Pa. 2002).

²³⁰ *Malletier v Veit*, 211 F Supp 2d 581 (E.D. Pa. 2002).

²³¹ *Moseley v Secret Catalogue Inc* 537 U.S. 418 (2003).

²³² *Moseley v Secret Catalogue Inc* at 423.

²³³ These factors are: (i) the degree of similarity between the mark or trade name and the famous mark.(ii) the degree of inherent or acquired distinctiveness of the famous mark.(iii) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.(iv) the degree of recognition of the famous mark.(v) whether the user of the mark or trade name intended to create an association with the famous mark.(vi) any actual association between the mark or trade name and the famous mark.

²³⁴ *Starbucks Corp v Wolfe's Borough Coffee Inc* 736 F 3d 198 (2d Cir. 2013).

²³⁵ Whitten S (2018) 'Starbucks shares soar 10% as coffee drinkers drive record revenue' CNBC News <<https://www.cnbc.com/2018/11/01/starbucks-to-report-q4-earnings-2018.html>> [accessed on 05 Aug. 19].

²³⁶ *Starbucks Corp v Wolfe's Borough Coffee Inc* 736 F 3d 198 (2d Cir. 2013) at 201.

dilution, which would establish a violation of New York trademark law.²³⁷ The appeal court again decided in favour of Black Bear stating that the evidence before it was:

‘...insufficient to demonstrate the requisite likelihood that the association arising from the similarity of the core terms is likely to impair the distinctiveness of Starbucks' mark, and Plaintiff is not entitled to injunctive relief under that statute.’

It can be deduced that the Act requires the association of the marks in the minds of the public, which results in the harm or damage to the plaintiff's mark. The likelihood of harm should be substantial and not insignificant.

The above cases demonstrate that proprietors have been able to successfully rely on the anti-dilution provision in the USA.

The FTDA was amended by the Trademark Dilution Revision Act of 2006 (‘TDR’), which provides that the owner of a famous mark seeking an injunction needs to prove that the defendant's mark ‘is likely to cause dilution ... of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury’.²³⁸ The TDR lowered the standard to ‘likelihood of dilution’. The TDRA further redefined ‘dilution by blurring’ as ‘[an] association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark’.²³⁹ In other words, where the infringing mark impairs the distinctiveness of the famous mark, blurring would have occurred.

In determining whether a mark or trade name is likely to cause dilution by blurring under the TDR, the court may consider all relevant factors, including the following:

- (i) the degree of similarity between the mark or trade name and the famous mark.
- (ii) the degree of inherent or acquired distinctiveness of the famous mark.
- (iii) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) the degree of recognition of the famous mark.

²³⁷*Starbucks Corp v Wolfe's Borough Coffee Inc* 736 F.3d 198 (2d Cir. 2013) at 201.

²³⁸Bouchoux DE *Intellectual Property: The Law of Trademarks, Copyrights, Patents, and Trade Secrets* (2012) 502.

²³⁹See 1125(c)(2)(B) of the Trademark Dilution Revision Act.

(v) whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) any actual association between the mark or trade name and the famous mark.²⁴⁰

The TDRA is a bit more elaborate since it contains factors which courts may consider when determining dilution by blurring. The TDRA provides guidance to courts since it sets out the factors which may be considered.

The TDRA states that dilution by tarnishment occurs when the association arising from the similarity between a mark or trade name and a famous mark, harms the reputation of a famous mark.²⁴¹ Unlike with dilution by blurring, the TDRA does not, however, give courts further guidance in terms of what must be taken into account in determining whether dilution by tarnishment would have occurred. By implication, each court has to decide based on the evidence before it whether there is dilution by tarnishment or not.

Under the TDRA, there are defences which the defendant is able raise to ward off any claim based on either dilution by blurring or by tarnishment. The defences include fair use, parodying, criticising or commenting upon the famous mark or on the goods or services on which the famous mark is affixed.²⁴² Fair use applies in the context of advertising or promotion that permits consumers to compare goods or services.

This piece of legislation covers protection for marks that existed prior to the enactment of the Lanham Act and in order to prove a claim based on dilution under section 43 (c) of the Lanham Act, the trademark proprietor must prove that his mark had acquired distinctiveness and that it is famous amongst the general consuming population in the USA.²⁴³ Similar factors are inserted in the section relating to whether the distinctiveness of a mark has been impaired.

In the case of *Digitalb S.H.A v Setplex LLC*²⁴⁴ the court dealt with multiple issues including trademark dilution. The plaintiff, 'DigitAlb' is an Albanian corporation involved in the distribution of Internet Protocol Television ('IPTV') programming from certain Albanian-language television channels. The defendant, Setplex LLC, is a distributor of Albanian-language content and programming in the USA. The plaintiff alleged that the defendant

²⁴⁰See section 1125 (c) (2) (B) of the Trademark Dilution Revision Act.

²⁴¹Section 43 (c)(2) part B.

²⁴²Section 43 (c) (3) of the TDRA.

²⁴³See 15 USC 1125, section 43 (c) (1).

²⁴⁴284 F. Supp. 3d 547 (S.D.N.Y. 2018).

infringed the plaintiff's exclusive distribution rights by pirating, retransmitting, and publishing the licensed programming to its own customers in the USA and in the EU without the plaintiff's permission.²⁴⁵ In addition, the plaintiff alleged that the defendant's use of a similar symbol gave rise to a false sense of origin and it diluted the quality of their symbols.²⁴⁶

The court reaffirmed what must be proven in a trademark dilution claim, namely that, firstly, the mark is famous. Second, that the mark is used in commerce. Third, that the defendant used the mark after the mark became famous. Lastly, that the defendant's use of the mark is likely to dilute the quality of the mark by blurring or tarnishment.²⁴⁷ The court in this instance held that dilution claims are limited to marks that are 'truly famous' or so well-known that they are household names such as GOOGLE or BUDWEISER.²⁴⁸ The court further held that the plaintiff's claim for dilution was 'misplaced' as the TDRA amended the threshold for 'famous' marks in 2006.²⁴⁹ The court concluded the fact the plaintiff could not convincingly prove its mark was 'famous' is fatal to its trademark dilution claim and thus could not succeed.²⁵⁰

The above discussion demonstrates how infringement by dilution was not initially recognised in the USA and its development over the years. The enactment of the FTDA as well as the TDRA is significant since it shows the extent to which the USA seeks to protect the distinctiveness of a famous mark. Courts require parties to prove that the trademark has become 'famous' or acquired a reputation which the other defendant is 'free-riding' upon. Where the plaintiff cannot prove that their trademark qualifies as 'famous,' a claim of trademark dilution will fail. Section 1125 of the TDRA sets out the factors which the court may consider when a matter involves the question whether the defendant has diluted the plaintiff's famous mark or not. Courts in the USA have, however, vacillated between actual dilution and likelihood of dilution as well as on actual harm or economic injury. In recent years, it appears that the requirements for infringement by dilution have been applied in a less strict manner since the likelihood of dilution suffices. The plaintiff does not, therefore, have to prove actual dilution as well as actual loss to obtain relief. This is a positive development insofar as the protection of the reputation of a mark is concerned.

