



**THE SUPREME COURT OF APPEAL OF SOUTH AFRICA
JUDGMENT**

Reportable

Case No: 227/2015

In the matter between:

COCHRANE STEEL PRODUCTS (PTY) LTD

APPELLANT

and

M-SYSTEMS GROUP (PTY) LTD

FIRST RESPONDENT

ROLOTI BELEGGINGS (PTY) LTD

SECOND RESPONDENT

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

Bench: Ponnan, Mbha, Zondi and Mathopo JJA and Fourie AJA

Heard: 19 May 2016

Delivered: 27 May 2016

Summary: Intellectual property – use of the trademark CLEARVU as a keyword in the Google AdWords system – does not constitute unlawful competition or passing off.

ORDER

On appeal from: Gauteng Local Division of the High Court, Johannesburg (Nicholls J sitting as court of first instance):

The appeal is dismissed with costs.

JUDGMENT

Ponnan JA (Mbha, Zondi and Mathopo JJA and Fourie AJA concurring):

[1] The parties, who operate, inter alia, in the security fencing industry, are rival traders. During October 2013 the appellant, Cochrane Steel Products (Pty) Ltd (Cochrane), sought to interdict and restrain the respondent, M-Systems Group (Pty) Ltd (M-Systems), from using 'the mark CLEARVU (or any mark confusingly similar thereto, including the marks CLEAR VU and CLEAR-VU) in relation to Google AdWords advertising.' Roloti Beleggings (Pty) Ltd was subsequently joined as the second respondent to the proceedings.¹

[2] 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 this court.

¹ The joinder was in response to an allegation by Mr Timotheus Meintjies, the deponent to the answering affidavit filed on behalf of Cochrane, that the appellant had cited a company that does not exist. It is accepted that any order of court will be satisfied jointly by both respondents.

[3] During 2008, so asserts the appellant, it 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 that 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 relies on what is described as a common law trade mark (*Capital Estate and General Agencies (Pty) Ltd & others v Holiday Inns Inc & others* 1977 (2) SA 916 (A) at 925H).² Accordingly, the relief sought was based not on any statutory infringement, but in the common law. For, as Nicholas AJA observed in *Schultz v Butt* 1986 (3) SA 667 (A) at 683J-684A:

'The fact that in a particular case there is no protection by way of patent, copyright or registered design, does not license a trader to carry on his business in unfair competition with his rivals'.

[4] The activities which have given rise to these proceedings concern 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. Google operates an internet search engine and provides a number of other services on the internet. Google's primary source of revenue is advertising. The principal way in which it provides advertising is by means of a 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 operation of the Google AdWords service is described in detail by Arnold J in *Interflora Inc v Marks and Spencer Plc* [2009] EWHC 1095 (Ch)

² In order to establish such a mark, an applicant has to show that the mark has acquired such a reputation in relation to the applicant's business that it may be said to have become distinctive thereof. See *Capital Estate and General Agencies (Pty) Ltd v Holiday Inns Inc* 1977 (2) SA 916 (A) at 925H. See also *Policansky Bros Ltd v L & H Policansky* 1935 AD 89 at 97, where Wessels CJ held the following in relation to a claim of passing off: 'It is an action in tort and the tort consists of a representation by the defendant that his business or his goods, or both, are those of the plaintiff. The Roman-Dutch law was well acquainted with the general principle that a person cannot, by imitating the name, marks or devices of another who had acquired a reputation for his goods, filch the former's trade (*Ned. Advies Boek*, vol. 1, adv. 68, p. 161). This class of tort had not reached, by the end of the eighteenth century, the importance that it has today.'

(*Chancery Division Interflora judgment*). According to Kitchen LJ (on appeal from Arnold J) in *Interflora Inc v Marks and Spencer Plc* [2014] EWCA Civ 1403 (*Court of Appeal Interflora judgment*) paras 14-17):

‘14. . . . In broad outline, this service works in the following way. A user of the Google search engine who has carried out a search is presented with a search engine results page or SERP which usually contains three elements. The first is the search box which contains the search term, a word or phrase typed in by the user. The second contains links to websites which appear to the Google search engine to correspond to the search term. These are known as the “natural” or “organic” results of the search and are usually displayed in order of relevance. The third comprises links, referred to as “sponsored links”, to websites which are displayed because the operators of those websites have paid for them to appear. They are, in effect, advertisements and are usually displayed in one or more parts of the SERP, namely in a shaded box in the upper part of the page (above the natural search results), in a panel on the right hand side of the page (to the right of the natural search results), or in a panel at the bottom of the page (under the natural search results). Over the years the labelling of these sponsored links has varied, but they have generally been headed with the words “Sponsored Links” or “Ads” or variations of them.

