

REPORTABLE

IN THE HIGH COURT OF SOUTH AFRICA
(CAPE OF GOOD HOPE PROVINCIAL DIVISION)

CASE NO: **1546/2002**

In the matter between:

PUMA AG RUDOLF DASSLER SPORT

Plaintiff

and

GLOBAL WARMING (PTY) LTD

Defendant

JUDGMENT

NTSEBEZA, AJ

INTRODUCTION

- 1] On 11 October 2005, I began to hear evidence in an action brought by the Plaintiff (Puma), a German company, which manufactures clothing and footwear. The Defendant (Global Warming), amongst other things, imports and distributes footwear in South Africa in its capacity as a manufacturer, and/or wholesaler and/or retailer thereof.

- 2] The gravamen of Puma's gripe with Global Warming is that the latter, from a date unbeknown to it, has been selling footwear depicting an infringing mark that is confusingly similar to Puma's registered trade mark, being registration number 80/5551 Form Strip Device in class 25, which, it was claimed by Puma, is a mark registered "in respect of 'footwear, including sports footwear and footwear for leisure wear" and trademark registration no. 82/4607 Form Strip Device in class 25 registered in respect of "footwear of all types and descriptions including footwear for sport and footwear for leisure purposes; articles of clothing".¹ The two marks, for purposes of this trial, were referred collectively as the Plaintiff's mark. This mark, annexed to Particulars of Plaintiff's Claim as "B" is reproduced here for ease of reference and for comparative purposes. The Defendant's alleged "infringing mark", also annexed to the Particulars of Plaintiff's Claim as "C", is also herein reproduced for the same reason.
- 3] Puma's claim is that the unauthorized use by Global Warming of the infringing mark constitutes an unlawful infringement of its rights that flow from its registration of the mark. As such, so it was claimed, Global Warming's stated unlawful conduct was violative not only of Puma's exclusive rights flowing from its registered mark, but also if the provisions of Section 34(1)(a) of the Trademarks Act 194 of 1993 (the Act) which provides as follows:

"34 *Infringement of registered trademark*

¹ See: Particulars of Claim, p 13

- 1) *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 trademark is registered, of an identical mark, or of a mark so nearly resembling it as to be likely to deceive or cause confusion.”*

4] Puma therefore claimed that Global Warming’s stated unlawful conduct entitles it to a reasonable royalty as provided for in Section 34(3)(d) of the Act, as and in lieu of damages. It was argued that a reasonable royalty would be 10% of gross sales of over the period during which, as the discovery process indicated, Global Warming sold products with the infringing mark, namely, from 31 July 2001 to October 2002.

5] I am being asked, therefore, in this action, to:

5.1 Declare that the sale of goods, depicting the infringing mark to have infringed Puma’s rights flowing from its registered trademark aforementioned.

5.2 Interdict and restrain Global Warming from infringing Puma’s mark in terms of the provisions of Section 34(1)(a) of the Act insofar as Global Warming does so by using the infringing mark.

5.3 Order Global Warming to remove the infringing mark from all footwear. Where the infringing mark is inseparable or incapable of being removed from the footwear, I am asked to order that Global Warming should

deliver up to Puma, in terms of Section 34(3)(b) of the Act all footwear depicting the infringing mark.

5.4 Order Global Warming to pay Puma an amount of R 283,998.00 plus interest from the date of judgment to the date of payment.

5.5 Order costs against Global Warming.

6] It is common cause that Global Warming is resisting the action. In essence, Global Warming denies that the alleged infringing mark is violative of Puma's mark, either as stated, or at all. It argues that its footwear bore the trade names DT New York, DTNY or Down Town New York – (which Puma's footwear does not) and that over and above these trade names, its footwear bore the device depicted in Annexure "C" to the Particulars of Plaintiff's Claim, already referred to herein.² Consequently, Global Warming refutes any claims by Puma of its alleged entitlement to royalties, as and in lieu of damages, and also resists Puma's entitlement to any of the reliefs it seeks mentioned above.³

7] Right from the start, on trial date, Exhibits "A" and "B", reproduced herein for ease of reference, were handed up. They purport to be original registration certificates, respectively – (and both signed by the Registrar of Trade Marks on 30 September 2005) – of Trade Mark 1980/05551 and Trade Mark 1982/04607. For all practical purposes, Exhibits "A" and "B" seem to have

² In para 2 (*supra*)

³ In para 5 (*supra*)

been handed in, in terms of Section 50 of the Act, as *prima facie* evidence of the registration of Puma's mark, copies of which had been annexed to Particulars of Puma's Claim. In any event, it had not appeared that Mr Newdigate, who appeared for Global Warming, had placed the validity of the mark's registration in issue.

- 8] By agreement, the parties also proceeded on the basis of an amended summons which cleared the air as to whether or not Puma would also rely on passing off as a cause of action. It was therefore common cause at the commencement of trial that Puma would no longer rely on passing off. Its case would be based on the alleged infringed trademark (number 80/5551 and number 82/4607 collectively). In that form, reliance would be placed on the correct application, to the facts of the case, of the jurisprudence developed over time with respect to the reach of section 34(1)(a) of the Act.

