

IN THE HIGH COURT OF SOUTH AFRICA
(GAUTENG DIVISION, PRETORIA)

17/2/15
Case No: 39311/2014

In the matter of trade mark application No 2008/17826
KAPPA in Class 34 between:

BASIC TRADE MARK S.A.

Applicant
(Opponent)

and

KARELIA TOBACCO COMPANY INC.

Respondent
(Trade Mark Applicant)

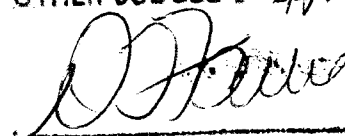
JUDGMENT

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D S FOURIE, J:

- (1) REPORTABLE : ~~YES~~/NO
(2) OF INTEREST TO OTHER JUDGES : ~~YES~~/NO
(3) REVISED ✓

17/2/15



[1] This is an application ~~opposing the registration of a trade mark~~

made in terms of section 21 of the Trade Marks Act, 194 of 1993 read with Regulation 19 promulgated thereunder. Basic Trade Mark SA (Opponent) is opposing trade mark application No. 2008/17826 KAPPA in Class 34 filed in the name of Karelia Tobacco Company Inc (Trade Mark Applicant) in terms of sections 10(3), 10(6), 10(7), 10(12), 10(13), 10(14) and 10(17) of the Trade Marks Act.

THE PARTIES

[2] The Opponent is a company incorporated under the laws of Luxembourg, an international leader in the design and manufacturing of sports and leisure wear products and apparel. It is the registered proprietor of trade marks internationally and in South Africa of trade marks containing the word KAPPA in relation to a wide range of goods and services. It is alleged that its product range is extensive and it has become particularly well-known in South Africa (and worldwide) in relation to sports and leisure wear. According to the founding affidavit it sponsored various local soccer teams as well as European soccer clubs.

[3] The Trade Mark Applicant is a Greek company and a leading worldwide cigarette manufacturer. According to the answering affidavit it has worldwide sales in approximately 70 countries. Its main brand is Karelia Slims which, due to its wide appeal and success, has also been listed and sold in many prominent airport duty-free outlets around the world. It is also the proprietor of other Karelia brands including Karelia Lights, Karelia Blue and Karelia Royals. The name of the Trade Mark Applicant, the family name of its directors and the vast majority of its brands begin with the letter "K", which is "KAPPA" in Greek. The Trade Mark Applicant has filed numerous applications and has obtained registrations in various jurisdictions around the world for the KAPPA trade mark.

[4] The Opponent has registered its marks in classes relating to clothing, metals and alloys, paper and stationary, leather articles and spectacles. The word "KAPPA", without any accompanying words or pictorial devices, is only registered by the Opponent in respect of spectacles, clothing, leather and games. The Trade Mark Applicant seeks registration in Class 34, which relates to tobacco, smokers' articles and matches. The Opponent holds no registration in Class 34 and according to the founding affidavit it can be inferred that it will never seek to use its trade mark in connection with tobacco products.

GROUND OF OPPOSITION

[5] The Opponent relies on seven grounds of opposition which are all contained in section 10 of the Act. The relevant provisions read as follows:

*"10. **Unregistrable trade marks.** – The following marks shall not be registered as trade marks or, if registered, shall, subject to the provisions of sections 3 and 70, be liable to be removed from the register:*

...

- (3) a mark in relation to which the applicant for registration has no bona fide claim to proprietorship;*

...

- (6) subject to the provisions of section 36(2), a mark which, on the date of application for registration thereof, or, where appropriate, of the priority claimed in respect of the application for registration thereof, constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of a trade mark which is entitled to protection under the Paris*

Convention as a well-known trade mark within the meaning of section 35(1) of this Act and which is used for goods or services identical or similar to the goods or services in respect of which the trade mark is well-known and where such use is likely to cause deception or confusion;

- (7) *a mark the application for registration of which was made mala fide;*

...

- (12) *a mark which is inherently deceptive or the use of which would be likely to deceive or cause confusion, be contrary to law, be contra bonos mores, or be likely to give offence to any class of persons;*

- (13) *a mark which, as a result of the manner in which it has been used, would be likely to cause deception or confusion;*

- (14) *subject to the provisions of section 14, a mark which is identical to a registered trade mark belonging to a different proprietor or so similar thereto that the use thereof in relation to goods or services in respect of which it is sought to be registered and which are the same as or similar to the goods or services in respect of which such trade mark is registered, would be likely to deceive or cause confusion, unless the proprietor of such trade mark consents to the registration of such mark;*

...