²⁴⁵*Digitalb SH.A v Setplex LLC* 284 F Supp 3d 553 (S.D.N.Y. 2018).

²⁴⁶*Digitalb SH.A v Setplex LLC* 284 F Supp 3d 556 (S.D.N.Y. 2018).

²⁴⁷*Digitalb SH.A v Setplex LLC* 284 F Supp 3d 557 (S.D.N.Y. 2018).

²⁴⁸*Digitalb SH.A v Setplex LLC* 284 F Supp 3d 547 (S.D.N.Y. 2018).

²⁴⁹See Trademark Dilution Revision Act, 15 USC s 1125 (c) (2) (A) states 'famous' means: 'widely recognised by the general consuming public of the United States...'.
²⁵⁰*Digitalb, SH.A v Setplex, LLC* 284 F Supp 3d 559 (S.D.N.Y. 2018).

The next part examines the approach to infringement by dilution in the EU.

4.3 THE LEGAL FRAMEWORK IN THE EUROPEAN UNION

It is important to note that the EU is a customs union²⁵¹ and the laws that are discussed are the ones that are applicable at regional level as opposed to national level. The EU has created a unitary trademark regime by enacting the European Trade Mark Directive and Regulation.²⁵² The Regulation has gone beyond harmonisation and has established a unitary trade mark law governing the entire EU.²⁵³ It has created community trademarks that are effective throughout the whole EU territory.²⁵⁴ In the context of the European trademark system, the protection of trademarks lies in the fact that it conveys information in a way that allows consumers to make an informed decision about a certain business.²⁵⁵ This justifies why the selling power of famous trademarks need protection.

4.3.1 Trademark Directive

Trademark dilution is not a foreign concept in the sphere of European trademark law. The recognition of dilution dates back as far as 1925.²⁵⁶ The 2015 Trademark Directive provides for compulsory as well as optional provisions for the member states to adhere to. It aims to eliminate the contradictory laws that exist between national laws.²⁵⁷ The 2015 Trademark Directive provides that the proprietor of that registered trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:

‘(c)the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due

²⁵¹There are currently 28 member states that fall within the parameters of the EU: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden and the United Kingdom.

²⁵²Directive (EU) 2015/2436 and Regulation (EU) 2017/1001 of the European Parliament.

²⁵³Article 1(2) of Council Regulation (EC) No 207/2009 of 26 February 2009.

²⁵⁴Norman R & Annand HE *Blackstone's Guide to the Community Trade Mark* (1998) 1.

²⁵⁵Kur A & Dreier T *European Intellectual Property Law: Text, Cases and Materials* (2013) 157.

²⁵⁶Yook S *Trademark dilution in the European Union* (1999) 223.

²⁵⁷See the Preamble, Art. 42 of the European Trademark Directive of 2015 available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_336_R_0001 [accessed on 14 Sep. 19]; Gielen C ‘Trademark Dilution under European Law’ (2014) 104 *The Trademark Reporter* 693.

cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.²⁵⁸

The above provision indicates that proprietors of registered marks have a right to recourse in the event their mark is used, without their consent, to its detriment or its distinctive character. This right is even available where the registered mark is subsequently used on goods that may not be similar to the goods that the registered mark is known for.

The case of *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd*²⁵⁹ dealt with a claim of dilution. Adidas claimed that Fitnessworld was taking advantage of the repute of the Adidas mark thereby jeopardising the exclusivity of its mark. This is because Fitnessworld was marketing its clothing with two stripes which according to Adidas could likely confuse part of the public since it uses three stripes on shoes.²⁶⁰ The Commission stated that Article 5(2) of the Directive aims to protect marks with a reputation from use of similar marks where use in question involves a likelihood of dilution or is detrimental to the mark's reputation.²⁶¹ The former European Court Justice (the ECJ) pointed out that:

‘...the fact that a sign is viewed as an embellishment by the relevant section of the public is not, in itself, an obstacle to the protection conferred by Article 5(2) of the Directive where the degree of similarity is nonetheless such that the relevant section of the public establishes a link between the sign and the mark. By contrast, where, according to ... the national court, the relevant section of the public views the sign purely as an embellishment, it necessarily does not establish any link with a registered mark, with the result that one of the conditions of the protection conferred by Article 5(2) of the Directive is then not satisfied’.

²⁶²

Based on the interpretation by the ECJ, the national court concluded that use of the motif by Fitnessworld was for embellishment purposes only.

In *Interflora Inc v Marks & Spencer plc*²⁶³ the defendant bought various keywords from GOOGLE that included the plaintiff's trademark ‘INTERFLORA’ or phonetic variants of it.²⁶⁴ Due to this, the defendant appeared to be the second highest on the search engine immediately

²⁵⁸See Article 10 (2) of the Trademark Directive, 2015.

²⁵⁹C-408/01, [2003] ECR I-12537. There is a similar case in South Africa *Adidas AG & another v Pepkor Retail Limited* (187/12) [2013] ZASCA 3: see chapter 4 part 4.4.2.

²⁶⁰Para 9.

²⁶¹Para 37.

²⁶²Para 41.

²⁶³*Interflora Inc v Marks & Spencer plc* (case c-323/09) [2009] EWHC 1095 (Ch) [2009] R.P.C. 22 (hereafter ‘*Interflora*’).