EVIDENCE LED

- 9] Mr Michau, Counsel for the Plaintiff, first led the evidence of Puma's Managing Director in its South African subsidiaries, Puma Sports Distributors (Pty) Ltd and Puma Sports SA (Pty) Ltd, Mr Ronald Alexander Rink. He has had a long association with Puma, dating back to the eighties, having served the organization in various capacities in Canada, Austria and eventually, in late 2001, as MD of Puma Sports Distributors (Pty) Ltd as aforementioned. He had, even as MD in South Africa, kept close liaisons with Puma, having visited their offices more than 30 times for business meetings, strategic planning sessions and the like.
- 10] During his testimony, he identified Exhibits "A" and "B" as Puma's trademarks. He testified that the two marks are applied to the side of the shoe by adhesive strip, and in some cases, by perforations. There is also a leaping cat logo, and the word "Puma" on the side of the shoes. Testifying about the extent of Plaintiff's business, Mr Rink told me that in South Africa, Puma was considered one of the top three companies in the branded athletic footwear companies, with Nike and Addidas as the other market leaders in this regard. To a direct question from me, Mr Rink could not warrant which of the three was the leader in the market. The mark was exclusively promoted through the use of the form strip via media adverts and sponsorships of material and club teams, as well as of individuals in various disciplines, and of high profile personalities. In South Africa, for example, they had sponsored football teams like Kaizer Chiefs, Mamelodi Sundowns, Ajax Cape Town,

Cosmos, and so on. Internationally, Puma sponsored Italy, Poland, Senegal, Switzerland, to mention but a few. Sponsored teams were obligated to wear the products, the contract stipulating a minimum of 70% of the team being so obligated. In some instances, all the team members would be contractually bound to wear the footwear.

- 11] In his experience, national and international television channels carried their products. In his testimony, Mr Rink gave a wide range of sports codes associated with Puma, as well as the principal actors in those codes that enhanced the visibility of their mark worldwide, thus making it popular. In cricket, Makhaya Ntini was identified as a celebrity.⁴ In rugby, players like Schalk Burger and Percy Montgomery got mentioned, and in tennis, Serena Williams,⁵ got special mention. In athletics, the Comrades Marathon Bruce Fordyce got mention, and even in the music industry, Mr Rink insisted their mark got promoted through usage by Western Cape rap groups like Black Noise.

In short, Puma's mark was there in the open market, wherever one went, on television, radio, the print media and other various media forms.

- 12] Mr Rink testified that Puma, in using the phrase "*life-style footwear*" in promoting their products, was deliberately promoting their footwear not just as "*sports*" footwear, but as casual footwear as well. Exhibits "B" and "C", for

⁴ The court takes judicial notice that this black African legend in the Proteas team has become internationally known as one of the most exciting fast bowlers and is destined, on current form, to break many international records for a record number of test cricket wickets that he is capable of taking.

⁵ The indefatigable African-American

example, he testified, would count as casual footwear. This shoe was worn by people from all walks of life – easily available at fashion boutiques, from informal retail street vendors and in flea markets, with the price ranging from the insignificant to something pricy. In his experience, people recognized shoes more by this trademark rather than through word of mouth. Inasmuch as athletic parlance identified Nike's "*tick*", the "*form strip*" was what Puma was known by. This "*form strip*" was clearly depicted, Rink testified, in various products, in sales catalogues with shoes depicting the mark. Reference, throughout the testimony, was made to voluminous exhibited photographs in support of the contentions made by Mr Rink.

13] Mr Rink referred to a licensing agreement between Puma and the South African subsidiary I referred to earlier, Puma Sports SA (Pty) Ltd (Puma SA), signed by Mr Rink, which granted Puma SA, rights to manufacture and sell its licensed products, *inter alia*. In consideration of the rights granted, Puma SA had undertaken to pay royalties to Puma at an agreed rate.

14] Article IX of this License Agreement reads as follows:

"ARTICLES IX: ROYALTIES AND ACCOUNTING

1. *In consideration of the rights granted under this Agreement LICENSEE undertakes to pay to PUMA royalties calculated at a rate of 5% (five percent) of the net sales price of THE LICENSED PRODUCTS sold under this Agreement in THE LICENSED TERRITORY and 7.5% (seven point five percent) of such price of THE LICENSED PRODUCTS sold under this Agreement to THE EXPORT COUNTRIES and outside THE LICENSED TERRITORY which latter sales may only be made with PUMA's prior written consent, such price being the price in each case invoiced to a purchaser at arms' length (by LICENSEE or*

Springfield as the case may be) exclusive of freight, packaging, insurance and sales tax, if separately specified on the invoice as well as the amount of value added tax or similar tax that may take its place, discounts or comparable deductions shown on the related invoice and reduced by credit notes relating to returns of THE LICENSED PRODUCTS, and after deduction, when royalties are calculated in respect of a quarter year as provided for in Clause IX.3, of the in-factory landed costs of all imports of raw materials and components imported directly or indirectly from PUMA for the purpose of this Agreement and invoiced to LICENSEE in the preceding quarter year, but with no other deductions.

2. *LICENSED PRODUCTS shall be considered as sold when invoiced or, if not invoiced, when delivered or dispatched by LICENSEE or Springfield to the customer, or when set aside for LICENSEE's or Springfield's own use.*
3. *Current royalties will become due for payment on 31 March, 30 June, 30 September and 31 December of each year.*
4. *All payments under this Agreement to be made by LICENSEE shall be effected in Deutsche Mark or any other currency as reasonably determined by PUMA in writing.*
5. *The current royalties shall be calculated in South African currency and shall be converted into Deutsche Mark or any other currency as reasonably determined by PUMA in writing at the official exchange rate (most favourable to PUMA) of the South African Central Bank prevailing during the calendar quarter year in question.*
6. *In case of delay of any royalties, PUMA shall be entitled to charge interest as from the date the related payment of such royalties has to be made. The interest rate shall correspond to such charged by PUMA's bank/banks and shall be communicated by PUMA to LICENSEE from time to time.*
7. *Each royalty payment shall be accompanied by a certificate by a director or other responsible of LICENSEE stating in particular, but not limited to, the nature and sales volume of THE LICENSED PRODUCTS, the amount of royalty due and the rate of exchange applied for the*

computation of royalties. Hereto, LICENSEE shall use the forms for royalty statements as contained in **Schedule IX.7.**