- (17) *a mark which is identical or similar to a trade mark which is already registered and which is well-known in the Republic, if the use of the mark sought to be registered 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 deception or confusion, unless the proprietor of such trade mark consents to the registration of such mark;*

...”

[6] These grounds of opposition have been conveniently grouped together under three headings in the founding affidavit, i.e. bad faith, confusing similarity and tarnishment of the KAPPA trade mark. The grounds of opposition will be dealt with in these groupings and in the same order.

BAD FAITH

[7] It is alleged by the Opponent that in view of its worldwide use and long established reputation in the KAPPA trade mark at the time, it is very likely that the Trade Mark Applicant would have been aware of the Opponent's KAPPA trade mark when it adopted the KAPPA trade mark and subsequently filed its application for KAPPA in Class 34. It further contends that the trade mark application in Class 34 offends against the provisions of section 10(3) and section 10(7) of the Act in that the Trade Mark Applicant has no *bona fide* claim to proprietorship of the KAPPA trade mark and appears to have made the application *mala fide*.

[8] It was argued on behalf of the Trade Mark Applicant that even if it were to be assumed that the Opponent's KAPPA mark is unique and inherently distinctive and it is also accepted that the Trade Mark Applicant was aware of the Opponent's KAPPA registration at the time it applied to register the KAPPA mark, then it does not follow from these premises that the application for registration of the KAPPA mark was not *bona fide*.

[9] The evidence for the Trade Mark Applicant is that it adopted the KAPPA mark in good faith in Greece in a manner that was both natural and justified. It is the leading cigarette manufacturer in Greece with worldwide sales in about 70 countries. It applied for the registration of the KAPPA mark in about 100 jurisdictions worldwide, including now in South Africa. It appears that these allegations are not *per se* denied. There is also no suggestion by the Opponent that the Trade Mark Applicant did not originate the KAPPA mark in the sense of independently deciding to use this mark in relation to its goods.

[10] In Wm. Penn Oils Limited v Oils International (Pty) Ltd 1966 (1) SA 311 (A) at 317 F-G Holmes JA considered the situation where an objector claims that it is the owner of a mark and, on that ground, that an applicant cannot claim to be the proprietor of the same mark. It was held that “proprietor” is not used in relation to a common law right of property, but merely requires the applicant to claim to have originated or acquired the trade mark and having independently and *bona fide* conceived the idea of using the trade mark. To put it differently, a Trade Mark Applicant can claim to be the *bona fide* proprietor provided it can show that it originated the mark in the sense referred to above.

[11] Having regard to the Trade Mark Applicant’s undisputed evidence in this regard, it should be accepted that the Trade Mark Applicant adopted the KAPPA mark and applied for its registration in South Africa, proposing to use it. There is also no evidence that the Trade Mark Applicant did not

originate the KAPPA mark in the sense of independently deciding to use this mark in relation to its goods. Having regard to all the evidence, I am unable to find that the Trade Mark Applicant has no *bona fide* claim to proprietorship or that the application was made *mala fide*. The objection on the grounds of sections 10(3) and 10(7) accordingly falls to be dismissed.

CONFUSING SIMILARITY

[12] The opposition brought under sections 10(6), (12), (13) and (14) turns on the same question, i.e. whether or not the opposed mark is so similar to the Opponent's trade mark that it is likely to deceive or cause confusion. Deception or confusion is a necessary element of all these subsections. The onus rests upon an applicant for the registration of a trade mark to establish that the proposed trade mark qualifies for registration (The Upjohn Company v Merck & Another 1987 (3) SA 221 (T) at 224C). In the present context it means that the onus of proving that there is no likelihood of deception or confusion rests upon the Trade Mark Applicant.

[13] It is alleged in the founding affidavit that the Opponent's KAPPA trade mark is an invented, unusual word with no conceptual link or suggestive value and is unique to the Opponent. The use and registration of an identical word or a trade mark that is confusingly similar to the Opponent's KAPPA device in relation to any product is therefore likely to cause confusion or deception in the marketplace. It is also pointed out that the KAPPA trade mark in South Africa is used in relation to a wide range of goods and

services. These include clothing, footwear and related accessories, bags, eye wear, jewellery, sporting equipment and body care products.