²⁶⁴Linguistics: An Introduction (2009) it states that in phonology or phonetics, a [phonetic] variation is an alternative pronunciation of a word that does not affect the word's meaning. Reasons for this could be the speaker's dialect, perhaps the emphasis the speaker wants to put on a word.

following the mark of the plaintiff when advertising its product. The plaintiff alleged that both acts committed by the defendant constituted infringement of their registered trademark. The ECJ stated that Article 5(2) of Directive 89/104 requires a similarity between the marks in question. In this case the sign ‘Interflora’ and the variants used by M&S as well as the mark INTERFLORA had satisfied the similarity requirement.²⁶⁵

The national court consequently held that M&S’s advertisements did not enable reasonably well-informed and attentive internet users to ascertain whether the service referred to in the advertisements originated from the proprietor, or an undertaking economically connected with it, or originated from a third party. It held that as at 6 May 2008, a significant proportion of the consumers who searched for ‘interflora’ and ‘...then clicked on M&S's advertisements displayed in response to those searches, were led to believe, incorrectly, that M & S's flower delivery service was part of the Interflora network’.²⁶⁶ This means that M & S's use of the signs had an adverse effect on the origin function of the trademarks. The national court concluded that M & S had infringed the trademarks under Article 5(1)(a) of the Directive and Article 9(1)(a) of the Regulation.²⁶⁷ The rationale for this is because the purpose of using another’s trademark as a keyword was done with the sole purpose of riding on the reputation and distinctive character of the mark. Article 10 (2) of the 2015 Trademark Directive is similar to the anti-dilution provision in the Regulation. The two provisions will therefore be discussed together in detail below.

4.3.2 Trademark Regulation

Trademark dilution is contained in Article 9 (2) (c)²⁶⁸ of the Regulation 2017/1001 of the European Parliament. It provides that:

‘... the proprietor of that EU trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:

c) the sign is identical with, or similar to, the EU trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the EU trade mark is registered, where the latter has a reputation in the Union and where use of that sign without due cause

²⁶⁵*Interflora Inc v Marks & Spencer plc* Case C-323/09 para 71.

²⁶⁶Para 318.

²⁶⁷*Interflora Inc v Marks & Spencer plc* [2013] EWHC 1291 (Ch) paras 318 and 326.

²⁶⁸Regulation (EU) 2017/1001 16.6.2017 L 154/10 Official Journal of the European Union.

takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark.²⁶⁹

For infringement by dilution, the plaintiff must prove the following:

Unauthorised use by the defendant of a mark 'identical or similar' to the registered trade mark

The proprietors in the EU only have protection when the mark is registered.²⁷⁰ This requirement is similar to the one contained under the SA Trade Mark Act.²⁷¹ The proprietor must not have given his or her consent to the use of the mark by another person.²⁷² Infringement occurs where the mark used is identical or similar to the registered mark without authorisation.²⁷³ It is important to note that most of the case law discussed fall under the old Regulation. The wording of the provisions remains the same and thus the interpretation would have been remained the same.

Use of the mark in the course of trade in relation to 'goods or services' which are not similar to those which the trade mark is registered

This requirement is interpreted to mean that an identical or similar mark is used on either goods that are similar or dissimilar to goods for which the mark is registered.²⁷⁴ The rationale for this interpretation is because dilution occurs in the instance where there is an inability, on the consumer's side, to properly establish the origin of a product thereby weakening the origin function of the mark. The court in *Interflora v Marks & Spencer plc*²⁷⁵ required that the registered mark and the infringing mark bear some sort of resemblance to one another.²⁷⁶

The trade mark must have a reputation

Protection is only granted to trademarks that has an established reputation. This is important as dilution by tarnishment occurs when a registered mark is used by a third party on goods or

²⁶⁹Article 9 (2) (c) of the Trademark Regulation is identical to Article 10(2) (c) of the Trademark Directive 2015.

²⁷⁰Kur A 'The EU Trademark Reform Package—(Too) Bold a Step Ahead or Back to Status Quo?' (2015) 19 *Marquette Intellectual Property Law Review* 21.

²⁷¹Act 194 of 1993.

²⁷²See Article 9 (2) of the Regulation 2017/1001.

²⁷³Breitschaft A 'Intel, Adidas & Co – is the jurisprudence of the European Court of Justice on dilution law in compliance with the underlying rationales and fit for future' (2009) *European Intellectual Property Review* 499.

²⁷⁴Breitschaft A 'Intel, Adidas & Co – is the jurisprudence of the European Court of Justice on dilution law in compliance with the underlying rationales and fit for future' (2009) *European Intellectual Property Review* 499.

²⁷⁵*Interflora In v Marks & Spencer plc* Case C-323/09.

²⁷⁶*Interflora In v Marks & Spencer plc* Case C-323/09 para 71.

services of a lesser quality which diminishes the selling power of the mark concerned.²⁷⁷ Damage of this nature is resultant of a negative association with another mark. In addition, it could also be because the registered mark is used on goods or services of a lower quality both being destructive to the reputation of the well-known mark. The evidence of any damage to a mark is not a prerequisite for a successful dilution claim. Furthermore, there is no need to prove a likelihood of confusion to establish that dilution has taken place. The EU, just like the USA and South Africa, affords a well-known marks protection despite the absence of confusion or likelihood of confusion

use of the sign without due cause takes unfair advantage of, or be detrimental to the distinctive character or repute of the registered mark

There is currently no definitive meaning of what constitutes ‘due cause’. The interpretation thereof was briefly discussed in *L’Oreal v Bellure*²⁷⁸ where the ECJ said that:

‘...where [a] ‘boost’ is given to the third party’s sign as a result of the connection with the well-known mark. Furthermore, ‘... [where a third party] derives [a benefit] from the use of that sign for which there is due cause, it is still necessary to determine whether or not the advantage taken by the third party is unfair’.²⁷⁹

However, there were no suggestions brought forward as to the possible meaning that litigants can attribute to it. It was held that ‘due cause’ could possibly be used as a defence for the use of a mark on the basis of ‘freedom of expression’.²⁸⁰ In addition, the court held that when a proprietor raises the issue of ‘unfair advantage,’ it can only be considered unfair where the infringer rides on the coat-tails of the established mark or a mark with a reputation. This is done to obtain a benefit from the mark’s attractive power and/or repute.