8. For the term of this Agreement and of the obligation to pay royalties, and 2 years thereafter, LICENSEE will keep accurate and complete records and accounts from which its obligations to PUMA under this Agreement may be ascertained, including accurate and complete records of any transactions carried out in terms of Article VIII hereto and any independent auditor appointed by PUMA may inspect such records and accounts at any time during office hours in order to verify the accuracy of the records and accounts.
9. In case of any withholding of any part of the royalties due to be paid by LICENSEE or any third party in accordance with any law, regulation, decree, resolution, LICENSEE undertakes to send to PUMA a certificate verifying the amount withheld and the reason therefor.
10. The traveling and accommodation expenses of PUMA's technician(s) in terms of Article IV will be borne directly by LICENSEE.

The daily field service compensation for the services of the technician(s) will be paid at the time of the royalty payment next made after the completion of the technician(s)' period of such service."

15] Mr Rink also referred to a "Trademark License Agreement" between Puma SA and Puma Sports Distributors (Pty) Ltd (Puma Distributors) a subsidiary of Puma SA whose relationship with Puma SA was governed by this sublicensing agreement. The effect of this sublicensing agreement was that Puma Distributors had to pay to Puma SA a royalty.

16] Clause 6 of this Trademark Licensing Agreement reads as follows:

"CLAUSE 6: ROYALTIES AND ACCOUNTING

- 6.1 In consideration of the rights granted by Puma to Licensee hereunder, Licensee shall pay to Puma for all Licensed Products manufactured by

or for Licensee a current royalty of 8.5% (eight and one half percent) ("Current Royalty") of Licensee's net sales.

"Net sales" as mentioned in this Agreement shall be the price of The Licensed Products invoiced to its customers at arms' length by the Licensee, exclusive of freight, packaging, insurance and sales tax, if separately specified on the invoice, as well as the amount of value added tax or similar tax that may take its place, discounts or comparable deductions shown on the related invoice and reduced by credit notes relating to returns of Licensed Products.

Licensed Products shall be considered as sold when I was invoiced or, if not invoiced, when delivered or dispatched by the Licensee to the customer, or when set aside for Licensee's own use.

- 6.2 Current Royalties shall become due for payment on 31 March, 30 June, 30 September and 31 December of each year. Payment to be made within 30 days of the end of each calendar quarter year in net and without any deduction.

The traveling and accommodation expenses of footwear technician(s) in terms of Clause 3.14 will be borne by Licensee or reimbursed, as the case may be.

The daily field service compensation for the services of the technician(s) will be paid at the time of the current royalties' payment next made after the completion of the technician(s)' period of such service.

- 6.3 All payments to be made to PUMA in accordance with this Agreement shall be in South African Rands.

Licensee shall notify PUMA by telefax on the date each payment is made and of the sum being remitted and the method of remittance.

In case of delay of any Current Royalty PUMA shall be entitled to charge interest as from the date the related payment of the Current Royalty has to be made. The interest rate shall correspondent to the current South African prime interested rate charged by South African banks and shall be communicated by PUMA to the Licensee from time to time.

- 6.4 Each royalty payment will be accompanied by a certificate by a director or other responsible of Licensee stating in particular, but not limited to, the nature and sales volume of The Licensed Products and the amount of royalty due. Hereto, Licensee shall use the forms for royalty statements as contained in **Schedule 6.4** and/or any other format as determined by PUMA from time to time regarding (a) The Licensed Territory (country by country) and (b) The Export Countries (country by country).

- 6.5 Licensee shall maintain for two (2) years at least after the termination or expiry of this Agreement accurate and complete records from which its obligations to PUMA under this Agreement may be ascertained and

any representative of PUMA and/or any auditor appointed by PUMA may inspect such records at any time during office hours to verify the accuracy of our records and may take written notes, extracts or copies of such records for its/their audit. Licensee shall bear the costs of such inspection if any underpayment of royalties is revealed thereby but not otherwise.

6.6 *All sums payable to PUMA in terms of this Agreement are exclusive of Value Added Tax which shall be payable by Licensee in addition to any royalties and/or any other payments."*

- 17] The Trademark License Agreement was later supplemented in October 2002. The effect thereof, essentially, was that the date of the License agreement was extended to 31 December 2007 (from 2002), which would then mean that as at the date that I was hearing evidence, the agreements were still in place, a fact which Mr Rink confirmed.
- 18] Under cross-examination, it was put to Mr Rink that there had been no sales by Global Warming, of the shoes bearing the infringing mark before July 2001. He refused to comment on being confronted with discovered sales inventory documents for the period 1 January 1999 to 31 October 2002. It was put to him by Mr Newdigate that the record showed "*as a statement of fact*", that the earliest sales date according to the document was July 2001. He also would not comment, and accept, that there were no sales after 2002. As to the trademarks in dispute, it was put to Mr Rink that his company had various stripes on its products. The various trademarks have been reproduced here for illustration purposes.
- 19] Mr Newdigate queried whether it was reasonable of Puma, with such a variety of stripes, to now rely only on those that were the subject matter of this

litigation. Besides, as recently as on the 23rd August 2004, Puma, through Spoor and Fisher, attorneys in Pretoria, had applied for the registration of a new trademark, a copy of which is reproduced here for ease of reference and comparison. It was put to Mr Rink that the trademark, now sought to be registered by Puma even involved the type of split which Global Warming had, a fact that Mr Rink conceded, even as he claimed, at the same time, that he had not been aware that Puma had applied for a trademark registration. He had actually seen the document for the first time only the day before the commencement of trial. Mr Newdigate put it to him that there were very distinct differences between Global Warming's mark and the mark in issue in this litigation. Mr Rink conceded that these were different but that the consumer would not make out the difference.

