



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA
JUDGMENT

Reportable

Case no: 225/2021

In the matter between:

OPEN HORIZON LTD

APPELLANT

and

CARNILINX (PTY) LTD

RESPONDENT

Neutral citation: *Open Horizon Ltd v Carnilinx (Pty) Ltd* (Case no 225/2021)
[2022] ZASCA 75 (26 May 2022)

Coram: PONNAN, ZONDI, MAKGOKA and MABINDLA-
BOQWANA JJA and MEYER AJA

Heard: 18 May 2022

Delivered: 26 May 2022

Summary: Trade Marks Act 194 of 1993 – s 34(1)(a) – whether the various ATLANTIC marks used by the respondent are confusingly or deceptively similar to the appellant’s registered PACIFIC trade marks – whether respondent’s adoption and use of the ATLANTIC marks amounts to unlawful competition.

ORDER

On appeal from: Gauteng Division of the High Court, Pretoria (Hughes J, sitting as court of first instance):

The appeal is dismissed with costs, including those of two counsel.

JUDGMENT

Ponnan JA (Zondi, Makgoka and Mabindla-Boqwana JJA and Meyer AJA concurring)

[1] This is an appeal against a judgment of the Gauteng Division of the High Court, Pretoria (per Hughes J), dismissing with costs the appellant's application in terms of s 34(1)(a) of the Trade Marks Act 194 of 1993 (the Act), as also, for interdictory relief based on unlawful competition.

[2] The appellant, Open Horizon Ltd, sought an order interdicting and restraining the respondent, Carnilinx (Pty) Ltd, from infringing its PACIFIC trade marks, by using the marks: ATLANTIC, ATLANTIC WAVE, ATLANTIC MENTHOL, ATLANTIC BREEZE, ATLANTIC BLUE, ATLANTIC CORAL, ATLANTIC APPLE CRUSH and ATLANTIC CHERRY CRUSH or any other marks so similar thereto, as would likely cause deception or confusion in terms of s 34(1)(a) of the Act.

[3] The appellant is the registered proprietor of various PACIFIC trade marks, the earliest of which dates back to 5 November 2003. All of the marks are registered in class 34, which covers, amongst others, tobacco and cigarettes. The respondent first applied to register the trade mark, ATLANTIC, in respect of class 34 goods on 26 June 2012 under application no. 2012/17521. On 6 September 2016, the respondent applied to register its ATLANTIC WAVE, ATLANTIC MENTHOL, ATLANTIC BREEZE, ATLANTIC BLUE and ATLANTIC CORAL trade marks and thereafter, on 31 August 2017, its ATLANTIC APPLE and ATLANTIC CHERRY trade marks.

[4] The rights acquired by the registration of a trade mark are infringed by the commission of one or other of the acts referred to in s 34(1) of the Act (subject to the exclusions referred to in s 34(2), which are not relevant for present purposes). The appellant relies in this case upon subsection (a) of s 34(1) of the Act, which provides:

‘The rights acquired by registration of a trade mark shall be infringed by 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.’

[5] The dispute in this case, insofar as it relates to subsection (a), is confined to whether the respondent’s marks so nearly resemble the appellant’s registered trade marks as to be likely to deceive or cause confusion. That requires a comparison of the marks, in the circumstances in which they can be expected to be encountered, to determine whether they so nearly resemble one another that a substantial number of persons will probably be deceived into believing that the respondent’s goods originate from or are connected with the proprietor of the appellant’s trade mark, or

at least be confused as to whether that is so.¹ The approach to be adopted when making that comparison, which is well-known and need not be repeated here, is set out in *Plascon-Evans Paints (TVL) Ltd v Van Riebeeck Paints (Pty) Ltd*.²

[6] In a case like the present the likelihood (or otherwise) of deception or confusion must be attributable to the resemblance (or otherwise) of the marks themselves and not to extraneous matter.³ In *Lucky Star Ltd v Lucky Brands (Pty) Ltd and Others*, this Court confirmed that in a trade mark infringement case, what is required is an objective comparison between the registration and the infringing mark actually being used. The enquiry is confined to the marks themselves and no regard should be had to other features of the get-up or other indications of origin of the goods as actually marketed by the parties.⁴ Similarities in the goods themselves or in the form in which they are presented might form the basis for an action for passing-off. And, although ‘passing off might have been a better horse to ride than trade mark’⁵ in this case, that is not what is before us and, for present purposes, those similarities must be disregarded.