[14] In New Media Publishing (Pty) Ltd v Eating Out Web Services CC 2005 (5) SA 388 (CPD) the applicant launched an application for an order in terms of section 34(1)(b) of the Act restraining the Trade Mark Applicant from infringing the applicant's registered trade mark. It is also a requirement of that section "that in such use there exists the likelihood of deception or confusion". Thring J observed as follows in this regard at 394 D-F:

"There is, it seems to me, an interdependence between the two legs of the inquiry: the less the similarity between the respective good or services of the parties, the greater will be the degree of resemblance required between their respective marks before it can be said that there is a likelihood of deception or confusion in the use of the allegedly offending mark, and vice versa. Of course, if the respective goods or services of the parties are so dissimilar to each other that there is no likelihood of deception or confusion, the use by the respondent even of a mark which is identical to the applicant's registered mark will not constitute an infringement; also, if the two marks are sufficiently dissimilar to each other no amount of similarity between the respective goods or services of the parties will suffice to bring about an infringement."

[15] This *dictum* was approved by the Supreme Court of Appeal in Mettenheimer v Zongquasdrif Vineyards CC [2014] 1 All SA 645 (SCA) at 650, par 11. In that case the appeal also turned on the application of section 34(1)(b) of the Act. A comparison of the two marks satisfied the Court that they were virtually identical. However, the issue to be decided was whether

the similarity between the goods in respect of which the appellants' mark was registered (wine) and the goods in which the Trade Mark Applicant was trading (wine grapes), was such that confusion or deception would be the probable result. In considering this issue and with reference to other decided cases, the Court took into account considerations such as the uses of the respective goods, the users of the respective goods, the physical nature of the goods, and the respective trade channels through which the goods reach the market (par 13). The Court concluded that there was no substance in the appellants' contention that they had established a likelihood of confusion with regard to the origin of their wine and the Trade Mark Applicant's grapes.

[16] It is clear that the learned Judge of Appeal did not intend to lay out an exhaustive list of factors. However, these considerations, albeit in the context of section 34(1)(b), are equally applicable in relation to the registration of competing marks. With regard to similar or related goods, the Opponent maintains that the goods for which the Trade Mark Applicant seeks registration may be viewed as complementary to those provided by the Opponent, thereby creating a likelihood of deception or confusion in the marketplace.

[17] This is not only denied, but it is also alleged by the Trade Mark Applicant that goods falling within Class 34 are entirely different in nature, intended purpose, method of use, users and trade channels from the goods in respect of which the Opponent has sought registration for its "KAPPA" trade marks. It is further alleged that such goods are not sold in competition

with, nor are they complimentary to, the goods in respect of which the Opponent's trade marks are registered. According to the evidence for the Trade Mark Applicant these goods have very different trade channels and would not be sold in proximity to one another.

[18] Sports and leisurewear products on the one hand and tobacco, smoker's articles and matches on the other, being goods accommodated in different classes on the Register, are indeed goods of a widely divergent nature. Furthermore, according to the evidence for the Trade Mark Applicant (which has not been seriously challenged in the replying affidavit) the uses and users of the respective goods as well as the respective trade channels are entirely different. I have no reason to doubt these allegations. Having regard to this evidence and the nature of the goods there is, in my view, no likelihood of deception or confusion.

TARNISHMENT

[19] In terms of section 10(17) of the Act, a mark shall not be registered where it is identical or similar to a trade mark which is already registered and which is well-known in the Republic, if the use of the mark sought to be registered 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 deception or confusion, unless the proprietor of such trade mark consents to the registration of the mark.

[20] Although the onus rests upon an applicant for the registration of a trade mark to establish that the proposed trade mark qualifies for registration, certain of the subsections of section 10 appear to require an opponent to bear an evidential burden (cf. Webster & Page, *South African Law of Trade Marks*, 4th Edition, par 8.30, n32). Subsection (17) appears to be one of them. According to the wording thereof it appears that in the present context the Opponent must lead evidence to show that the use of the mark by the Trade Mark Applicant would *prima facie* take unfair advantage of, or be detrimental to the distinctive character or the repute of the registered trade mark. In this regard it is also important to bear in mind that the Opponent is required to make out the case on which he relies in the founding affidavit and not in reply.