20] It was put to him, for example, that Puma's mark did not have the distinct split that one clearly noticed in the alleged infringing mark depicted on Global Warming's product. Mr Rink replied that Puma used the stitches to give different colours, by which I understood him to be saying the different colours in the stitches would illustrate the "split", very much to Mr Newdigate's expressed incredulity. Mr Newdigate insisted that the difference in the trade marks was the only reason Puma had made the application for trademark registration in South Africa. Further, it was put to Mr Rink, Global Warming's own mark had therefore the distinction of "**DT New York**" clearly depicted on the side of the shoe.

21] Insofar as mileage was intended to be gained by evidence that showed the

Puma products' popularity across the board, as the promotional material demonstrated, it was put to Mr Rink that the promotional material dated back to the 80's, covered the 90's and there was nothing in the 2000's. Mr Newdigate then suggested that it was clear that Puma had not had a significant presence in South Africa in the past recent years.

- 22] Mr Michau then called Mr Derek Brian Momberg who testified to his expertise in royalty evaluation. He had done some evaluations in many institutions, including FNB when they applied for a building society brand in Namibia and, amongst his better known projects, it was in being involved in negotiating the licensing of clothing and footwear for South Africa's national soccer side, Bafana Bafana. He had looked at the business' financial statements, amongst other things. He was satisfied, all factors taken into account, that the brand was worth 10%.
- 23] Under cross-examination, Mr Momberg's attention was drawn to the Discovery Bundle from all of which it appeared that the royalties contracted for by the Plaintiff were contained in the only contract that had been placed before the Court, the Plaintiff's agreement with the subsidiary, Puma Sports SA (Pty) Ltd. It was pointed out to Mr Momberg that the agreement made provision for the payment of royalties at the rate of 5% of the net sales of the licensed products.
- 24] Mr Momberg insisted, however, that, the rate of 10% accorded with rates that he had experienced in the footwear apparel industry. He also testified that he had called for the Plaintiff's financial statements to determine what levels of

profitability prevailed in the footwear industry. He had to concede that he took into account documents that had not been discovered, even though, as an attorney in his own right, he appreciated the inappropriateness of seeking to rely on documents which had not been discovered to the opposing side. Mr Momberg sought to downplay this irregular conduct by suggesting that he had been told (presumably by the Plaintiff's representatives) that the documents were not relevant. Mr Newdigate pressed Mr Momberg about the fact that it was clear from the discovered documents that the South African Government's position (through the Department of Trade and Industry) - (DTI) - stipulated that a maximum royalty of 5% of net sales would be allowed. Mr Newdigate bluntly put it to him, that his was an attempt to evade the limitations put on the maximum royalty of 5% of net sales, and no amount of submitting royalties in the form of dividends could legitimize a capping of royalties at 10% (instead of the DTI prescribed - 5%).

- 25] Mr Michau's last witness was Owen Henry Dean who stated that he was the Plaintiff's attorney who was apparently brought to explain the process involved in trade mark registration. The process of registration took eighteen (18) months, in some cases two (2) to three (3) years, a matter of grave concern.⁶ Counterfeiting of products was a very serious offence. He, however, did not know that a massive proportion of all sports shoes, including

⁶ Harms JA, commented as follows in fn 2 of **Die Bergkelder Bpk v Vredendaal Koöpwynmakery and Others** 2006 (4) SA 275 (SCA) at 279 [3] n 2, also lamenting this unacceptable tardiness in trademark registration. The footnote says:

"This Court has in the past bemoaned the lackadaisical approach to trade mark applications, giving parties inordinate periods of time to get their house in order. The following dictum by Jacob LJ in Bograin SA's Trade Mark Application [2005] RPC 14 in para [30] is apposite: 'The Registry is entitled to be firmer with this sort of thing; it should have regard to the public interest in disposing of applications one way or another. One must never forget that a pending application for an intellectual property right hangs over the public at large. A pending application, even if ultimately refused, may act as a real commercial deterrent while it "pends". It is not fair on the public to allow the applicant to string things out.'

large proportions of Puma and Nike shoes, were manufactured in China.

- 26] I am not sure that Mr Dean's evidence was particularly helpful either in clearing up the question of whether the trademark registration application under discussion was significant because of the split in the design or why the financial statements which Mr Momberg testified about were not discovered earlier and yet were given to Mr Momberg after an initial refusal or reluctance to make them available. Consequently, I will not let it detain me any longer.

That, in a nutshell was the Plaintiff's case.