In the matter between *Intel Corporation Inc v CPM United Kingdom Ltd*²⁸¹ ‘Intel’ had a very prominent reputation within the EU sphere and the proprietor was well-known for producing computer software and computer-related products.²⁸² The defendant in this case was using ‘INTELMARK’ in relation to marketing and telemarketing services.²⁸³ In determining what

²⁷⁷ *L’Oreal SA & Others v Bellure NV & Others* C-487/07 [2009] ECR I-5185, para 39 & 40.

²⁷⁸ *L’Oréal SA v Bellure NV* (C-487/07) 18 June 2009 (ECJ).

²⁷⁹ *L’Oréal SA v Bellure NV* [2010] R.P.C. 1(ECJ) 33.

²⁸⁰ Breitschaft A ‘Intel, Adidas & Co – is the jurisprudence of the European Court of Justice on dilution law in compliance with the underlying rationales and fit for future’ (2009) *European Intellectual Property Review* 497.

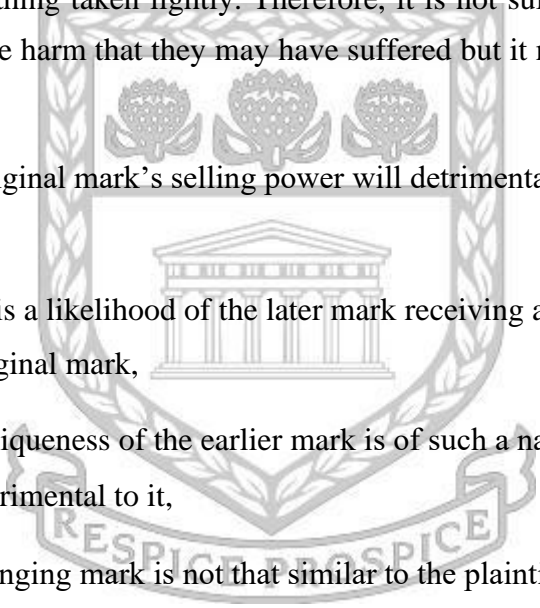
²⁸¹ *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal.

²⁸² *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal, para 3.

²⁸³ *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal, para 5.

must be proven in a claim based on trademark dilution, the court held that because an average consumer is sensible in their dealings, more than a mere weak association must exist between the marks to establish confusion.²⁸⁴ The court relying on a preliminary ruling by the former ECJ held it must be understood that there must be a degree of similarity between the marks. However, this similarity need not give rise to a likelihood of confusion.²⁸⁵ It further concluded that it was necessary for the consumer to establish an economic connection between the business for this claim to be successful.

On whether the primary business will suffer harm if the defendant continues using the mark on unrelated goods,²⁸⁶ the former ECJ stated that the ‘detriment’ suffered by the plaintiff in a dilution case is not something taken lightly. Therefore, it is not sufficient for a proprietor to merely speculate about the harm that they may have suffered but it must rest on the following factors:

- 
- (a) whether the original mark’s selling power will detrimentally be affected by the later mark,
 - (b) whether there is a likelihood of the later mark receiving an economic boost at the expense of the original mark,
 - (c) whether the uniqueness of the earlier mark is of such a nature that the later mark’s use will not be detrimental to it,
 - (d) where the infringing mark is not that similar to the plaintiff’s mark and the earlier mark serves as mere recollection in the mind of the consumer,
 - (e) whether the economic behaviour of the consumer will be affected by the use of the earlier mark,
 - (f) how inherently distinctive the earlier mark is and
 - (g) how strong the earlier mark is in relation to its good and services.²⁸⁷

The above factors are aimed at protecting the reputation of the well-known mark. The national court must take these factors into consideration in its inquiry on whether infringement by

²⁸⁴ *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal, para 29.

²⁸⁵ *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal 476.

²⁸⁶ *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal, para 35.

²⁸⁷ *Intel Corporation Inc v CPM United Kingdom Ltd* 2007 England and Wales Court of Appeal para 36.

dilution occurred. The detriment or unfair advantage must be assessed globally, and evidence must be adduced to prove a case of dilution.

Another EU judgment that dealt with trademark dilution is the case of *L'Oréal SA v Bellure NV & Ors*²⁸⁸ The plaintiff registered four marks including TRÉSOR, 'MIRACLE,' 'ANAÏS ANAÏS' and 'NOA,' which it used on perfume. The defendant, on the other hand, sold cheaper versions of the plaintiff's product using the names in different variations.²⁸⁹ The question which the court had to determine was whether infringement by dilution had occurred. In the first instance, the court found infringement of the plaintiff's mark under Art. 5 (1) (a). In addition, the defendant's packaging fell within the ambit of infringement covered by Art 5 (2) of the Trademark Directive 2008/95/EC. The matter went on appeal.

The court had a few questions that needed clarification, which they referred to the ECJ. The first question was whether Art.5(1)(a) or (b) of Directive 89/104 should be interpreted to mean,

'[that] the proprietor of a registered trade mark is entitled to prevent the use by a third party, in comparative advertising, of a sign identical with that mark in relation to goods or services which are identical with those for which that mark was registered, where such use is not capable of jeopardising the essential function of the mark, which is to indicate the origin of the goods or services'.²⁹⁰

The other question was whether:

'the proprietor of a well-known mark can oppose such use, under Art.5(1)(a), where that use is not capable of jeopardising the mark or one of its functions but none the less plays a significant role in the promotion of the goods or services of the third party'.²⁹¹

In their referral judgment, the ECJ ruled that Article 5 (2) of Directive²⁹² must be interpreted as referring to cases when the infringer has taken unfair advantage of the distinctive character or the repute of the mark. It does not require likelihood of confusion or a likelihood of detriment of the mark or of the proprietor.²⁹³ Infringement occurs if a third party exploits or takes an 'unfair advantage' of the reputation of the proprietors mark by using a similar mark.²⁹⁴ The

²⁸⁸England and Wales Court of Appeal (2007); *L'Oréal SA v Bellure NV & Others* [2010] R.P.C. 1 ECJ CASE C-487/07.

²⁸⁹*L'Oréal SA v Bellure NV & Ors* Englad and Wales Court of Appeal (2007) para 19.

²⁹⁰*L'Oréal SA v Bellure NV & Others* [2010] R.P.C. 1 ECJ CASE C-487/07 para 51.

