

**IN THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE HIGH COURT, CAPE TOWN)**

CASE NO: 19693/08

In the matter between:

SOUTHERN LIQUEUR COMPANY LIMITED

Applicant

and

SLD LIQUOR MANUFACTURERS LIMITED

Respondent

and in the matter between:

SLD LIQUOR MANUFACTURERS (PTY) LTD

Counter Applicant

and

SOUTHERN LIQUEUR COMPANY LIMITED

First Counter Respondent

and

THE REGISTRAR OF TRADE MARKS

Second Counter Respondent

JUDGMENT DELIVERED ON 15 JUNE 2011

GOLIATH, J:

[1] The applicant is Southern Liqueur Company Limited, a company duly incorporated according to the Company Laws of South Africa and having its principle place of business at Aan-De-Wagenweg, Stellenbosch, Western Cape.

[2] The respondent is SLD Liquor Manufacturers (Pty) Ltd, a company duly incorporated according to the Company Laws of South Africa, having its

registered address at 6 Golay Road, Ottery, Cape Town. Respondent's principle business is recorded as "manufacture, production, wholesale, retail distribution marketing and export of liquor and retail products and related product".

[3] The applicant is the registered owner of the trade mark registration No 84/2496 "Amarula" in Class 33 in respect of alcoholic beverages (except beer). It uses the trade mark in connection with the sale of cream liqueur produced from fresh cream and fruit from the marula tree, being its Amarula Cream Liqueur product. The applicant in this matter seeks interdictory and ancillary relief against respondent based on the provisions of s 34(1) of the Trade Marks Act, No 194 of 1993, ("the Act") and passing-off at common law.

THE COUNTER-APPLICATION

The respondent has instituted a counter application and seeks an order directing the registrar to expunge the relevant trade mark registration in terms of s 10(1) and 10(2) of the Act. Section 10(2)(b) provides that a mark is liable to be removed from the register which "*consists exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical or other characteristics of the goods or services, or the mode or time of production of the goods or, rendering of the services ...*" Section 10(2)(a) provides that a mark which is not capable of distinguishing within the meaning of s 9 shall not be registered as a trade mark or, if registered, shall be liable to be removed from the register. In the alternative, respondent seeks an order directing the Registrar of Trade Marks to rectify the current defect in the register of Trade Marks in respect of the relevant trade mark by the entry of

an appropriate disclaimer or admission. Respondent's case in this regard is that the word "Marula" denotes a generic descriptive dictionary use of the contents or flavour of their product and cannot constitute a trade mark. Consequently, the word "Marula" is a dictionary word which is unregistrable as a trade mark in respect of a marula based alcoholic beverage in Class 33 in terms of s 9 read with the provisions of s 10(1) of the Act. The word is accordingly incapable of serving as a badge of origin in respect of the products of either party. Furthermore, the respondent claims that Amarula is a composite mark which contains a descriptive word "Marula" and as such contains matter which is not capable of distinguishing as envisaged in s 15 of the Act. Consequently, respondent argues that its use of the word "Marula" does not infringe on the applicant's trade mark registration. By way of illustration I annex hereto copies of the products depicting the various labels.

[4] The name "Amarula" consists of the word "Marula" to which the prefix A has been affixed. The name is clearly suggestive of certain characteristics and *prima facie* subject to revocation. The "Amarula" trade mark was filed on 27 March 1984 and remains in force until 27 March 2014. The "Amarula Cream Liqueur" was introduced to the South African liquor market in September 1989. The product can be enjoyed mixed or on ice and is generally used as an ingredient in other types of alcoholic beverages such as cocktails, shooters and Dom Pedro's. Applicant contends that the "Amarula Cream Liqueur" has since 1989 become a trade mark and well-known product in South Africa. The product is extensively advertised and was rated in 9th place on the list of top advertised brands in 2003. It is contended that its product is reputedly credited on an

internet site as the second largest seller in the Cream Liqueur category in the world. The applicant has had substantial sales in excess of R11 000 000 as a result of the success of the product. "Amarula" became a market leader and presently holds a dominant share in the cocktail market. It has won several prestigious awards. These facts are not disputed by respondent. The fact that respondent does not admit these facts is not a denial (**Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd**, 1984 (3) SA 623 (A) at 634 *l et seq*).