DEFENDANT'S CASE

- 27] Mr Newdigate called Gregory Edward Paton, the director of Global Warming, who testified that chain stores like Markhams, Foschini, Truworths, Man, and so on, were their commercial market in shopping malls throughout the country. As Product Director, his job was to interpret trends in fashion designs and have the goods manufactured mainly in China and Thailand. China had become the world's leading shoe manufacturers with well in excess of 70% of Global Warming's requirements. Continuously for 20 years, he had travelled far and wide overseas, particularly to Trade Fairs in Bologna and Milan, Germany (Dusseldorf), Las Vegas (bi-annually) and China.
- 28] In one of his trips, he had taken a sample, and a photograph, of a Puma shoe in Amsterdam to China via Germany. In China he visited Xiamen C&D Inc whereat he dealt with one Xia Rhu, whom he met in his showroom and with whom he discussed the design of a shoe which, though inspired by the Puma shoe, had to be such that it would not be confusingly similar to the Puma shoe. For example, Mr Paton testified, Global Warming's trademark was distinctly different from the Puma trademark. He was referred by Mr Newdigate to the relevant page of the Discovery Bundle where a reproduction of Annexure "C" to the Particulars of Puma's Claim is. From that, he highlighted the differences between Puma's mark, and Global Warming's.
- 29] For example, he testified that their mark had the distinct inscription "**DT New York**" or "**DTNY**" appearing at various places on the shoe. There was no

animal representation on their product. Their shoes were sold to the members of the public, who would have, as part of the product sold to them, a container box, together with a plastic bag.⁷ Both the shoe box and the plastic bag exhibit the brand “**Down Town New York**”, abbreviated variously as “**DT New York**” or “**DTNY**”. This was over and above the fact that there was a marked difference between price and quality between the Plaintiff’s product and that of the Defendant’s.

30] Mr Paton confirmed evidence in the Discovery Bundle, of sales inventories, being evidence of where the products came from in China, dates of sales and entities to whom sales took place. These sales between 1 January 1999 to October 2002 showed that the Defendant sold to a wide range of customers during the requisite period – Pick ‘n Pay Hypermarket, Strand Outfitters, OK Fashion Centres, Foschini, and so on. Mr Paton testified that no complaints were ever made to them that their products were confusingly similar to Puma products, nor were there any consumers who ever came back to them to complain that in purchasing their products, they had thought they were buying Puma products.

31] Under cross-examination and on being shown Annexure “B” to the Particulars of Plaintiff’s Claim, Mr Paton conceded that in Germany (on his way to China), he purchased a product similar to Annexure “B”, which he gave to his manufacturer in China with instructions not to infringe anyone else’s trademark. For example, he told the manufacturer to have neither a leaping

⁷ Both of these items were handed in as Exhibits “D” and “E” respectively.

animal nor the word “**Puma**” on the product. He testified that whilst he could not recall the exact instructions he gave to the manufacturer, he would have asked the manufacturer to vary the thickness of the soles, the shape of the last and to have no brandmarks (Puma) on.

32] He did not agree with Mr M Michau that the only change between Plaintiff’s mark (Annexure “B”) and Defendant’s mark (Annexure “C”) is the white portion (signifying the split). Mr Paton was adamant that if one had regard to the “flashes” (in the flash or form strip), the outlines were not identical because the original one splits and makes a sharp curve, the effect of which was that the end product was trendy, fancy and sleek without infringing the Puma “flash”. He admitted that he had not received legal advice, (before adapting the shoe), as to whether it would infringe Puma’s mark or not. He had relied on his own judgment based on his own considerable experience. Under re-examination, Mr Paton reiterated his conviction that there was really nothing comparably similar between Annexures “B” and “C” to the Particulars of Plaintiff’s Claim. Quite apart from the differences to which he had already testified, there was also the difference in quality, one product using leather.

33] Mr Newdigate called his last witness, Mr Christopher Faure, who told me that pursuant to receipt by the Defendant of a letter of demand from Mr Dean, there had been an appointment arranged with Mr Rink at which session Mr Rink told him that the Defendant was infringing Puma’s trademark and that they should stop selling their shoes at once. He had promised to revert to him within 24 hours, a period within which the Defendant would have had

time to consider their demand. He had subsequently telephoned him to inform him that since they were not infringing on anyone's mark, any legal action would be resisted.

- 34] He also mentioned that their position notwithstanding, Defendant had decided to stop any sales of the shoes referred to, and would not promote or sell the products in future. Most of the transactions occurred only after July 2001 and that there were no sales after 2002, nor did they stock any of the products since 2002. It was thus pointless for Plaintiff to seek to interdict them from selling a product they no longer even kept in stock since 2002. Even under cross-examination, Mr Faure steadfastly maintained his evidence that they had run out of shoes. He denied the suggestions that well after 2002 they were still selling. He maintained that they stopped selling these shoes because they had run out of shoes. All that they had were shoes that were either rejects or those that had been returned by customers. Whether or not a royalty of 5% was reasonable depended on a number of factors, he said, in concluding his testimony.

THE LEGAL PRINCIPLES

- 35] The underlying goal of trademark law is to promote the proper functioning of the market place through the avoidance of confusion and deception. Section 34(1)(a) has greatly increased the ambit of trademark infringement.
- 36] In order to show infringement under Section 34(1)(a) the applicant has to establish in respect of its trademark:

- 35.1 unauthorised use;
- 35.2 in the course of trade;
- 35.3 in relation to goods and services in respect of which the mark was registered;
- 35.4 of an identical mark or a mark so nearly resembling it as to be likely to deceive or cause confusion.

Under Act 194 of 1993, a trade mark's primary function is to distinguish, as opposed to operating as a 'badge of origin' as was the case under the old Act.

*"The badge of origin element of the trademark is no longer at the forefront and has been replaced by the distinguishing capability of the mark."*⁸

37] The Court in a trademark infringement case is only permitted to consider the marks themselves.