[7] The appellant relies on the following registered trade marks for the purposes of its s 34(1)(a) claim:

(a) Registration no: 2003/19330

Trade mark:



¹ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* [2001] ZASCA 17; 2001 (3) SA 563 (SCA) para 6.

² *Plascon-Evans Paints (TVL) Ltd v Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51; 1984 (3) SA 623 (A).

³ *Tri-ang Pedigree (South Africa) (Pty) Ltd v Prima Toys (Pty) Ltd* [1984] ZASCA 127; [1985] 1 All SA 276 (A); 1985(1) SA 448(A) at 468G-H.

⁴ *Lucky Star Ltd v Lucky Brands (Pty) Ltd and Others* [2016] ZASCA 77; 2017 (2) SA 588 (SCA) para 7.

⁵ *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd (Blue Lion)* [2001] ZASCA 62; [2001] 4 All SA 235 (A) para 17.

(b) Registration no: 2016/03118

Trade mark: **PACIFIC**

(c) Registration no: 2016/03134

Trade mark: 

(d) Registration no: 2016/03151

Trade mark: **PACIFIC STORM**

(e) Registration no: 2016/03157

Trade mark: **PACIFIC MIST**

[8] It is these PACIFIC trade marks that are to be compared to the respondent's use of the ATLANTIC trademark to determine if the marks are deceptively or confusingly similar. It is only the respondent's actual use that is relevant to the infringement enquiry. The ATLANTIC trade mark depicted in actual use is as follows:



[9] In the founding affidavit filed in support of the application, it is stated on behalf of the appellant:

'39. The dominant element of the respondent's infringing marks is the word "ATLANTIC", which is conceptually identical to the applicant's PACIFIC trade marks. The marks conjure up the image of an ocean and convey the same idea.

...

41. Consequently, the recognition of the conceptual similarity between the marks necessarily indicates that it is permissible for the applicant to object to the use of a mark conveying the same sense/concept for identical goods.’

[10] It has never been the appellant’s case that the PACIFIC and ATLANTIC trade marks are phonetically or visually similar. The appellant accepts that the words PACIFIC and ATLANTIC do not look or sound the same. The appellant’s case, in short, is that the respondent is not entitled to use the ATLANTIC trade mark, which happens to be the name of an ocean, because it might conjure up the same idea as the appellant’s registered trade mark, which also happens to be the name of another ocean, namely the PACIFIC ocean. It was put as follows in the replying affidavit filed on behalf of the appellant:

‘51. The fact that the PACIFIC and ATLANTIC oceans are different oceans in different geographical locations is not determinative of the matter, neither is the fact that the words do not look or sound the same. While the applicant maintains that the marks are conceptually identical, it is also entitled to object to the use of confusingly similar marks.’

[11] However, registered trade marks do not create monopolies in relation to concepts or ideas. Indeed, as McCreath J explained in *Sun International Ltd v La Chemise Lacoste*:

‘Whilst conceptual deception or confusion can constitute a bar to registration in an appropriate case, caution must be exercised not to create a monopoly in relation to a concept. It is significant, in my view, that the quoted passage from *Searle’s* case begins with the learned Judge’s comment: “The applicant does not and indeed cannot claim a monopoly in ‘respect of any horse’s head’.” It is apparent from what follows in the passage that the issue in *Searle’s* case involved two horse-head devices comprising in each case the profile of a horse’s head with a flowing mane and the Court rejected any suggestion that the applicant in that case was entitled to a monopoly in respect

of a horse head of whatever description. In my judgment the opponent is not entitled to a monopoly in respect of the concept of *any* crocodile, whatever the representation thereof may be. Indeed, in *Cowbell AG v IGS Holdings Ltd* 2001 BIP 384 (SCA) (2001 (3) SA 941) at 948 (A) the Supreme Court of Appeal stated pertinently that trade marks do not create monopolies in relation to concepts or ideas and went on to point out . . .