15. A Sponsored link appears when a user enters one or more particular words in to the search engine through the search box. These words, known as “keywords”, are secured by the advertiser in return for a fee. This is called “purchasing” or “bidding on” the keyword. The sponsored link contains three elements. The first is an underlined heading which functions as a hyper-link to the advertiser’s website. This may or may not contain the keyword. The second is a short commercial message or advertisement which, once again, may or may not contain the keyword. The second is a short commercial message or advertisement which, once again, may or may not contain the keyword. The third is the Uniform Resource Locator or URL of the advertiser’s website.

16. The fee paid by the advertiser is calculated on the basis of the number of times users click on the hyper-link to the advertiser’s website (a process known as “click through”) subject to a maximum daily limit which the advertiser has specified. A number of different advertisers may bid for the same keywords, and, if they do, the order in which their adverts are displayed will depend upon various factors including the maximum daily sum, often referred to as the “maximum price per click”, that each is prepared to pay.

17. The search term entered by a user of the Google search engine and the keyword selected by the advertiser do not have to be identical for the sponsored link to appear on the SERP. One reason for this is that advertisers have the ability to choose different match types in relation to each keyword, and these match types govern the circumstances in which the sponsored links associated with those keywords will appear. For example, “exact match” requires the search term to be identical to the keyword; “phrase match” requires the search term to contain the same words as the keyword in the same order, but it may include additional words before or after the keyword; and “broad match” simply requires the search term to correspond to variations of the keyword, such as plurals. By 2008 Google had also introduced a development of broad matching known as “advanced broad matching” which causes the sponsored link to appear if the Google search engine deems the keyword relevant to the search term. So, by way of illustration, a search for the term “flowers” might be deemed to match the keyword “florists”.

[5] The appellant’s contention is that ‘this is a form of unlawful competition; alternatively on the facts a passing off occurs’. It may be convenient to first consider the alternative cause of action based upon passing off. Passing off is a species of wrongful competition in trade or business. According to Rabie JA (*Capital Estate* (above) at 929C-E):

‘The wrong known as passing off consists in a representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another, and, in order to determine whether a representation amounts to a passing-off, one enquires 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.’

As Corbett CJ put it in *Williams t/a Jenifer Williams & Associates & another v Life Line Southern Transvaal* [1996] ZASCA 46; 1996 (3) SA 408 (A) at 418D-F:

‘In its classic form it usually consists in A representing, either expressly or impliedly (but almost invariably by the latter means), that the goods or services marketed by him emanate in the course of business from B or that there is an association between such goods or services and the business conducted by B. Such conduct is treated by our law as being wrongful because it results, or is calculated to result, in the improper filching of another’s trade and/or in an improper infringement of his goodwill and/or in causing injury to another’s reputation. Such a representation may be made impliedly by A adopting a trade name or a

get-up or mark for his goods which so resembles B's name or get-up or that A's goods or services emanate from B or that there is the association between them referred to above. Thus, in order to succeed in a passing off action based upon an implied representation it is generally incumbent upon the plaintiff to establish, *inter alia*: firstly, that the name, get-up or mark used by him has become distinctive of his goods or services, in the sense that the public associate the name, get-up or mark with the goods or services marketed by him (this is often referred to as the acquisition of reputation); and, secondly, that the name, get-up or mark used by the defendant is such or is so used as to cause the public to be confused or deceived in the manner described above.'

[6] Not having any registered right in the name CLEARVU, it was for 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 (*Capital Estate* (above) at 925H). Whilst I am willing to accept in the appellant's favour that it succeeded in establishing a reputation in the name CLEARVU, I entertain some doubt as to whether it established the second leg of its cause of action, namely that the respondents' conduct caused, or was calculated to cause, the public to be confused or deceived. Whether there is a reasonable likelihood of such confusion arising is, of course, a question of fact which will have to be determined in the light of the circumstances of each case.