[21] The deponent on behalf of the Opponent is domiciled in Torino, Italy and acts in his capacity as the officer and "proxy" of the Opponent, a company incorporated under the laws of Luxembourg with its registered business address also in Luxembourg. It also appears that this affidavit was executed outside the Republic. In the paragraph dealing with tarnishment the following is alleged by the deponent:

"The Opponent's KAPPA brand is undoubtedly associated with a positive, healthy and active lifestyle mainly, though not exclusively, among young people and sports fans. The use and registration of an identical mark in relation to tobacco, cigarettes and smokers' requisites places the mark in an unwholesome context and conflicts with the essence of the Opponent's KAPPA brand. It is

therefore submitted that the use and registration of Trade Mark Application No. 2008/17826 in respect of the listed goods in Class 34 would tarnish and cause serious detriment to the distinctive character and repute of the Opponent's KAPPA trade marks." (par 8.1)

[22] As far as the grounds for opposition are concerned, the following is alleged in this regard:

"Most notable, I am advised that Trade Mark Application No 2008/17826 KAPPA offends against the provisions of section 10(17) of the Act in that it is identical and/or confusingly similar to the registered trade marks of the Opponent, that have also become well-known in the Republic, and is likely to take unfair advantage of and be detrimental to the distinctive character or repute of the Opponent's registered trade marks (notwithstanding the absence of deception or confusion) by using it in an unwholesome context in relation to cigarettes, tobacco and smoker's articles which strongly contrasts with the essence and image of the Opponent's brand." (par 10.5)

[23] I shall assume (without deciding) that the trade mark which is already registered is well-known in the Republic. The question to be decided is whether the use of the mark sought to be registered would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark.

[24] In its answering affidavit the Trade Mark Applicant has denied that the use of the mark sought to be registered would be likely to take unfair

advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark. It is also pointed out that the Opponent has failed to adduce evidence of any likelihood that it would suffer economic harm and that the use of the mark sought to be registered would tarnish and cause serious detriment to the distinctive character and repute of the Opponent's trade marks.

[25] In Laugh It Off Promotions CC v SAB International (Finance) 2005 (2) SA 46 (SCA) the respondent applied in the High Court for an interdict based on section 34(1)(c) of the Act preventing the appellant from marketing T-shirts which it alleged infringed the respondent's trade marks. The respondent alleged that the offending use of the marks was a caricature of the neck and body labels of beer bottles of its brand which used the general layout and colours of the registered mark but replaced the words "Black Label" with "Black Labour" and "Carling Beer" with "White Guild". The High Court held that the message on the T-shirts carried a likelihood of material detriment to the distinctive character or repute of the respondent's marks and granted the restraint order sought. In an appeal to the Supreme Court of Appeal the Court agreed that the message was materially detrimental to the repute of the respondent's trade marks (par 28).

[26] The respondent then approached the Constitutional Court seeking leave to appeal against the judgment of the Supreme Court of Appeal. The leave prayed for was granted and in Laugh It Off Promotions CC v SAB International (Finance) BV 2006 (1) SA 144 (CC) the Constitutional Court

again considered the wording of section 34(1)(c) of the Act. Although the judgment was in the context of that section and not section 10(17), both sections carry the identical phrase “take unfair advantage of, or be detrimental to” and it is therefore accepted that the interpretation applied by the Constitutional Court to section 34(1)(c) applies equally to section 10(17).

[27] With regard to the “likelihood of detriment” Moseneke J observed as follows (par 54):

“It is clear that even without reference to the dictates of the Constitution, our Courts rightly tend to determine a likelihood of detriment to the selling appeal of a mark in the light of established facts and not bald allegations. However, in the present case, the SCA dismissed this contention of the applicant out of hand and on the narrow basis that s 34(1)(c) does not require prove of actual loss but only the likelihood of loss. Unlike the position in the UK, European Union and under the United States (US) federal law, it is so that s 34(1)(c) does not require actual loss, but its likelihood. In other words, it requires a probability of the occurrence of material loss. The SCA and the High Court appear to have approached the likelihood of detriment on the footing that the message on the T-shirts would probably create in the minds of consumers a particularly unwholesome, unsavoury and degrading association difficult to detach from the reputation of the respondent’s marks. But the difficulty is that ordinarily probability is a matter of inference to be made from facts consistence with the inference. No such facts have been pleaded.”