[5] The proviso to s 10(2) provides that a mark shall not be refused registration or be liable to be removed from the register if at the date of the application for registration or the date of an application for removal, as the case may be, it has in fact become capable of distinguishing within the meaning of s 9 as a result of use made of the mark. In my view Amarula has acquired distinctiveness through extensive use in relation to its Marula Fruit Cream Cocktail. I am satisfied that the applicant has established that the mark has in fact become capable of distinguishing within the meaning of sec 9 of the Act as a result of use made of the mark. Notwithstanding the descriptive element contained in the mark, it nevertheless qualifies to remain on the register. Applicant's trade mark is saved by this proviso. However, the applicant has conceded that the registration of the trade mark should be amended and endorsed and in this respect voluntarily undertook to effect entry of the following admission:

"Registration of this mark shall not debar others from the bona fide descriptive use in the ordinary course of trade of the word 'Marula'".

THE MAIN APPLICATION

[6] During July 2008, applicant became aware that the respondent had commenced marketing and distributing a liqueur product under the trade name "Marula". The product is listed as "Black Horse Premium Marula Cream" with the trade mark "Marula" prominently depicted on both the body and neck of the label. The respondent acknowledges that it markets and distributes a liqueur product in competition with the applicant under a label described as "Black Horse Marula Cream Liqueur".

[7] With reference to s 34(1)(a) of the Act, applicant argued that respondent's use of the "Marula" mark is used in the course of trade; that such use is unauthorized and is use of a mark which is either identical or at least "so nearly resembling" the applicant's "Amarula" mark "as to cause confusion". Applicant further contends that the trade mark "Marula" appears in an eye catching font both on the front and back labels and does not constitute *bona fide* descriptive use. It is further contended that the prominent use of "Marula" on the respondent's label is designed to take undue advantage of the repute in the trade mark "Amarula". According to the applicant the respondent has not established that the use of the word "Marula" is descriptive, *bona fide* and consistent with fair practice as provided for in s 34(2)(b) of the Act. Respondent depicted the flavour variant of its products in a manner less prominent than the principle trade mark which is not sound acceptable commercial practice in the industry. Applicant contends that the respondent's use of the trade mark "Black Horse" on the offending label is entirely sub-ordinate to its use of the trade mark "Marula". The

typical consumer will not identify the product from the words "Black Horse", but rather from the dominant use of the word "Marula" on the offending label. Applicant furthermore contended that respondent is using "Marula" not only as a trade mark, but also for "an ulterior object" so as to derive a commercial advantage from the enormous reputation which the applicant enjoys in its trade mark "Amarula".

[8] Respondent submits that unlike the cases relied upon by the applicant, respondent is not making use of a word or mark identical to applicant's registered trade mark "Amarula". Applicant's mark consists of a descriptive element which respondent is using *bona fide* as a descriptive term in relation to its goods. Respondent contends that there can only be trade mark infringement if it is established that consumers are likely to interpret the mark, as it is used by a third party, as designating or tending to designate the undertaking from which the third party's goods originate. It therefore follows that purely descriptive use of a mark cannot infringe.

[9] Consequently, respondent argues, the correct approach establishes that the word "Marula" is used in a descriptive sense for the following reasons:

- (i) The respondent's product contains and has the flavour of Marula fruit.
- (ii) The trade mark "Black Horse" appears prominently above the word "Marula" on the label and the words "Cream Liqueur" appear below it.
- (iii) Marula flavoured cream liqueurs are known to the market by reason of normal trading practises. Hence the purchasing

public will see the word "Marula" on its product as a flavour and not a trade mark.

- (iv) The prominence afforded to the word "Marula" is merely ascribed to the intention of the respondent and other traders to clearly distinguish the flavours to the discernable purchasing public. In similar fashion, the word "Strawberry" on the respondent's "Black Horse Strawberry Cream Liqueur" product is larger than the other words on the label.

[10] In view of these factors the average consumer will not perceive the use of the word "Marula" on the respondent's label as a trade mark, nor would the public be confused as to the true origin of the goods, argued respondent. The average consumer would perceive the word as descriptive of the nature, kind and characteristics of that particular product.