²⁹¹*L'Oréal SA v Bellure NV & Others* [2010] R.P.C. 1 ECJ CASE C-487/07 para 51.

²⁹²89/104.

²⁹³*L'Oréal SA & Others v Bellure NV & Others* Case C-487/07, [2009] ECR I-5185 para 50 and Morcom C 'Trade Marks and the Interne: Where are we now?' (2009) *E.I.P.R* 633.

²⁹⁴Horton A 'Does the UK need an unfair competition law' (2011) *E.I.P.R* 551.

concept of unfair advantage requires an enquiry into the benefit to be gained by the defendant from use of the mark.²⁹⁵

In addition, the ECJ developed what is now known as the ‘coat tails formula’. It provides that where a third party uses the registered mark without making any efforts of financially compensating the owner and thereby deriving a benefit from its reputation, it is considered an unfair advantage.²⁹⁶ The exploitation of one’s reputation is thus considered unfair. There is no need for likelihood for confusion or detriment to the registered mark required to prove unfair advantage.²⁹⁷ In applying the ECJ’s interpretation of Article 5(2) of the Directive, the Court of Appeal concluded that use by Bellure in its comparison lists of L’Oreal’s registered marks amounted to infringement in terms of Articles 5(1) (a) and 5(2) of the Trademark Directive. Jacob LJ in reaching this decision stated that he, however, did not agree with the decision but that ‘it was his duty to apply it’.²⁹⁸

Marshall's Mono Limited v Mr Desmond Wallford,²⁹⁹ is one of the more recent cases dealing with trademark dilution. In this case the plaintiff was a manufacturer of interior and exterior stone paving products and services, which has been in business for well over 100 years, becoming one of the most well-known businesses in the UK.³⁰⁰ The defendant trades under the name ‘Marshall’s,’ which it registered as a domain name for a website.³⁰¹ The plaintiff alleged that within days of his registration of this name, he noticed a similar domain name on the internet belonging to the defendant. The plaintiff argued that the reputation of his business could be damaged by the defendant’s business.³⁰² The defendant’s conduct, in turn, could lead to dilution of the distinctiveness of the mark should the defendant offer inferior services to the public. The UK court held that it would be negligent to leave the domain name in the hands of the respondent as there is a likelihood of injury to the business of the plaintiff. The finding was

²⁹⁵All the trade mark owner need to show is that the defendant has obtained a commercial advantage from the reputation of his registered mark by establishing a link with the well-known mark through use of an identical or similar sign: Horton A (2011) *E.I.P.R* 551.

²⁹⁶*L’Oreal SA v Bellure NV & Ors* (2007) ECJ at para 8.

²⁹⁷Para 82.

²⁹⁸*L’Oreal SA & Ors v Bellure NV & Ors* [2010] EWCA para 7.

²⁹⁹*Marshall's Mono Limited v Mr Desmond Wallford* available at <<https://www.casemine.com/judgement/uk/5b59786b2c94e0208afd7d47>> [accessed on 15 Sep. 19] Nominet UK Dispute Settlement (2018).

³⁰⁰*Marshall's Mono Limited v Mr Desmond Wallford* at para 4.

³⁰¹*Marshall's Mono Limited v Mr Desmond Wallford* at para 5.

³⁰²*Marshall's Mono Limited v Mr Desmond Wallford* at para 5.

that the plaintiff indeed had rights in respect of the domain name and that continued use by the defendant constituted abusive registration.³⁰³

In *Specsavers International Healthcare Ltd and Others v Asda Stores Ltd*³⁰⁴ The claim of the plaintiff was based on the provision of the Community Trademark Regulation 207/2007 under Article 9 (1) (b) and (c). The defendants initiated a campaign involving a direct reference to the plaintiff's business. The campaign read using the following straplines, 'Spec saving at Asda' and 'Be a real spec saver at Asda', a reference to the plaintiff's 'specsaver' trademark.

The court held that the main line 'Be a real spec saver at Asda' infringed Specsavers' under Article 9 (1) (c) as it took advantage of repute and distinctive character of the mark. This is because the strapline was standing on the shoulders of Specsavers' by riding on its existing reputation.³⁰⁵ The other strapline was regarded as not infringing the mark. It brought the plaintiff's mark to mind in a weak manner; and that it did not cause deception or unfair advantage.³⁰⁶ It was further noted that the defendant showed in their evidence that they did not intend to cause any deception or confusion.³⁰⁷

This case illustrates that other proprietors must be careful when engaging in similar campaigns since the court held that an advertiser's intention of conducting targeted campaigns can lead to a finding of unfair advantage.³⁰⁸ Unfair advantage can still take place even in situations where both companies have a reputation.

The plaintiff in the case of *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf GmbH & Co KG*³⁰⁹ was the registered proprietor of the trademark ÖKO-TEST. This mark was used on printed matter, consumer information, consultancy services and services of conducting and evaluating quality inspections.³¹⁰ Furthermore, the plaintiff's mark serves as a quality assurance for the products of third parties, which upon passing the relevant inspection and payment of a fee, they may affix the mark to their product. The defendant Dr Liebe used the

³⁰³ *Marshall's Mono Limited v Mr Desmond Wallford* at para 7.

³⁰⁴ [2010] EWHC 2035 (Ch).

³⁰⁵ *Specsavers International Healthcare Limited & others v Asda Stores Limited* at para 167; See also Baxter V 'Specsavers: Unfair advantage but no likelihood of confusion' (2012) 7 *Journal of Intellectual Property Law & Practice* 309.

³⁰⁶ *Specsavers International Healthcare Limited & others v Asda Stores Limited* [2010] EWHC 2035 (Ch), para 175.

³⁰⁷ Baxter V 'Specsavers: Unfair advantage but no likelihood of confusion' (2012) 7 *Journal of Intellectual Property Law & Practice* 309.

³⁰⁸ Baxter V 'Specsavers: Unfair advantage but no likelihood of confusion' (2012) 7 *Journal of Intellectual Property Law & Practice* 310.

³⁰⁹ *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* C-690/17.