[28] It was contended on behalf of the Opponent that the KAPPA trade mark is associated with a positive, healthy and active lifestyle and the use

and registration of an identical mark in relation to tobacco, cigarettes and smokers' requisites will place the mark in an unwholesome context which will cause serious detriment to the distinctive character and repute of the Opponent's trade mark. In support of this argument counsel for the Opponent also referred me to a decision by O Morris for the Registrar, United Kingdom in the application for invalidation in respect of the trade mark KAPPA between the same parties. In that matter it was concluded that the use of an identical mark in relation to tobacco would make the mark less attractive to potential customers of the Opponent (applicant in that matter) and this demonstrates that damage "in a tarnishing sense, flows, together with the economic consequences" (par 38).

[29] It should be pointed out that according to the judgment it appears that evidence was presented for the applicant by its trade mark attorney. It related to a decision and supporting materials from essentially the same dispute at European level and in Singapore. Evidence was also presented by Mr Sindico, the applicant's "proxy", about the effects of smoking and the restrictions on tobacco advertising, including an explanation of the steps the applicant has taken to prevent any derogatory use of its marks. In his evidence, Mr Sindico also provided a number of documents published by the World Health Organisation relating to the health damaging effects of tobacco products, that sponsorship/advertising increases smoking and, also, the link between sport and tobacco in that tobacco companies have, in the past, used sporting activities and events for promotional purposes with the aim of negating the negative connotations of tobacco products. It appears that the

witness also referred to the Framework Convention on Tobacco Control which came into force during 2005, a convention which the UK is party to.

[30] In the matter before me counsel for the Trade Mark Applicant pointed out that the Opponent's and Trade Mark Applicant's target markets are substantially different and there is no evidence that the sale of cigarettes under the KAPPA mark will cause consumers to think that the Opponent endorses smoking.

[31] The founding affidavit filed on behalf of the Opponent sets out in some detail the total annual turnover from the sale of products bearing the KAPPA trade marks, both worldwide and in South Africa, prominent soccer and rugby sponsorships and even endorsements by certain well-known sports personalities. Even if one were to accept the allegation that the Opponent's KAPPA brand is associated with a positive, healthy and active lifestyle, there is no evidence that the use and registration of an identical mark in relation to tobacco, cigarettes and smokers' requisites will have the likely effect to tarnish the selling power of the mark. Furthermore, the bald allegation that the registration will be detrimental to it because of the "unwholesome context" of cigarettes and smoking is not supported by any evidence, direct or inferential, or in the context of a likelihood of loss of sales by virtue of the reduced commercial magnetism of the mark.

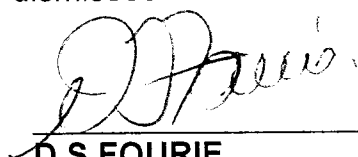
[32] Most notable, the deponent on behalf of the Opponent who is domiciled in Torino, Italy does not qualify himself as a person who is familiar

with consumer perceptions and consumer behaviour in the context of unfavourable associations that might be created by the use of tobacco products in South Africa. This probably also explains why the deponent, instead of presenting evidence, “submitted” and was also “advised” that the use and registration of the trade mark in respect of the goods listed in Class 34 would tarnish and cause serious detriment to the distinctive character and repute of the Opponent’s KAPPA trade marks. No particulars were furnished of the respects in which the use of the mark would be likely to take unfair advantage of or be detrimental to the distinctive character or repute of the Opponent’s trade marks. Furthermore, the Opponent’s argument on detriment rests on the assumption, not supported by evidence, that consumers will probably draw an unfavourable or unwholesome association between the two products. Even if it were to be correct, I don’t think this is a fact of such general common knowledge that a court is entitled to take judicial notice of it.

[33] In the absence of acceptable evidence I am unable to find that the Opponent has discharged the evidential burden to indicate *prima facie* that use of the mark sought to be registered would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark. In the result the Opponent’s application falls to be dismissed.

ORDER

I grant the following order: The Opponent's application, opposing the Trade Mark Applicant's registration, is dismissed with costs.



D S FOURIE
JUDGE OF THE HIGH COURT
PRETORIA

Date: 17 February 2015