[7] There are a number decisions in 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 is lawful. In *Cosmetic Warriors Ltd v Amazon.co.uk Ltd & another* [2014] EWHC 181 (Ch), the claimants, owners of a famous mark called Lush, made three classes of claim against the online shopping retailer, Amazon. The first two classes of claim concerned internet advertising and are as a result of Amazon having bid on certain keywords, in particular ones including the word 'lush', within the Google AdWords service so as to trigger a sponsored link advertisement on the Google search engine results page whenever a consumer types 'lush' into the search box. The court held (para 45-48):

‘45. In argument, Mr Bloch lumped this class of infringements with the first class and contended that it was clear that the average consumer would expect the sponsored link to be of goods which were identified from the search term entered by the consumer. I do not accept this argument. It fails to recognise that consumers are familiar with sponsored ads and are used to seeing such ads from competing suppliers.

46. Moreover, the evidence establishes that Lush users are brand conscious and have made great efforts to build up a reputation in the Lush name. In my judgment average consumers would expect an advertisement for Lush products to include some reference to the Lush mark, some indicia which would distinguish that ad from the ads of others which he might expect to see on the results page of a Google search.

47. In [the *Chancery Division Interflora judgment*] Arnold J held there to be infringement although the offending ad made reference only to “M & S Flowers Online” and not to “Interflora”. But that was, in part, because Interflora represents a network of flower shops and the court was not satisfied that the average consumer would appreciate that Marks & Spencer were not members of that network. So I think that case is different on the facts from the one before me.

48. It will be recalled that in the example pleaded and referred to in paragraphs 9 and 10 above, there was an ad for a third party as well as one for Amazon. In my judgment the presence of such other ads makes the position even clearer. The average consumer could not reasonably fail to appreciate that the Amazon ad was just another ad from a supplier offering similar products to those requested by the internet searcher. My conclusion on this part of the case does not, however, depend on the presence of this other ad.’

[8] The Court of Appeal in France,³ the German Federal Supreme Court⁴ and the Barcelona Commercial Court⁵ have all separately determined that the use by one

³ *Cobrason v Google Inc, Google France & Home Ciné Solutions* (Paris Court of Appeals, May 11, 2011) discussed by Jean-François Bretonnière & Thomas Defaux in ‘Sponsored links: Has the Supreme Court finally ended the debate on keywords?’ *World Trade Review* Legal updates, 2 April 2013, where it was stated: ‘It is now well established by the French courts that Google’s sponsored links are identified by consumers as advertisements and, therefore, do not create a risk of confusion by their mere appearance. In order to qualify as unfair competition, an advertisement needs to go much further, for example by making an explicit reference to the name of the competitor in order to create confusion for the average consumer.’

⁴ In two cases: *Most-Pralinen* (German Federal Supreme Court of Justice case number I ZR 217/10, 13 December 2012) and *Fleurop* (German Federal Supreme Court of Justice case number I ZR 53/12, 27 June 2013) discussed by Florian Schwab in ‘Supreme Court confirms case law on keywords advertising’ of 1 March 2013 and Annna Mattes in ‘Federal Supreme Court follows *Interflora* in keyword case’ of 4 April 2014 in the *World Trade Review* Legal updates respectively, as follows:

competitor of another's trade mark does not constitute trade mark infringement. In *Network Automation Inc v Advanced Systems Concepts Inc* 638 F.3d 1137 (9th Cir 2011) the United States Court of Appeals for the Ninth Circuit stated (para12):

'The nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context. A sophisticated consumer of business software exercising a high degree of care is more likely to understand the mechanics of Internet search engines and the nature of sponsored links, whereas an un-savvy consumer exercising less care is more likely to be confused. The district court determined that this factor weighed in Systems' favour because "there is generally a low degree of care exercised by Internet consumers." However, the degree of care analysis cannot begin and end at the marketing channel. We still must consider the nature and cost of the goods, and whether "the products being sold are marketed primarily to expert buyers." *Brookfield* 174 F.3d at 1060.

In *Brookfield*, the websites were visited by both sophisticated entertainment industry professionals and amateur film fans, which supported the conclusion that at least some of the consumers were likely to exercise a low degree of care. *Id.* at 1056. In *Playboy*, the

'The decision clearly puts an end to the approach followed by certain German appeal courts whereby keyword advertising was held to constitute use as a trademark which might give rise to a likelihood of confusion. The court's opinion was well-founded and anchored in the real world, as internet users should be able to distinguish search results from sponsored links, but the court's approach also allows search engines to continue generating revenue by selling keywords'

And in respect of the latter, the following is stated:

'The decision is the latest in a series of cases in which the Federal Supreme Court has had to rule on the issue of the liability of purchasers of keywords for trademark infringement. This decision – concluding that infringement had occurred – may appear surprising at first glance, in view of the fact that the Supreme Court has so far consistently ruled that there was no trademark infringement in such cases, because keyword advertising does not infringe the origin function of a trademark if the advertisement is visually separated from the natural search results and does not make any reference either to the trademark owner or the products marketed under that trademark.