³¹⁰ *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* paras 11 – 13.

plaintiff's mark without their consent on his toothpaste products. The plaintiff alleged that the defendant's conduct constituted trademark infringement under articles 9 (1) (a), (b) and (c) of Regulation 207/2009 which is the old Regulation.³¹¹ The court a quo interdicted the defendant, ordering him to refrain from using the mark of the plaintiff on his product. In addition, the defendant was ordered to remove his product from the market and to destroy it.³¹² Furthermore, the court held that:

'...the [defendant had] 'infringed the ÖKO-TEST marks by using the quality label for 'consumer information and consultancy' services, which are covered by the services for which those marks are registered'.³¹³

On appeal, the court disagreed with the court a quo that the defendant infringed on the trademark of the plaintiff. The court held there was insufficient similarity between the defendant's toothpaste products to which the quality label was affixed, and the goods and services protected under plaintiff's mark registration for there to be infringement under articles 9(1)(a) and (b).³¹⁴

The court further held that it is sufficient for a proprietor to enjoy the protection granted by article 9(1)(c) if that mark has a reputation in a substantial part of that territory. In addition, the reputation may extend to a single member state and subsequently the mark at issue should then be considered to have a reputation in the whole of the EU.³¹⁵

It is, therefore, clear that the marks do not have to be used in relation to products that are similar to succeed in court. The anti-dilution provision does not require a similarity of the nature described in article 9 (1) (a) and (b).³¹⁶ In summary, Article 10 (2) of the Trademark Directive and Article 9 (2) (c) of the Regulation provides for infringement by dilution. The EU does not require a proprietor to show that his mark has been damaged or that there is a likelihood of confusion that exist for a dilution claim to succeed. The mere establishment, by a proprietor, of free riding on someone's reputation is enough for dilution to be established. Finally, it must be noted that where a mark does not have a reputation within the domestic boundaries of the EU, a claim of trademark dilution will fail.

³¹¹ *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* para 18.

³¹² *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* para 20.

³¹³ *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* para 20. ³¹⁴ *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* paras 42 – 43.

³¹⁵ *ÖKO-Test Verlag GmbH v Dr. Rudolf Liebe Nachf. GmbH & Co KG* para 50.

³¹⁶ Bird B 'Reports of Trade Mark Cases for CIPA Journal' (2019) available at <<https://www.twobirds.com/~media/pdfs/cipa-july-2019.pdf?la=en&hash=DAD6A067AC43574AF9B923D477D6782B8AF60AFB>> [accessed on 30 Jan. 2020].

4.4 CONCLUSION

This chapter served as a comparative analysis to investigate how trademark dilution has been recognised in the chosen jurisdictions. The chapter has shown that there are similarities as well as differences to the approach to dilution. The USA and EU recognise the protection of the essential functions of a trademark including distinguishing function, as the basis for the existence of dilution. Proprietors in both jurisdictions are required to show that their mark acquired a reputation albeit in varying degrees. In the USA, there is a specific piece of legislation that makes provision for dilution, namely the TDRA. This instrument provides that marks need not be similar for dilution to occur and that proprietors can show the possibility of dilution occurring in the future to be successful. In the EU and SA, there is a general trademark law instrument that deals with all trademark-related matters. There is no specific instrument that governs infringement by dilution.

The position in the USA is much different from its counterpart. The EU, for example, requires a plaintiff to prove economic harm or that he/she may at a later stage suffer economic harm. This is different to the USA which allows for likelihood of dilution. The approach to dilution in the USA is thus less restrictive and flexible. The bar was lowered since the *Moseley* judgment.³¹⁷ In comparison, the EU adopts a much stricter approach compared to the USA but there are claims that have successfully relied on the anti-dilution provision. In South Africa, economic harm is also a prerequisite in a case dealing with dilution. The likelihood of confusion is not a requirement in all the jurisdictions under study.

Dilution have a valid function in safeguarding the gap between law and economic reality. A successful claim of dilution allows a proprietor to be compensated for a harm suffered because of the unlawful use of their mark by the infringer. Moreover, dilution serves as safety-net against the continued economic suffering of trademark owners at the hands of secondary users. This was illustrated by the cases discussed in this chapter. Dilution must be embraced as a valid cause of action and a legitimate legal tool available to prevent third parties from taking unfair advantage of the reputation of well-known marks. The case law and legislation that was discussed provide important information or lessons that South Africa can incorporate into its system. For example, the explicit inclusion of factors that could be used to determine the

³¹⁷Derenburg W J 'The Problem of Trademark Dilution and the Antidilution Statutes' (1956) 44 *California Law Review* 440; See also Missirian DE 'The Death of Moral Freedom: How the Trademark Dilution Act Has Allowed Federal Courts to Punish Subjectively-Defined Immoral Secondary Use of Trademarks' (2019) 18 *Chicago-Kent Journal of Intellectual Property Law* 419.

presence of dilution and the introduction of ‘future economic harm’ as a factor. The next chapter is the conclusion to this thesis and will provide recommendations to the problems identified with the anti-dilution provision in South Africa.



CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter have examined the anti-dilution provisions of South Africa, the United States of America (USA) and the European Union (EU). Section 34(1) (c) of the Trade Marks Act ('the Act')³¹⁸ of South Africa governs infringement by dilution. The section applies even in the absence of confusion or deception and has a broader application.³¹⁹ It seeks to protect the reputation, advertising value and selling power of a well-known mark. The discussion has shown that there are no cases in South Africa where applicants have succeeded in relying on the anti-dilution provision. Therefore, the result or outcome in dilution claims has been negative.

The main objective of this thesis was to ascertain the reasons behind the lack of successful cases.³²⁰ The introduction to this thesis outlined the complexities that exist in respect of a claim based on trademark dilution founded by Frank Schechter, which was adopted subsequently by numerous jurisdictions, including South Africa under the Trade Marks Act.

Chapter one discussed the importance of the protection of trademarks and it dealt with the general forms of infringement in South Africa namely: primary infringement in section 34 (1) (a), extended infringement in section 34 (1) (b) as well as dilution in section 34 (1) (c). The chapter continued to analyse the possible problems this continued grey area in the law could pose for future litigants of trademark dilution disputes. The main objective of this thesis was to determine what needs to be established in a case of trademark infringement by dilution. In addition, the chapter outlined the research questions that served as the basis for the investigation in this thesis.

Chapter 2 viewed the various underlying intellectual property law theories to ascertain the basis for trademark protection as a gateway to dilution. In the discussion, it was illustrated that it is impossible for a single theory of intellectual property to give rise to the trademark dilution as each of them protect different aspects relating to trademarks.³²¹ The chapter showed that each

³¹⁸Act 94 Of 1993.