*"In infringement of trade mark actions the enquiry is confined to a comparison of the registered mark with that portion of the respondent's get-up which is alleged to infringe the applicant's registered rights."*⁹

The enquiry into the likelihood of confusion or deception is limited to a comparison of the marks. The onus rests on the plaintiff to show on a balance of probabilities, that the mark used by the defendant so nearly resembles the plaintiff's trade mark as to be likely to deceive or cause confusion. It is enough for the plaintiff to show *"that a substantial number of persons will probably be confused as to the origin of the goods or the existence or non-existence of such a connection"*.¹⁰

⁸ **Abbott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others** 1999 (3) SA 624 (C) at 634

⁹ **Stellenbosch Farmers Winery Ltd v Stellenvale Winery (Pty) Ltd** 1957 (4) SA 234 (C) at 240

¹⁰ **Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd** 1984 (3) SA 623 (A) at 640G

Furthermore, Corbett JA expressed the view that:

“When comparing the marks it is necessary to ‘notionally transport myself to the market place and consider whether the average customer is likely to be deceived or confused’ .¹¹

This test has been adopted and accepted for the purposes of Section 34(1)(a).

- 38] The *“likelihood of deception or confusion must be judged with reference to the average purchaser. It must be born in mind that the purchaser will not necessarily see the marks side by side, but will probably come across them separately on different occasions. Deception or confusion exists when there is a probability that a person or persons will be deceived into thinking,*
- (a) that the respondent’s product is that of the applicant’s; or*
 - (b) that there is a material connection between the respondent’s product and the applicant as producer and marketer of the products in issue, or*
 - (c) is confused as to whether or not there is such a connection.”¹²*

- 39] In this case Traverso DJP commented that,

“The respondents selected a confusingly similar mark with the intention and for the purpose of deceiving potential purchasers ... while such an intention and purpose is not necessary to be established, it is a further indication of the likelihood of deception and confusion.”

The defendant cannot rely,

“... upon matter extraneous to the mark itself, which he may have used in

¹¹ *Plascon-Evans* supra at 642E

¹² *Albion Chemical Co Pty (Ltd) v FAM Products* CC 2004 (6) SA 264 (C) at 269

conjunction with the mark, in order to negate the likelihood of deception or confusion ... the wrong of infringement consists in the unauthorized use of a registered trade mark or of a trade mark that so nearly resembles a registered mark as to be likely to deceive; once that use has been established, it will avail the defendant nothing to show that his goods are sufficiently differentiated. The likelihood of deception or confusion must be decided in relation to the trade mark itself and not in relation to the label of which it forms a part.”¹³

Therefore,

“the enquiry is confined to the marks themselves and no regard should be had to other features of the getup or other indications of origin of the goods as actually marketed by the plaintiff and defendant respectively.”¹⁴

40] In **Ramsay, Son & Parker (Pty) Ltd v Media 24 Ltd and Another**¹⁵ when coming to a decision on the claim for trademark infringement Motala J stated that, *“when two marks are compared for infringement purposes, it is necessary to ignore extraneous factors, and that the general get-up and content of the two magazines must not be taken into account”*. Only the two marks themselves would be in focus.

“Note that it is trite that, in South African trade mark law, a comparison of marks can take place on three bases – visual, phonetic and conceptual. For a number of years it has been the received wisdom that a finding of confusing similarity on any of these grounds would suffice for infringement. But recent European decisions which have been followed in South African law point out that the likelihood of confusion must be ‘appreciated globally’.

¹³ Webster and Page, *South African Law of Trade Marks, Unlawful Competition, Company Names and Trading Styles*, 4th ed, para 12.8.5

¹⁴ **Adidas Sportsschufabriken ADI Dassler KG v Harry Walt & Co (Pty) Ltd** 1976 (1) SA 530 (T) at 535H

¹⁵ CPD, 26 January 2005, case no 4656/04

This was approved in **Cowbell AG v ICS Holdings Ltd 2001 (3) SA 941 (SCA)**. (W ALberts, 'Getting away and taking a break', *Juta's Business Law*, 2005 Vol 12, part 2, 55. See also: **Value Car Hire Group Ltd v Value Car Hire (Pty) Ltd** [2005] 4 All SA 474 (C) para 24.

- 41] Section 34(1)(a) should and has been fairly strictly interpreted and guidelines in respect of effecting that interpretation have been provided over the years in the case law.

*"The enquiry into alleged infringement is confined with much narrower limits than the enquiry into alleged passing off, and care must be taken to exclude from the former enquiry facts and circumstances which are germane to the latter enquiry but irrelevant and inadmissible in the former."*¹⁶

The *onus* is placed on the plaintiff to prove the infringement, and in determining whether a likelihood of confusion/deception exists, a number of factors have to be considered by the court including the strength of the mark; similarity between the marks; proximity of the goods in the marketplace; actual confusion; the intent of the infringing user; the relatedness of the goods; and so on.

- 42] It is clear that a fine balance has to be maintained by the court. The danger presented by too wide an interpretation is to dilute the test that has to be applied in terms of the section. This may have consequences for trademark protection and the marketplace. However, too narrow an interpretation by

¹⁶ **Adidas Sportsschufabriken ADI Dassler KG v Harry Walt**, *supra* at 532A

the court may serve unnecessarily to stifle healthy competition in respect of goods and services offered, having equally serious consequences for the marketplace.