With this decision, the Federal Supreme Court followed the decision of the High Court of England and Wales in *Interflora v Marks and Spencer* ([2013] EWHC 1291 [Ch]), incorporating the guidelines laid down by the ECJ in *Interflora* (C-323/09); the facts of the German *Fleurop* case corresponded in all essential aspects to the English *Interflora* case.

However, the present decision does not appear to constitute a new approach to keyword advertising, but rather fits into well-established case law: the court itself emphasized that, in principle, keyword advertising does not amount to trademark infringement, and repeatedly highlighted the exceptional and specific nature of this case.'

⁵ In *Fotoprix SA v Vistaprint España SL* (Barcelona Commercial Court Number 2, 29 July 2014) discussed by Maite Ferrándiz in 'Court rules on use of third-party trademarks as AdWords' *World Trade Review* Legal update of 30 October 2014 who stated: 'In particular, the court considered, in accordance with the judgment of the Court of Justice of the European Union in *Google France* (Joined Cases C-236/08 and C-238/08, March 23 2010), that the use of AdWords which coincide with third-party registered trademarks does not, in itself, constitute trademark infringement, when, as in this case, the advertisement enables the user to determine the origin of the products or services being advertised, and such use does not undermine the advertising function of the trademark.'

relevant consumer was looking for cheap, interchangeable adult-oriented material, which similarly led to our court's finding that the consumers at issue would exercise a low degree of care. 354 F.3d at 1026. In both cases, we looked beyond the medium itself and to the nature of the particular goods and the relevant consumers.

We have recently acknowledged that the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace. In *Toyota Motor Sales v Tabari* 610 F.3d 1171 (9th Cir 2010), we vacated a preliminary injunction that prohibited a pair of automobile brokers from using Toyota's "Lexus" mark in their domain names. We determined that it was unlikely that a reasonably prudent consumer would be confused into believing that a domain name that included a product name would necessarily have a formal affiliation with the maker of the product, as "[c]onsumers who use the internet for shopping are generally quite sophisticated about such matters." *Id.* at 1178. The *Tabari* panel reasoned,

[I]n the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. They skip from site to site, ready to hit the back button whenever they're not satisfied with a site's contents. They fully expect to find some sites that aren't what they imagine based on a glance at the domain name or search engine summary. Outside the special case of . . . domains that actively claim affiliation with the trademark holder, consumers don't form any firm expectations about the sponsorship of a website until they've seen the landing page – if then.

We further explained that we expect consumers searching for expensive products online to be even more sophisticated. *Id.* at 1176 ("Unreasonable, imprudent and inexperienced web-shoppers are not relevant.")'

[9] The Court of Appeals for the Tenth Circuit (*1-800 Contacts Inc v Lens.com Inc* 722 F.3d 1229 (10th Cir 2013)) endorsed the correctness of *Network Automation Inc* in holding:

'Perhaps in the abstract, one who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for that business. But that inference is an unnatural one when the entry is clearly labelled as an advertisement and clearly identifies the source, which has a name quite different from the business being searched for. It is for this reason that the Ninth Circuit considered "the labelling and

appearance of the advertisements and the surrounding context on the screen displaying the results page” to be a critical factor in finding no likelihood of confusion in a case in which the alleged infringer used a competitor’s mark as a keyword. *Network Automation v Advanced System Concepts* 638 F.3d 1137, 1154 (9th Cir 2011).’

[10] In *Vancouver Community College v Vancouver Career College (Burnaby) Inc* 2015 BCSC 1470 (CanLII), the Supreme Court of British Columbia was called upon to decide whether the use by one trader of another’s trade mark as a Google AdWords keyword amounted to passing off. The court held (para 183):

‘The authorities on passing off provide that it is the “first impression” of the searcher at which the potential for confusion arises which may lead to liability. In my opinion, the “first impression” cannot arise on a Google AdWords search at an earlier time than when the searcher reaches a website. When a searcher reaches the website of the defendant in the present proceeding it is clearly identified as the defendant’s website. As was said by Frankel JA in *Insurance Corporation of British Columbia v Stainton Ventures Ltd* the “relevant consumer” will “understand that it is necessary to view a website to determine whose site it is”. In my opinion that is the point during a search when the relevant first impression is made.’