[11] Respondent submits that the applicant has failed to make out a case based on trade mark infringement as encapsulated in s 34(1) of the Act. Applicant has produced no evidence of the tarnishing or dilution of its registered trade name "Amarula", nor is there any evidential proof that respondent has taken unfair advantage of the mark. The fact that applicant's registered trade mark is well-known is immaterial and does not assist in establishing an infringement case under s 34(1). Respondent further contends that applicant cannot succeed in a passing-off complaint since any source of confusion must arise from the misrepresentation allegedly made by the infringing party, as evidenced by its get-up, that the goods are related to the applicant's goods. The

fact that the parties compete in the same market with similar products, that the products have a similar African theme and that the marula tree and fruit are indigenous to Africa, cannot be used as motivation to sustain a passing-off claim. Respondent denies that it is infringing the trade mark registration upon which the applicant relies or is passing-off its product as that of the applicant.

[12] Applicant, on the other hand, contends that the "Amarula" trade mark is well known for the purposes of the provisions of s 34(1)(c) of the Act and that it has the necessary reputation in order to found an action for the common law of delict or passing-off.

[13] The central issues to be determined are whether respondent's use of the name "Marula" constitutes unauthorized trade mark use on its wine bottles, or whether it amounts to *bona fide* descriptive use, and whether applicant is entitled to an order interdicting the respondents from labelling their product in the manner complained of.

[14] In terms of s 2(1) of the Act, a trade mark is defined as:

"A mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person."

[15] Section 34(1) of the Act, 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;*
- (b) the unauthorized 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;*
- (c) 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..."*

[16] Section 34(2) provides that a registered trade mark is not infringed by:

"(a) ...

- (b) The use by any person of any bona fide description or indication of the kind, quality, quantity, intended purpose, value, geographical*

origin or other characteristics of his goods or services, or the mode or time of production of the goods or the rendering of the services;

- (c) *The bona fide use of the trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods, including spare parts and accessories, and such services."*

[17] The primary function of a mark is to distinguish an entrepreneur's own product from similar products. The function of the trade mark is to individualise and distinguish the product. A distinctive mark is an important factor in establishing goodwill or "werfkrag" (Unlawful Competition 2nd Edition (2008) **Van Heerden & Neethling** at pages 107 and 110). The trade name "Amarula" is derived from the word "Marula" denoting the fruit of the marula tree. Marks of a descriptive nature do not, in general, qualify for protection in terms of passing-off. A trader who uses a descriptive word must accept the risk of confusion arising from the adoption of such mark by another trader. (See **Zyp Products Coy Ltd v Ziman Bros Ltd** 1926 TPD 224; **Burnkloof Caterers (Pty) Limited v Horseshoe Caterers (Greenpoint) (Pty) Limited** 1976 (2) SA 930 (A) at 938G.)

[18] It is common cause that the success of the applicant's "Amarula Cream Cocktail" has resulted in a number of cream-based alcoholic beverages in competition with the applicant's product. Applicant concedes that "Marula" is a fruit and that third parties may make *bona fide* descriptive use of the word "Marula". It is therefore not disputed that all the competitors, including the respondent, are entitled and have used the word "Marula" to describe the contents or flavour of their product.

[19] The main label of both parties' labels contain similar features such as a tree, fruit and an elephant or elephant tusks. The applicant's label features the word "Amarula" prominently in bold gold capital letters of height 1½-2½ cm and the words "Marula Fruit Cream" in a slightly smaller stylised gold script. Respondent's label is smaller in size and the word "Marula" features prominently in red capital letters 11 mm high. Above the name "Marula" appears the words "Black Horse" in faint 2 mm black lettering. The words "Cream Liqueur" appear under the name "Marula" in a 3 mm fine black font. On the neck label appear the words "Marula" in bold red capital letters measuring 8 mm and "Black Horse" measuring 2 mm in fine black font.

[20] In considering s 46(b) of the repealed Act, the court states the following in **Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd**, 1984 (3) SA 623 (A) at 645:

"... use of the words must not be a mere device to secure some ulterior object, as, for example, where the words are used in order to take advantage of the goodwill attaching to the registered trade mark of another."

