



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

MEDIA SUMMARY OF JUDGMENT DELIVERED IN THE SUPREME COURT OF APPEAL

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Cochrane Steel Products (Pty) Ltd v M-Systems Group (Pty) Ltd (227/2015) [2016] ZASCA 74 (27 May 2016)

The Supreme Court of Appeal (SCA) today handed down judgment relating to use of a rival business' common law trademark as a keyword in the Google AdWords system and whether that constitutes unlawful competition or passing off.

The case involved – Cochrane Steel Products (Pty) Ltd (the appellant) and M-Systems Group (Pty) Ltd (the respondent) – two rival traders in the security fencing industry. During 2008 the appellant had invented security fencing comprising high density, high tensile mesh and conceived and adopted the brand name 'CLEARVU' for the product. Although there are pending applications for registration which were filed by the appellant in 2010, CLEARVU is yet to be registered as a trade mark in terms of Trade Marks Act 194 of 1993. The appellant accordingly relied in the case on a common law trade mark.

The activities from which these proceedings arose concerned the display on the internet of M-Systems' advertisements in response to the entry into the Google search engine by internet users of search terms consisting of or comprising the word 'CLEARVU' or minor variants of it. This was made possible by the service called Google AdWords, in terms of which Google offers advertisers the facility to match a keyword to a user's search query so as to trigger an advertisement in various different ways, and which allows advertisers to display their advertisements in the Google content network through either a cost-per-click or cost-per-view scheme. The appellant's argument was that this constituted a form of unlawful competition or alternatively a passing off.

Thus, during October 2013, the appellant sought to interdict and restrain the respondent from using its mark CLEARVU or any mark confusingly similar to the mark including the marks 'CLEAR VU' and 'CLEAR-VU' in relation to Google AdWords advertising. On 29 October 2014, the Gauteng Local Division, Johannesburg (per Nicholls J) dismissed the application with costs, but granted leave to the appellant to appeal to the SCA.

The SCA held in respect of the respondent's alternative claim of passing off, that it is a species of wrongful competition in trade or business; and that it consists in a representation by one person that his or her business or merchandise is that of another, or that it is associated with that of another. The

court further held that in order to determine whether a representation amounts to a passing off, the test was whether there is a reasonable likelihood that members of the public may be confused into believing that the business of the one is, or is connected with, that of another.

The SCA found that the appellant not having any registered right in the name CLEARVU, that it was for it (the appellant) to show that the name has acquired such a reputation in relation to its business, that it may be said to have become distinctive thereof. The SCA stated that whilst it was willing to accept in the appellant's favour that it had succeeded in establishing a reputation in the name CLEARVU, it (the court) doubted whether the appellant had established the second leg of its cause of action, namely that the respondent's conduct caused or was calculated to cause the public to be confused or deceived. The SCA held in that respect that the question whether there is a reasonable likelihood of such confusion arising is a question of fact for determination in the light of the circumstances of each case.

In relation to the appellant's main contention of unlawful completion: The SCA found that in a number of decisions of comparable foreign jurisdictions dealing with the question of whether or not the bidding by one trader on another's trade mark as a keyword in Google's AdWords service had been lawful.

The SCA thus held that the critical question to be answered in a keyword bidding case is whether the Google advertisement which appears in response to a search using the keyword itself gives rise to the likelihood of confusion; and not whether or not the bidding by one competitor on the trade mark of another is itself unlawful.

The SCA held that the test for the unlawfulness of a competitive action is essentially public policy and the legal convictions of the community and that the latter ordinarily includes not only right-thinking members of the community who might be expected to hold a view on the particular topic, but also: those involved in the industry and its business ethics where the norm is to be applied. Apart from these considerations, that there are elements like an inherent sense of fairplay and honesty; the importance of a free market and strong competition in the economic system; and the question whether the parties concerned are competitors.

The SCA held that the determination of whether or not an advertiser acts in accordance with honest practices in commercial matters and fairly in relation to the legitimate interest of another trade mark proprietor depends upon whether or not consumers would understand the advertiser's Google advertisement to establish a link between the third party's goods and those of the trade mark proprietor, and of the extent to which the third party ought to have been aware of that. The court held that if the trade mark proprietor establishes the likelihood of this link (ie confusion) then the advertiser will be held to have acted dishonestly or unfairly.

The SCA found that in this case, the claim of the appellant related to a competitive act which did not fall within any of the recognised categories of unlawful competition. The court stated that it had not been referred to any South African decision in which an applicant was afforded protection against the use of its unregistered trade mark in the absence of dishonest or wrongful conduct on the part of its rival. The court held that, to the contrary, the courts have generally declined to come to the aid of an applicant complaining that a rival trader has used its trade name for its own commercial purposes unless that applicant can establish that the rival trader is using its trade mark or trade name in a manner likely to deceive or confuse members of the public.

Based on the foregoing, the SCA accordingly found in respect of the appellant's main contention (unlawful competition) that it followed in the case that the attempt by the appellant to found a cause of action based on unlawful competition in these circumstances had been ill-conceived.

The SCA resultantly dismissed the appeal with costs.

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