[11] Although the findings for the most part in *Intercity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] NZHC 124, relate to visual use by Nakedbus of its competitor’s trade mark (Inter City) in its Google advertisement and on its website, which was found to constitute passing off and trade mark infringement, the court in considering the second cause of action, stated (para 229):

‘Nakedbus did not infringe ICG’s trade mark “INTERCITY” when it purchased the key words “inter city” and variations thereof via Google AdWords. That second cause of action fails because the requirement of “likely to be taken as used as a trade mark” in s 89(2) has not been proven. Nakedbus’ purchase of the keywords while involving use of the trade mark “INTERCITY”, would not be likely to be taken as use as a trade mark by consumers. Those consumers would have no or little knowledge of how the Nakedbus advertisement came to appear in response to their attempt to access the ICG website. They were not shown to be aware of the purchase by Nakedbus of the keywords.’

The High Court of New Zealand therefore dismissed the keyword advertising claim on the basis that consumers would not have assumed that Nakedbus was using the Intercity trade mark as a trade mark.

[12] The critical question to be answered in a keyword bidding case is whether the Google advertisement which appears in response to the search using the keyword does not enable normally informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to in the Google advertisement originate from the proprietor of the trade mark (whose mark has been used as a keyword) or an undertaking economically connected to it or, on the contrary, originate from a third party.⁶ Put differently, the question is whether the advertisement 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.

[13] I appreciate that the foreign law in this field must be approached with caution because it may be influenced by domestic and supranational legislation and other policy considerations (*Gordon Lloyd Page & Associates v Rivera & another* [2000] ZASCA 33; 2001 (1) SA 88 (SCA) at 95A), but it may nonetheless be persuasive, if not decisive, if decided by applying the same principles to the same or similar facts (*Adidas AG & another v Pepkor Retail Limited* [2013] ZASCA 3 (28 February 2013) para 18). It is important to reiterate that the law of passing off is not designed to grant monopolies (*Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* [2001] ZASCA 62; 2001 (3) SA 884 (SCA) para 4).

[14] The facts here are strikingly similar to the second class of complaints in *Cosmetic Warriors* (above). Having searched for Clearvu in one form or another, the consumer is confronted (on such limited evidence as is before us) with

⁶ *Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmüller GmbH v Günther Guni and trekking.at Reisen GmbH* [2010] ETMR 33 (Court of Justice of the European Union) para 35. See also Justin Pila & Paul Torremans *European Intellectual Property Law* (2016) at 415, discussion on AdWords.

advertisements for a multiplicity of suppliers.⁷ The natural search results are also not limited to goods and services provided by the appellant.⁸ No reasonable consumer will consider, even momentarily, having searched for Clearvu (or some derivative of it), that every result obtained relates to the appellant's products or services. Consumers will assume, as all internet users do, that they will have to separate the wheat from the chaff in deciding which hyperlinks appearing as a result of their search should be clicked.⁹ That presumably will cause irritation and perhaps even annoyance but it does provide the consumer with alternatives thereby fostering competition. Sorting the wheat from the chaff insofar as Google advertisements are concerned is by no means difficult. The advertisements are clearly marked as such and appear in different areas of the screen. What is more is that advertisements are clearly distinguished from the natural search results. That cannot be lost on the average consumer, who would immediately notice that these are advertisements rather than the natural results of their search. Thus if the advertisement contains no reference to the appellant the consumer ought reasonably to conclude that the result is not related to the appellant or its products or services. But even if the consumer went one step further and clicked on M-Systems' website its branding would have left the consumer in no reasonable doubt as to the identity of the trader whose services were on offer.

[15] Insofar as momentary confusion is concerned (see *Orange Brand Services v Account Works Software* [2013] ZASCA 158 (22 November 2013) para 16), both the US and Canadian courts have rejected this as a possibility. The Canadian decision (*Vancouver Community College*) found that most consumers will form no first impression at all as regards the source of the search results generated by Google until they reach the webpage to which those results refer. In dealing with what has

⁷ Including (depending on the search and the time that the search is conducted) advertisements for firms called (or identified as) C-Thru fencing, Transparent Burglar Bars, Anti Climb Wall Spikes, Clayton Security, Razorspike.co.za, the Yellow Pages, mfbwalling.co.za, madeinchina.com, hmeonline.com, securityinsteel.co.za, neospace.co.za, securomesh.co.za and steelpallisade.co.za.

⁸ Thus, betafence.co.za is a natural first page search result for Clearvu fencing, while Vicor fencing is a natural first page search result for Clear-Vu.