43] Mr Michau strongly argued that in considering whether the Defendant's mark infringes the Plaintiff's mark, I must have regard to the fact that, in use, the Plaintiff's shoes will be seen by members of the public whilst players are using them on sports fields, televised broadcasts of sports matches, dancing competitions, and so on – instances where it is, in his submission, virtually impossible for *"elements exact detail to be perceived or recollected"*. Arguing for my acceptance of this what he called the doctrine of *"imperfect perception"*, he submitted that the evidence of Rink was also apposite in this regard. He argued that Rink had testified that the purpose of the promotional efforts of exposing the shoes in public in the manner I have just described, was obviously because it would be difficult to see or read word marks like **"Puma"**, **"Nike"**, **"Adidas"** in the abovementioned instances. The distinguishing feature of the Plaintiff's shoes was the form strip as depicted on the side of the shoes.

44] Mr Michau also made much of the fact that Mr Paton had taken the Plaintiff's shoe to his Chinese manufacturer to copy it as clearly as possible, and that he had taken no legal advice but relied on his own experience as to whether the manufacturer could successfully design a shoe that would not infringe his mark. It was clear that the intention had been to benefit from the admitted reputation of the Plaintiff and its products. The Defendant had also ceased

selling, on its version, its shoes. This suggested a lack of confidence on its part that it was acting lawfully especially if one had regard to the fact that it had taken the trouble to commission the designing of its own range of footwear for sale in South Africa.

- 45] Mr Michau also dismissed the Defendant's reliance on the trademarks "**Downtown New York**" and/or "**DTNY**". His rejection appeared to be that, *inter alia*, the phrase "**New York**" was mis-descriptive since the shoes emanated from China and have no American connection. If anything, so the submission went, the evidence showed that it was the Defendant's wont to use trademarks confusingly similar to other well known brands (and to benefit from the reputation of those brands) in its determination to promote its own products. Mr Michau submitted that in trademark infringement proceedings, the use of matter extraneous to the infringing mark was impermissible. The use of the distinguishing box and other trade marks on the Defendant's products - "**DTNY**", "**Downtown New York**" and "**DT New York**" - could thus not be considered for the purposes of the likelihood of deception or confusion. For these submissions Mr Michau referred me to the "**Adidas**" case (*supra* at 535H), to **Stellenbosch Farmer's Winery v Stellenvale Winery (Pty) Ltd**,¹⁷ and to **Standard Bank of SA Ltd v United Bank Ltd**.¹⁸

- 46] Given that even in placing its trademarks, the Defendant had chosen a position that is identical to where the trademark "**Puma**" appears in, for

¹⁷ 1957 (4) SA 234 (C) at 240

¹⁸ 1991 (4) SA 780 (T) at 788

example, trademark number 80/5551 Form Strip Device, immediately above the horizontal portion of the form strip, all that was required by the Plaintiff, in order for it to be successful, was to show that there was a probability that substantial number of persons will be deceived or confused into thinking that the Defendant's product was that of the Plaintiff or that there is a material connection between the Defendant's product and the Plaintiff. Relying on ***John Craig (Pty) Ltd v Dupa Clothing Industries***,¹⁹ Mr Michau argued that it would be enough if people merely wondered whether the goods had been made by the opponent. In such an event, the trademark was likely to cause confusion.

47] I have already stated the law as to what the underlying goal of trademark law is and what the Court should look at when considering what Section 34(1)(a) contemplates for purposes of determining whether or not an infringing mark is likely to confuse. It is apposite to quote the following important passage from ***Cobwell AG v ICS Holdings Ltd***²⁰ in which the following was stated:

"The decision involves a value judgment and '[t]he ultimate test is, after all, as I have already indicated, whether on a comparison of the two marks it can properly be said that there is a reasonable likelihood of confusion if both are to be used together in a normal and fair manner, in the ordinary course of business'. (SmithKline Beecham Consumer Brands (Pty) Ltd (formerly known as Beecham South Africa (Pty) Ltd) v Unilever plc 1995 (2) SA 903 (A) at 912H.) 'Likelihood' refers to a reasonable probability (ibid at 910B), although the adjective 'reasonable' is perhaps surplusage. In considering whether the use of the respondent's mark would be likely to deceive or cause confusion, regard must be had to the essential function of a trade mark, namely to

¹⁹ 1977 (3) SA 144 (T) at 151C

²⁰ 2001 (2) SA 941 (SCA) at 948 D

indicate the origin of the goods in connection with which it is used (The Upjohn Company v Merck and Another 1987 (3) SA 221 (T) at 227E-F; Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathé Communications Corporation) [1999] RPC 117 (ECJ) para 28). Registered trade marks do not create monopolies in relation to concepts or ideas. More recently this Court in Bata Ltd v Face Fashion CC and Another 2001 (1) SA 844 (SCA) at 850 para [9] pointed out that the approach adopted in Sabel BV v PUMA AG, Rudolf Dassler Sport [1998] RPC 199 (ECJ) at 224 accords with our case law. There it was said that the likelihood of confusion must 'be appreciated globally' (cf. Organon Laboratories Ltd v Roche Products (Pty) Ltd 1976 (1) SA 195 (T) at 202F-203A) and that the 'global appreciation of the visual, aural or conceptual similarity of the marks in question, must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components'. Compare SmithKline at 910B-H and Canon paras [16]-[17]."