[21] In **Verimark (Pty) Ltd v BMW AG** 2007 (6) SA 263 (A) the Court concluded as follows at 268 paragraph [7]:

"(i) What is, accordingly, required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates the impression of a material link between the

product and the owner of the mark there is infringement; otherwise there is not."

[22] The circumstances of the use of the word "Marula" must accordingly be considered and the general visual presentation and impression of the product assessed, such assessment to include the use of the trade mark "Black Horse".

[23] A registered trade mark is not infringed by the use of any *bona fide* description on the label if the use is consistent with fair practice (s 34(2)(b)). The onus is on respondent to prove that its use of the mark as a flavour of its product is *bona fide* and consistent with fair practice. Respondent has a similar strawberry flavoured cream liqueur under its Black Horse trade mark on which the word "Strawberry" is displayed as prominently as the word "Marula" on the disputed label. Respondent contends that a consideration of these two products clearly shows that respondent is not using the word "Marula" in order to "secure some ulterior object". In my view such comparison is the crux in deciding on the *bona fides* of the offending label.

[24] On first impression the shapes and sizes of the two bottles are identical. Both products have a main and neck label. Both labels on each product reflects the trade name and flavour. Closer scrutiny of the two products reveal marked differences in its labelling:

- (a) There is no consistency in the size of the labels despite the fact that the bottles are the same size. The label of the Marula product is

approximately 7cm in length whilst the "Strawberry" label is approximately 9cm in length.

- (b) On the main label of the strawberry flavoured product the word "Black Horse" incorporating a figure of a black horse appears prominently above the word "Strawberry" on the main label. The word "Black" is depicted in bold black font 4mm high. The word "Horse" is in a slightly bigger black font 6mm in size. On the main label of the Marula product the words "Black Horse" appears in a slightly smaller font measuring 2mm. The image of the black horse which is featured on the strawberry product is notably absent on the main label of the Marula product.
- (c) The neck label of the "Strawberry" product features the words "Black Horse" in a small bold font. Between the words "Black" and "Horse" is the image of a black horse. On the neck label of the Marula product the words "Black Horse" appear against a shaded background with the notable absence of the black horse figure.
- (d) On the Marula product the word "Marula" appears in bold red capital letters on both the main label and the neck label. On the strawberry product the word "Strawberry" appears in red capital letters on the main label, but in black script on the neck label.
- (e) The word "Cream Liqueur" on the main label of the "Strawberry" product is written in a slightly bigger black font than the Marula product.
- (f) The back of both products are identical with the words "Marula" and "Strawberry" in capital letters. However, it is visibly noticeable that the word "Marula" in bold goldish lettering measuring 1cm is larger than the

word "Strawberry" which measures 7mm. It is also striking that the complete Dark Horse trade mark incorporating the figure of the horse is only depicted on the back label of the Marula product and not on both the front and back labels as is the case with the Strawberry product.

[25] A critical evaluation of the two labels clearly demonstrates inconsistent use of the principle trade mark "Black Horse". It is evident that there is a dilution of the trade name on the Marula product due to the indistinct print of the trade mark, the deliberate adjustment of the principal trade mark by reducing font size, and the removal of the horse figure. Clearly the Dark Horse trademark should be used in conjunction with the horse figure in order for the public to recognise and associate its product with a particular trade origin as illustrated in its strawberry product.

[26] In **Commercial Auto Glass (Pty) Ltd v BMW AG** 2007 (6) SA 637 (SCA) **Harmse, JA** stated the following at paragraphs 12 and 13:

*"On the question of bona fides the High Court (correctly in my judgment) relied on and applied a dictum of **Du Plessis, J** in an unreported case where the learned Judge said the following:*

'Use will not be bona fide, however, 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 trade mark. It follows that bona fide use in sec 34(2)(c) means honest use of a trade mark, 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 trade mark."

[27] The European Court of Justice in the matter of **Gillette v L A Laboratories** [2005] EUECJ C-228/03, [2005] ECR I-2337 adopted a similar approach:

"In that regard (dealing with honest practices), account should be taken of the overall presentation of the product marketed by the third party, particularly the circumstances in which the mark of which the third party is not the owner is displayed in that presentation, the circumstances in which a distinction is made between that mark and the mark or sign of the third party and the effort made by that third party to ensure that consumers distinguish its products from those of which it is not the trade mark owner."