⁹ In *Premier Trading Co Ltd & another v Sporttopia (Pty) Ltd* [1999] ZASCA 48; 2000 (3) SA 259 (SCA) at 273B Nienaber JA stated: 'The enquiry must be directed at the potential end customers [of roller skates]. Judging by the promotional material adduced by the appellant in support of its case, the end customers would most likely be teenagers or their parents. Teenagers, when it comes to this sort of product, are notoriously discerning and discriminating purchasers . . .'

been described as ‘initial-interest confusion’¹⁰ in the US, the court in *1-800 Contacts Inc* (above) held that it would be unnatural for a consumer who searches for a business with a strong mark to infer that an entry that is clearly labelled as an advertisement and clearly identifies the source, which has a name quite different from the business being searched for, that it is for that particular business. It is thus unsurprising that the appellant has been unable to adduce any evidence of actual confusion. And, in the absence of satisfactory evidence as to actual confusion (*Pioneer Foods (Pty) Limited v Bothaville Milling (Pty) Limited* [2014] ZASCA 6 paras 23 and 26), I do not think that the appellant had proved its likelihood (see *Truck and Car Co Ltd v Kar-N-Truck Auctions* 1954 (4) SA 552 (A) at 558).

[16] I shall now turn to consider the appellant’s primary contention, which, as I have said, is based on the general principles of unlawful competition. The argument advanced is that the respondent’s use of the appellant’s trade name as a Google keyword offends against the *boni mores* because it amounts to an improper filching of the appellant’s skill and labour and thereby constitutes unlawful competition. According to Corbett J, ‘[i]t is well established that our common law recognises every person’s “right” – “liberty” would, perhaps, be a more correct term – to carry on his trade without wrongful interference from others, including competitors’ (*Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 (1) SA 209 (C) at 216). As a general rule, every person is entitled freely to carry on his trade or business in competition with his rivals. But the competition must remain within lawful bounds. If it is carried on wrongfully, in the sense that it involves a wrongful interference with another’s rights as a trader, that constitutes an *injuria* for which the Aquilian action lies if it has directly resulted in loss. (See *Schultz v Butt* at 678G).

[17] Indeed, as pointed out in *Schultz v Butt* at 678H-I:

‘In order to succeed in an action based on unfair competition, the plaintiff must establish all the requisites of Aquilian liability, including proof that the defendant has committed a

¹⁰ Initial-interest confusion has been described as a ‘bait and switch’ tactic that ‘occurs when a consumer is in search of the plaintiff’s product is lured to the product of a competitor’.

wrongful act. In such a case, the unlawfulness which is a requisite of Aquilian liability may fall into a category of clearly recognized illegality, as in the illustrations given by CORBETT J in *Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 (1) SA 209 (C) at 216F-H, namely trading in contravention of an express statutory prohibition; the making of fraudulent misrepresentations by the rival trader as to his own business; the passing off by a rival trader of his goods or business as being that of his competitor; the publication by the rival trader of injurious falsehoods concerning his competitor's business; and the employment of physical assaults and intimidation designed to prevent a competitor from pursuing his trade. But it is not limited to unlawfulness of that kind'.

[18] No one can claim an absolute right to the exercise of his or her trade, profession or calling, for, competition often brings about interference in one way or another about which rivals cannot legitimately complain (*Matthews v Young* 1922 AD 492 at 507). All that a person can, therefore, claim is the right to exercise his calling without unlawful interference from others. As Corbett J pointed out (*Dun and Bradstreet* at 216E) '[o]ne of the "rights" comprehended in the general right to carry on a trade is the right to attract custom. Competition by a rival trader necessarily involves an interference with the exercise of this right in that it results, to some degree, in the diversion of such custom to the rival trader'. Thus, the main difficulty in this branch of the law is to determine the dividing line between lawful and unlawful interference with the trade of another.

[19] In this case the claim of the appellant which is presently in issue relates to a competitive act which does not fall within any of the above-mentioned examples or categories of unlawful competition alluded to by Corbett J. In *Gründlingh & others v Phumelela Gaming and Leisure Ltd* [2005] ZASCA 62; [2005] 4 All SA 1 (SCA) paras 40 and 41, the majority (per Farlam et Conradie JJA) held:

'The test for the unlawfulness of a competitive action is essentially public policy and the legal convictions of the community. The latter concept ordinarily includes not only right-thinking members of the community who might be expected to hold a view on the particular topic but also, as Van Dijkhorst J said in *Lorimar Productions Inc and Others v Sterling Clothing*

Manufacturers (Pty) Ltd; Lorimar Productions Inc and Others v OK Hyperama Ltd and Others; Lorimar Productions Inc and Others v Dallas Restaurant 1981 (3) SA 1129 (T) at 1153A, those involved in the industry, “(t)he business ethics of that section of the community where the norm is to be applied”. Apart from these considerations there are elements like “an inherent sense of fairplay and honesty; the importance of a free market and strong competition in our economic system; the question whether the parties concerned are competitors; conventions with other countries, like the Convention of Paris”. (At 1153B-C). While legislative provisions are obviously expressions of policy they may (and we think they do here) give expression to the community's legal convictions.