³¹⁹See *Yuppiechef Holdings (Pty) Ltd v Yuppie Gadgets Holdings (Pty) Ltd* (1088/2015) 2016 ZASCA 118. See Chapter 3 Part 5.1.

³²⁰See *Verimark v BMW AG* 2007 (6) SA 263 (SCA); *Bata Ltd v Face Fashions* 2001 (1) SA 844 (SCA); *Yair Shimansky v Brown the Diamond Store Proprietary Limited* (9/2014) [2014] ZASCA; *Yuppiechef Holdings (Pty) Ltd v Yuppiegadgets Holdings (Pty) Ltd* (1088/2015) [2016] ZASCA; *Honda Giken Kogyo Kabushiki Kaisha t/a honda Motor Co Ltd v Big Boy Scooter* 24784/15 [2017] ZAGPPHC.

³²¹See Chapter 2 part 4.

of the theories protects various intellectual property interests. The utilitarianist theory showed that the basis of trademark protection is based on the rewards that should be given to a proprietor.³²² It was found that the social planning theory serve as a safety mechanism for trademarks by protecting the origin function and marketability factor.³²³ The chapter also found that the natural rights theory was more in-line with the general infringement actions in its attempt protect proprietors,³²⁴ while the personhood theory reemphasised the connection between the owner and his or her products. The personhood focuses on the extent to which property is personal and it served as justification for trademark dilution since it directly hinders what the theory embodies.³²⁵

The reward theory was also discussed. This theory seeks to protect the proprietor when his or her mark becomes weakened by secondary use.³²⁶ This theory stipulates that when blurring occurs, the reward becomes diminished. The chapter further discussed the labour theory which suggests that protection should lie in the fact that the mark would not be in existence if it wasn't for the proprietor.³²⁷ The chapter concluded by highlighting how the personhood and labour theory are the basis for dilution protection.³²⁸

Chapter 3 examined trademark dilution in the context of South Africa. In doing so, each of the requirements to be proven in a claim of trademark dilution was discussed. The plaintiff must prove the following: his/her mark was used in an unauthorised manner by the infringer.³²⁹ The mark should be used in relation to any goods or services in the course of trade.³³⁰ The plaintiff must then prove that his mark and the infringing marks are identical or similar.³³¹ The mark must be well-known in the Republic.³³² Use of the infringing mark should likely take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark. Dilution does not require the evidence of the likelihood of confusion or deception.

³²²See Chapter 2 part 2.1.

³²³See Chapter 2 part 2.2.

³²⁴See Chapter 2 part 2.3.

³²⁵See Chapter 2 part 2.4.

³²⁶See Chapter 2 part 2.5.

³²⁷See Chapter 2 part 2.6.

³²⁸See Chapter 2 part 4.

³²⁹See Chapter 3 part 4.2.1.

³³⁰See Chapter 3 part 4.2.2.

³³¹See Chapter 3 part 4.2.3.

³³²See Chapter 3 part 4.2.5.

It was found that the requirements for dilution have proven to be a contentious issue amongst legal academics and the courts.³³³ The aim of this thesis was to analyse how courts have interpreted section 34 (1) (c) and whether there is a need for a different approach.³³⁴ Chapter 3 therefore, focused on the relevant case law and on how courts have been dealing with infringement by dilution. In the analysis, it was found that courts in South Africa apply a higher standard to infringement by dilution since evidence showing actual economic loss is required. There is no clear guidance on the factors which courts must take into consideration.³³⁵ It seems all the claims based on section 34 (1) (c) in South Africa have failed, which is a cause for concern since it is likely to render the provision defunct.

Chapter 4 undertook a comparative approach and examined the anti-dilution provision in the USA and EU respectively. These jurisdictions were analysed with the purpose of finding possible solutions to the application and interpretation of section 34 (1) (c) in South Africa. This chapter found that the USA has a comprehensive statute that caters specifically for dilution, namely the Trademark Dilution Revision Act of 2006. The statute outlines what litigants must prove when bringing a dilution claim to court. The proprietor must show that his trademark has acquired fame amongst the general population of the USA. In addition, a proprietor must show likelihood of dilution and the distinctiveness of the mark is being threatened by the secondary use. Under the EU trademark law, it has been found there is no comprehensive instruments that specifically deals with dilution. The anti-dilution provision in the Trademark Directive of 2015 is identical to the one in the Regulation 2424 of 2015. The chapter showed that in the EU, a proprietor must show that the infringing mark is identical or similar to the EU trademark. The trademark should have acquired a reputation in the EU and use by the infringing mark should take unfair advantage or be detrimental to the distinctive character or repute of the trademark. Furthermore, it not a requirement under the EU for a proprietor to show that his mark has been damaged or that there is a likelihood of confusion that exist for a dilution claim to succeed.³³⁶ A proprietor merely needs to show that there was free riding on his or her reputation and that is enough for dilution to be established.³³⁷ Finally, where a mark does not have a reputation within the domestic boundaries of the EU, a claim of trademark dilution will fail. While the USA adopts a flexible approach, the EU has more of a

³³³ See Chapter 3 part 4.2.5; Kelbrick R 'The term 'well-known' in South African Trademark legislation: some comparative interpretations' (2005) 38 *The Comparative and International Law Journal of Southern Africa*.

³³⁴ See Chapter 3 part 2.

³³⁵ See Chapter 3 part 5.1.

³³⁶ Chapter 4 Part 4.2.

³³⁷ Chapter 4 Part 4.2.

stricter approach to infringement by dilution. This analysis also outlined the differences between the two jurisdictions and SA. The analysis found that SA need to include clearer guidelines for the dilution action.

5.2 RECOMMENDATIONS

It is a commercial reality that competitors want to reap where they did not sow. The following part will proffer some recommendations to the difficulties experienced with proving infringement by dilution in South Africa.