“The global appreciation of the visual, oral or conceptual similarity of the marks must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components.”⁶

[12] McCreath J’s judgment was followed in *La Chemise Lacoste v Rong Tai Trading CC*, a matter which also dealt with the conceptual similarity between the word ‘crocodile’ and a crocodile device. It was there held:

[77] The court must also deal with the judgment of McCall J in the case of *Safari Surf Shop CC v Heavywater and Others* [1996] 4 All SA 316 (D). He was called upon to consider whether an interim interdict should be granted against the use of a spider device on surfboards - this on the basis that the use of such a device infringed the applicant’s word mark “SPIDER” and also on the basis that the respondent was passing off its boards as those of the applicant. The learned judge did not consider the dictum of Goldstone J in the case of *Searles Industries (Pty) Ltd v International Power Marketing (Pty) Ltd* 1982 (4) SA 123 (T) where Goldstone J stated it to be axiomatic that the applicant could not claim a monopoly in respect of any horse’s head device (at 127). The learned judge’s observations on the fact that a monopoly may not be claimed in regard to something such as a horse were echoed in a later decision of the Registrar of Trade Marks. There, McCreath J, sitting as an assistant registrar of trade marks in an application by Sun International to register a number of marks, all of which bear a crocodile device in one form or another and some of which bear, in addition, the word mark *Kamp Kwena* (it appears from the judgment that McCreath J, quite correctly, with respect, regarded him as entitled to take judicial notice of the fact that the word *Kwena* in the Tswana language means crocodile).

[78] Several passages in the judgment of McCreath J bear repeating:

⁶ *Sun International Ltd v La Chemise Lacoste* 2004 BIP 9 (RTM) 11.

(a) he observed (page 3 of the judgment) that the crocodile devices as used in the two sets of marks differed;

(b) he referred to the dictum of Goldstone J in the Searle matter to the effect that a monopoly in respect of a horse's head cannot be claimed;

(c) he made it clear that whilst “conceptual deception or confusion can constitute a bar to registration in an appropriate case, caution must be exercised not to create a monopoly in relation to a concept”;

(d) he stated that in his judgment “the opponent is not entitled to a monopoly in respect of the concept of any crocodile whatever the representation thereof may be”. He found support for this proposition in the case of *Cowbell AG v ICS Holdings Ltd . . .*.⁷

[13] In July 2014, digital marketing company, Pear Technologies Ltd, applied to register the following figurative sign as a European Union Trade Mark (EUTM):



The application, was in three classes, namely 9 (computer software), 35 (consultancy services) and 42 (computer services). The application was opposed by Apple Inc. before the European Intellectual Property Office (EUIPO). Apple based its opposition on its prior European Union (EU) registration for the well-known apple logo (see below).



⁷ *La Chemise Lacoste v Rong Tai Trading CC* [2007] ZAGPHC 27; 2007 BIP 175 (T) paras 77 and 78.

[14] Apple's opposition was upheld by the EUIPO in early 2016 on the basis of Article 8(5) of the EU Trademark Regulation (EUTM), which entitles the owner of an earlier trade mark with a reputation to prevent the registration of a later identical or similar mark.⁸ In terms of Article 8(5), the use of the later mark must 'without due cause...take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark'. The Board found that Apple's registered logo had a reputation; Apple's logo was considered to be similar to Pear's logo; and, that use without due cause of Pear's logo would take unfair advantage of, or be detrimental to, the distinctive character or the repute of Apple's logo.