The Convention of Paris for the Protection of Industrial Property defines unfair competition as “any act of competition contrary to honest practices in industrial or commercial matters”. The theme of honest practices raised in *Lorimar* had been explored by Corbett J in *Dun & Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 (1) SA 209 (C) A and taken up in *Schultz v Butt* 1986 (3) SA 667 (A) where Nicholas AJA agreed with Corbett J that “(f)airness and honesty are themselves somewhat vague and elastic terms” (at 679A-B) but that they are nonetheless valuable concepts; and that while they are “relevant criteria in deciding whether competition is unfair, they are not the only criteria . . . questions of public policy may be important in a particular case. . .” (at 679E). He added that Van der Merwe and Olivier *Die Onregmatige Daad in die Suid-Afrikaanse Reg* 5th ed at 58 note 95 “rightly emphasise” that “die regsgevoel van die gemeenskap” opgevat moet word as die regsgevoel van die gemeenskap se regsbeleidmakers, soos Wetgewer en Regter (at 679D-E).’

[20] Once again it may be useful, as a starting point, to call in aid the *Interflora* decisions. *Interflora* operates a network of flower shops, all of which trade under their own branding and trade marks. This gives rise to certain unique considerations insofar as keyword bidding is concerned which clearly influenced the outcome of the trial court decision, which was overturned on appeal and remitted for reconsideration by the Appeal Court. That the *Interflora* cases are distinguishable on their facts from other keyword cases is made clear in *Cosmetics Warriors*. Although distinguishable on the facts, the decision of the Court of Appeal provides an extensive analysis of the general principles which are applied in Europe, and therefore the United Kingdom, to the determination of whether or not keyword bidding on a competitor's trade mark is lawful or not.

[21] According to the *Court of Appeal Interflora judgment* (para 98) ‘internet advertising using keywords which are identical to trade marks is not an inherently objectionable practice. On the contrary, its aim is, in general, to offer to internet users alternatives to the goods or services of trade mark proprietors and it is not the purpose of trade marks to protect their proprietors from fair competition’.¹¹ The Court of Appeal in *Interflora* accepted that the use of another’s trade mark as a keyword in the Google AdWords service does not adversely affect the advertising function of that mark,¹² notwithstanding that that use might have repercussions for the use of the mark in advertising by the trade mark proprietor.¹³ The fact that the use of the other trader’s trade name or trade mark as a keyword means that the proprietor of the trade mark might have to pay a higher price-per-click than its competitor if it wished to ensure that its advertisement appeared before that of the competitor is not a sufficient basis for concluding that the trade mark’s advertising function is adversely affected. This is because the use of a competitor’s trade name or trade mark as a keyword does not have the effect of denying the proprietor of that trade mark the opportunity of using its mark effectively to inform and win over consumers (as an advertising tool).¹⁴

[22] 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. If the trade mark proprietor establishes the likelihood of this link (i.e. confusion) then the advertiser will be held to have acted dishonestly or unfairly.¹⁵ The *Cosmetic Warriors* decision makes plain that there is no likelihood of confusion or deception which arises in circumstances

¹¹ See also para 104.

¹² Paragraph 38 and 78, the latter with reference to Joined Cases C-236/08 to C-238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-0000 (*Google France*).

¹³ Paragraph 97, with reference to the ECJ decision in the same matter – Case C-323/09 *Interflora* (CJEU).

¹⁴ Paragraphs 57 – 59 of the ECJ decision quoted in para 97 of *Interflora*.

¹⁵ Paragraph 87, with reference to Case C-558/08 *Portakabin v Primakabin* [2010] ECR I-6963.

where an advertiser, without more, uses another trader's trade name only as a keyword.