5.2.1 Adoption of a better approach to the interpretation of section 34(1) (c)

The 'likelihood of economic harm,' and 'well-known' requirement

As discussed in chapter 3 of this thesis, a proprietor must show that his/her mark is 'well-known' in the Republic. Courts have interpreted this phrase differently, resulting in confusion amongst trademark owners and litigators.³³⁸ Section 34 (1) (c) of the Trademark Act only provides protection to the reputation and distinctive character of a 'well-known' trademark. The protection is not limited to marks that are used on similar or identical goods. This means that the infringing mark need not be used on the goods for which the mark is registered. It must just be used in the course of trade. Such protection is important for any trademark that is unique. According to Sachs J:

‘...it is not only the Goliaths of this world who need trademark protection. Small entrepreneurs fighting to increase their share of the market against the Goliaths strive energetically to identify their uniqueness and that of their products and services. Confusion, dilution or tarnishing of their trademarks can be as harmful to them as to any of the major companies, indeed more so, because their capacity to mitigate any detriment will be attenuated.’³³⁹

The above statement is arguably valid. Small entrepreneurs need to be equally protected in terms of section 34 (1) (c) when their marks have become unique or distinctive. The interpretation of 'well-known' should not be restricted to big brands or names. It is, therefore, submitted that the 'well-known' requirement be given a specific meaning to ensure that no ambiguity exists. The anti-dilution provision should safeguard the commercial interests of all distinctive trademarks. As it stands, the threshold which proprietors must meet for their marks to qualify as well-known is that it must be known 'in the whole of South Africa', it has the

³³⁸Chapter 3 Part 3.3.

³³⁹*Laugh it Off Promotions* para 80.

potential of prejudicing lesser known marks. Therefore, the meaning attributed to well-known should consistently be ‘known to persons interested in the goods or services to which the mark relates’ and not necessarily the whole of South Africa.³⁴⁰ This interpretation will afford lesser known marks the opportunity to qualify for protection under section 34(1) (c).

In addition, it is further argued where no actual economic harm has been shown, the likelihood of economic prejudice must suffice.³⁴¹ The requirement that there trademark owner should prove actual economic harm does not further the objective of the anti-dilution provision, which is to protect the commercial value and distinctiveness of a mark. Dilution creates long-term economic harm which is not often recognised by courts when determining if dilution is present. The standard should be ‘threatened injury to the selling or likelihood of harm’ as opposed to actual harm. The actual harm requirement is difficult to meet and prove in court. The USA moved from actual harm to likelihood of harm. The rationale was because of the arbitrary loss a proprietor would suffer as a result of an inability to show actual dilution at the time of instituting legal proceedings. The courts in the USA recognised that by not allowing likelihood of dilution, it places an unfair limitation on methods of proving dilution in courts. Furthermore, it is argued that if a proprietor is asked to show actual harm suffered, he or she could suffer an injury that the legislature did not create a suitable remedy for.³⁴²

5.2.2 Proposed amendment to the Trade Marks Act

The inclusion of factors which should guide courts in determining infringement by dilution

In the USA, the legislature included specific factors which a court ought to consider when determining whether a mark has been diluted by tarnishment or blurring in the Federal Trademark Dilution Revision Act of 2006. The factors include: the degree of similarity between the mark or trade name and famous, the degree of inherent or acquired distinctiveness of the famous mark, any actual association between the mark or trade name and the famous mark, et cetera.³⁴³ South Africa trademark law, does not provide clear guidance to courts insofar as infringement by dilution cases are concerned. Courts have, however, developed jurisprudence on primary and extended infringement. The same has not happened with

³⁴⁰See the discussion of *McDonald's Corporation* under Chapter 3 Part 4.2.5.

³⁴¹See *Laugh it off Promotions* at para 66 under Chapter 3 Part 5.1.

³⁴²Ruwe K ‘The Federal Trademark Dilution Act: ‘Actual Harm’ or ‘Likelihood of Dilution’ (2001) 70 *University of Cincinnati Law Review* 1178 – 88.

³⁴³See Chapter 4 Part 1.2.

infringement by dilution. Similarly, there are no factors that courts must consider in determining whether dilution has taken place. The anti-dilution provision as it stands is not serving its purpose since all the case law based on it failed. This means the provision is not fulfilling its purpose by providing protection to the reputation or distinctiveness of well-known marks.

It is submitted that section 34 (1) (c) of the Trademarks Act needs to be amended to include factors such as:

1. the degree of similarity between the marks or trade name and the well-known mark;
2. the degree of inherent or acquired distinctiveness of a well-known mark;
3. any actual association between the registered mark and the infringing mark;
4. the degree of recognition of the well-known mark by the relevant section of the public and any actual association between the mark, trade name with the well-known mark.

This is important since courts need clear guidance on the factors which may be taken into consideration when determining infringement by dilution. This is not a closed list. Therefore, more factors can be added.

Incorporation of 'future economic harm element' to section 34(1) (c)

The current construction of section 34 (1) (c), as illustrated by case law, does not create legal certainty. It seems the interpretation and application of section 34 (1) (c) has been problematic. As mentioned above, dilution affects the distinctiveness and commercial value of a mark. Therefore, it is submitted that the legislature should include future economic harm into the anti-dilution provision in South Africa. Case law in the EU shows that while it is difficult to show a likelihood of economic harm at the time of instituting legal proceedings, it may be more likely that a proprietor can show future economic harm. This inclusion shows a greater possibility for the proprietor to be successful as it is likely that economic harm may occur in the future.³⁴⁴

5.3 FINAL CONCLUSION

Infringement by dilution is one of the most important provisions in the sphere of trademark law, one that protects proprietors from various forms of harm. The thesis showed that the current application of the anti-dilution provision in South Africa is not providing sufficient protection to trademark owners who want to protect the commercial magnetism of their

³⁴⁴See Chapter 4 Part 2.2 in the discussion of *Marshall's Mono Limited v Mr Desmond Wallford*.

trademarks. It is submitted that the current anti-dilution provision in South Africa is defunct and is in desperate need of revision. South Africa can draw lessons from both the USA as well as the EU insofar as the application and interpretation of infringement by dilution is concerned. While South Africa does not need a specific piece of legislation that deals with dilution, the provision needs to be amended to eliminate unnecessary ambiguities. In the USA, courts are given clear guidance regarding the factors which they may consider when making a finding on a dilution action. In the EU, the courts have adopted a less restrictive forward-looking approach by including future economic harm as an element. This enables a proprietor to succeed in raising infringement by dilution. Trademark dilution should not be viewed in a narrow way, but as a broader form of intellectual and economic harm. South Africa can learn a great deal from the approaches of these other jurisdictions.



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