- 48] Against the above backdrop, I have to say that I am not persuaded that this is a case where the Plaintiff, in my considered opinion, has succeeded in discharging the *onus* that it is burdened with, namely, to show, as was stated in the much quoted **Plascon-Evans** case (*supra*), "*the probability or likelihood of deception or confusion*". The **Plascon-Evans** case (at 640G-641IE and at 642D-F) gives in clear detail all the factors that have to be taken into account in the determination of the question whether an infringing mark is likely to confuse or deceive. I have also dealt with these already in paragraphs In order to show infringement under Section 34(1)(a) the applicant has to establish in respect of its trademark: to above.
- 49] I have to agree with Mr Newdigate that there are significant distinguishing features between the marks in contestation in this case. As appears in all the exhibited depictions of Defendant's mark, its mark contains two stripes from approximately the middle of the shoe - a split in the stripe - a feature one

does not find in the Plaintiff's mark. It is ironic that this type of split, which is the hallmark of the Defendant's mark, has been incorporated by the Plaintiff in its application, in 2004 (some two (2) years after the present litigation had commenced), to have a new trademark registered. The point argued by Mr Newdigate was that the fact that the mark which was the subject of its latest application was significantly different from its existing mark was the very reason that there was an application by the Plaintiff for the registration of a new trademark – precisely because it was significantly different from any marks it had registered – because of the type of split now characterizing Defendant's own mark.

50] Further, the Defendant's mark involves a curve in the stripe which turns on itself and points almost in the direction from which it originated. No such feature can be found in the Plaintiff's mark. I also agree that the "**DT New York**", which forms part of the Defendant's mark, is by no means an "extraneous feature", nor merely part of the Defendant's get-up. It forms part of the Defendant's mark. The word "**Puma**", which forms part of Trademark 80/5551 is not found in the Defendant's mark, which therefore accounts for why the argument holds water that the words "**DT New York**" distinguish Defendant's mark entirely from the Plaintiff's mark.

51] I also agree, in line with the authorities I cited in paragraphs In order to show infringement under Section 34(1)(a) the applicant has to establish in respect of its trademark: to above, with Mr Newdigate's submission that the registered marks on which the Plaintiff's case is built are those in Exhibits "A"

and “B”. It is a comparison between these marks and the mark utilized by the Defendant that should be compared to determine compliance or otherwise with the provisions of Section 34(1)(a) of the Act. The comparison between the registered trademarks and the mark utilized by the Defendant, clearly demonstrates that the marks are neither identical nor confusingly similar. In fact, they have significant differences.

52] Contrary to what Mr Michau submitted, I do not consider the fact that the Defendant’s shoes are sold together with the box of the Defendant, as well as the plastic bag containing the shoes, both items reflecting the brand “**Downtown New York**”, also abbreviated to “**DT New York**” or “**DTNY**” is extraneous matter that has no significance in the determination of the questions to be answered as to whether an infringing mark is confusingly similar or deceptive. The authorities themselves state that the comparison between the two marks must not take place in a vacuum. They should be compared against the background of the relevant surrounding circumstances in which they would be sold, and having regard to the average type customer who would be likely to purchase the goods.

53] I agree with Mr Newdigate that it is absurd to suggest that the average buyer would be deceived or confused as was suggested by the Plaintiff when purchasing the Defendant’s product, given that purchasers of shoes examine goods relatively closely, try them on for size and for comfort. In that maneuver, it is absurd to suggest that the purchaser would not see the letters and words “**DT New York**” on the Defendant’s shoes. It was highly unlikely

that this average buyer, no matter what their level or degree of sophistication – or even lack of it! – would be misled or confused by the significantly different stripes forming part of the Defendant’s mark, a view which would be fortified by the bag and box in which the goods would be purchased. A more discerning purchaser would even be aware of the significant differences in price and in quality – and the evidence of Mr Paton in this regard stands alone – between the Plaintiff’s product and the Defendant’s particular products.

54] I am also extremely uneasy about the fact that the Plaintiff led no evidence of anyone who was deceived or confused by the marks in contestation in this matter. If anything, I have evidence from Mr Paton, never seriously challenged, much less controverted, that there was not a single instance that had been brought to his attention of any retailer or customer who was deceived or confused by the goods in question. This I find to be a significant weakness in the Plaintiff’s case.

55] In argument, Mr Newdigate pointed out another weakness in the Plaintiff’s case, regard being had to the *onus* it must discharge. Despite its promise that *“a sample of the Plaintiff’s footwear as depicted in annexure “B” to the Particulars of Claim will be made available at the hearing of this matter”*, no such sample was produced. Mr Newdigate argued that this omission led to the drawing of a reasonable inference that the samples of the products in question, had they been produced, far from furthering the Plaintiff’s case, would actually have emphasized the significant differences between the Plaintiff’s trademarks, and the mark utilized by the Defendant.

I agree. All things considered, I find that the Plaintiff has failed to discharge the *onus* of proving the probability of deception or confusion. The Plaintiff's case thus fails.

56] In the view that I have taken of the case, therefore, it becomes unnecessary for me to determine the question of a "*reasonable royalty*" in terms of Section 34(3)(d) of the Act. Quite apart from the fact that the Plaintiff led no evidence of any loss it has suffered, financial or otherwise, as a result of the Defendant's alleged unlawful conduct, I do not see on what basis I could award a royalty to the Plaintiff as though I were penalizing the Defendant for something. For no reason given, no proof of loss or damages incurred by the Plaintiff as a consequence of the Defendant's sale of its products has been demonstrated. In any event, were I wrong to have dismissed Plaintiff's claim on the basis stated above, I would clearly not be persuaded that the Plaintiff would be entitled to anything more than the 5% royalty of the net sales which was apparently agreed upon.

57] However, my views with regard to what the percentage of royalty is reasonable or not are irrelevant in the light of my finding that the Plaintiff has failed to make out a case for the relief sought. In the circumstances, the Plaintiff's entire claim is dismissed with costs.

NTSEBEZA AJ

Dates of Hearing: 11, 12, 13 October 2005

Date of Judgment: 13 March 2007

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