[23] The decisions of the Court of Appeal in France and the Barcelona Commercial Court referred to earlier also found that the practice did not constitute unfair competition. They found in this regard that in the absence of confusion or deception there is nothing unlawful in the practice, which was in fact generally pro-competitive.¹⁶

[24] Although couched in the language of unlawful competition, the appellant's complaint, reduced to its essentials, is that the respondents have appropriated its trade name for a particular purpose (keyword bidding) and for their own benefit. However, the use by one trader of the unregistered trade mark or trade name of another is not unlawful under the common law except to the extent that that use gives rise to passing off.¹⁷ We have 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. Quite the contrary, our 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.¹⁸ As it was put in *Payen Components SA Ltd v Bovic CC & others* [1995] ZASCA 57; 1995 (4) SA 441 (A) at 453G-H: 'In my opinion a Court should be wary of allowing the sharp outlines of these two established branches of the law of unlawful competition [copyright and passing-off], evolved through long experience, to be fudged by allowing a vague penumbra around the outline. Unlawful competition

¹⁶ The decisions in all of these cases appear to be consistent with those of the UK Court of Appeal decision in *Interflora*.

¹⁷ *Phillip Morris Inc & another v Marlboro Shirt Co SA Ltd & another* 1991 (2) SA 720 (A) 743F-H.

¹⁸ *Blue Lion Manufacturing (Pty) Ltd v National Brand Ltd* [2001] ZASCA 62; 2001 (3) SA 884 (SCA) para 1; *Payen Components SA Ltd v Bovic CC & others* [1995] ZASCA 57; 1995 (4) SA 441 (A) at 453G; *Phillip Morris Inc v Marlboro Shirt Co SA Ltd* (above) at 743F-H; *Moroka Swallows Football Club v The Bird Football Club* 1987 (2) SA 511 (W) at 531; *Union Wine v Edward Snell* 1990 (2) SA 189 (C); and *Lorimar Productions Inc v Sterling Clothing Manufactures (Pty) Ltd* 1981 3 SA 1129 (T).

should not be added as a ragbag and often forlorn final alternative to every trade mark, copyright, design or passing off action. In most such cases it is one of the established categories or nothing.'

[25] It follows that the attempt by the appellant to ground a cause of action based on unlawful competition in these circumstances is ill conceived. For, 'imitation is the lifeblood of competition' and 'the bare imitation of another's product, without more is permitted' (*Schultz v Butt* quoting from *American Safety Table Co Inc v Schreiber* 269 F.2d 255 (2nd Cir 1959)).¹⁹ And, as it was put in *Moroka Swallows Football Club v The Bird Football Club* 1987 (2) SA 511 (W) at 531:

'Provided that he does not commit the delicts of defamation or passing off or offend against any specific statutory prohibition, there is no reason why an entrepreneur should not take the benefit of such advantage as he may be able to gain in the marketing of his goods and services by associating them with names that have become famous'.

Indeed, the appellant effectively calls upon this court to allow what Schutz JA described as an illegitimate 'ersatz passing off with requirements . . . less exacting than those required by the common law' (*Blue Lion Manufacturing* (above) para 1). Schutz JA added: 'Some of the restraints that the common law places on the passing-off action (the one relevant to this case is the need to prove the likelihood of

¹⁹ In *Schultz v Butt* at 683 Nicholas AJA stated:

'In the American case of *American Safety Table Co Inc v Schreiber* (1959) 269 F.2d 255 it was said at 271-272:

"... (At) first glance it might seem intolerable that one manufacturer should be allowed to sponge on another by pirating the product of years of invention and development without licence or recompense and reap the fruits sown by another. Morally and ethically such practices strike a discordant note. It cuts across the grain of justice to permit an intruder to profit not only by the efforts of another but at his expense as well."

However, this initial response to the problem was curbed in deference to the greater public good:

"For imitation is the life blood of competition. It is the unimpeded availability of substantially equivalent units that permits the normal operation of supply and demand to yield the fair price society must pay for a given commodity... Unless such duplication is permitted, competition may be unduly curtailed with the possible resultant development of undesirable monopolistic conditions. The Congress, realizing such possibilities, has therefore confined and limited the rewards of originality to those situations and circumstances comprehended by our patent, copyright, and trademark laws. When these statutory frameworks are inapplicable, originality *per se* remains unprotected and often unrewarded. For these reasons and with these limitations the bare imitation of another's product, without more, is permissible. And this is true regardless of the fact that the Courts have little sympathy for a wilful imitator."

deception and confusion) are important in preventing the creation of impermissible monopolies’.

[26] It follows that the appeal must fail and in the result it is accordingly dismissed with costs.

V M Ponnar
Judge of Appeal

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