[28] Applicant has conclusively shown, and it was not disputed by respondent, that the flavour variant of products in the liqueur and cocktail market are depicted in a manner less prominent than the principal trade mark. The flavour variant of respondent's Marula product is reflected in such a position on its labels that the principal trademark becomes irrelevant and invisible. There are several ways to draw to the attention of the consumer that the product's flavour is "Marula". Respondent chose to do so by using the word "Marula" in red bold capital letters and bold gold capital letters which bore a deceptive resemblance to applicant's trade name. The only distinctive feature on the Marula product that is given prominence on the main, neck and back labels is the word "Marula". Furthermore, by reducing the size of the Marula label, in comparison with its strawberry label, the respondent effectively gave more prominence to the word

"Marula" on the Marula product. This fact, coupled with the eye catching red and gold bold lettering, leads one to conclude that respondent intended to align its product with that of the applicant's.

[29] The words "Black Horse", which respondent contends is its trade mark, appear in such small lettering that a reasonable member of the public will not be in a position to discern the badge of origin of the Marula product. The current Marula label does not make it clear that "Black Horse" is the trade mark. The fact that respondent chooses to depict its alleged trade mark in a relatively indistinct form on its Marula product suggests that it is aware that there is some advantage that its own mark cannot secure. Therefore, I am satisfied that the respondent's use of the mark "Marula" does not constitute the use of a *bona fide* description of the flavour or content of its product.

[30] The parties have similar products with a general African theme. I am satisfied that there is a reasonable likelihood that members of the public may be confused into believing that there is some trade connection between the goods of the parties. The difference in the shapes or sizes of the bottles and labels are not sufficient to overcome the general visual impression of similarity. The nature of the confusion or deception is likely to divert business away from the applicant, which could result in a loss of its market share. It was clearly established that "Amarula" is a well-known brand in South Africa. The applicant has established itself as a market leader with its award winning "Amarula Cream Liqueur" and presently holds a dominant share in the overall Marula Cream Liqueur market. Its reputation was created at enormous advertising costs. Consequently,

respondent's conduct is likely to take unfair advantage of the distinctive character and reputation of the "Amarula" mark in a manner that is unfair.

[31] I am accordingly satisfied that respondent's conduct constitutes trade mark infringement in terms of the provisions of s 34(1) of the "Act" and passing-off in terms of the Common Law.

[32] In the circumstances the following order is made:-

- (a) The respondent is interdicted and restrained from infringing the applicant's registered trade mark AMARULA in Class 33 by using, in the course of trade, in relation to alcoholic beverages, the mark MARULA, or any other mark so similar to the AMARULA mark as to be likely to deceive or cause confusion in terms of the provisions of section 34(1)(a) of the Trade Marks Act No 194 of 1993 ("the Act");
- (b) The respondent is interdicted and restrained from infringing the applicant's registered trade mark AMARULA in Class 33 (being a mark which is well known in the Republic) by using, in the course of trade, in relation to alcoholic beverages, the mark MARULA, to use of which would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the applicant's registered trade mark in terms of section 34(1)(c) of the Act;
- (c) The respondent is interdicted and restrained from passing off its alcoholic beverages as and for those of the applicant by using in the course of trade the mark MARULA per se and/or the labels featuring this mark affixed to the respondent's product as

represented in Annexure "J" to the founding affidavit of Werner Swanepoel, or any mark or get up which is deceptively or confusingly similar to the applicant's trade mark AMARULA.

- (d) The respondent is ordered to deliver up to the applicant for destruction all containers, brochures, advertising matter, signs and other documents or materials of any nature whatsoever bearing the infringing marks and/or the offending labels in terms of the provisions of section 34(3) of the Trade Marks Act, or at common law.
- (e) The respondent is ordered to pay the costs of suit, including the costs consequent upon the employment of two counsel.
- (f) Respondent's counter application is dismissed with costs, including the costs consequent upon the employment of two counsel.


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