[15] Pear Technologies appealed, but this was rejected by the EUIPO Board of Appeal, which found that there was 'at most remote visual similarity and a weak conceptual similarity between the marks at issue'. The finding of 'visual similarity' was based on the fact that both marks 'depicted sleek rounded silhouettes of fruit'. As to 'conceptual similarity': the Board of Appeal found that 'although apples and pears are two distinguishable fruits, they are fruits which are closely related in a biological sense'. Whilst accepting that the finding would involve the consumer in 'making some mental steps', the Board of Appeal concluded that because of the high reputation of the Apple mark and the 'somewhat mocking' image of the pear in the mark applied for, the consumer would establish a mental link with the earlier mark.

⁸ Article 8(5) provides: 'Upon opposition by the proprietor of a registered earlier trade mark within the meaning of paragraph 2, the trade mark applied for shall not be registered where it is identical with, or similar to, an earlier trade mark, irrespective of whether the goods or services for which it is applied are identical with, similar to or not similar to those for which the earlier trade mark is registered, where, in the case of an earlier EU trade mark, the trade mark has a reputation in the Union or, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned, and where the use without due cause of the trade mark applied for would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.'

[16] Pear Technologies appealed again; this time to the General Court of the European Union. In overturning the decision of the Board of Appeal (see *Pear Technologies Ltd v Euipo & Apple Inc*),⁹ the Court noted that on a visual comparison: contrasted with the Apple mark, which would be viewed as ‘an apple, with a bite taken out of it’, the Pear Technologies mark comprised a ‘large number of squares with curved edges of black colour’ that combined ‘to form the image of a pear in the mind of the observer’; the Board of Appeal had wrongly dismissed as negligible the word ‘PEAR’ written below the image, which contributed ‘significantly to determining the image of the mark’; and, while the positioning of the stem or leaf elements were at a similar angle, ‘the concrete shape and size of those elements [were] very different’.

[17] From a conceptual perspective, the Court found that there were ‘clear differences between the concepts conveyed by the [two] marks’ - put simply, one was an apple and the other a pear. The Court reasoned that whilst: the later mark evoked ‘the idea of a full pear’, it did not share the concept of a ‘fruit with a bite taken out of it’; both marks could be described as a fruit, it was inconceivable that the relevant public would use that term instead of the more specific apple or pear; and, pears and apples are fruit with shared characteristics, the Board of Appeal was wrong to give that factor decisive importance in the context of the conceptual comparison.

[18] The Court proceeded to hold (para 69):

⁹ Judgment of the General Court of the European Union, Fifth Chamber, Case T-215/17, which was upheld on appeal by the Court of Justice of the European Communities, Case No. C-295/19P.

‘In that regard, it should be noted, first, that it is admittedly true that each of the conflicting marks may be described as using the image of a fruit. However, as all parties to the action also argue, the mere fact that there is a generic term which includes the terms used to describe the semantic content of the marks at issue is not a relevant factor in the context of the conceptual comparison. In the same vein, it should be borne in mind that the examination of the similarity takes into consideration the conflicting marks as they have been registered or as they have been applied for. Accordingly, it should be observed that the conflicting marks invoke the concept of ‘fruit’ only in an indirect manner. It follows from the consideration set out in paragraphs 62 and 63 above that the conflicting marks will not be perceived as depicting 2 unidentifiable fruits, but rather as (i) an apple with a bite taken out of it, possessing a leaf, and (ii) a pear with a stem. In those circumstances, it is inconceivable that the relevant public displaying a high level of attention will use the term “fruit” instead of “pear” or “apple” when referring to the conflicting marks.’

[19] The reasoning in *Pear Technologies Ltd v Euipo & Apple Inc* is apposite. The PACIFIC and ATLANTIC trade marks evoke the concept of an ocean in an indirect manner. The fact of the matter is that the words relate to two different oceans. PACIFIC and ATLANTIC will not be perceived by the average consumer as depicting two unidentifiable oceans but rather as two vastly different oceans located in two different geographical locations in the world. It follows, in my view, that there is not likely to be deception or confusion as contemplated by s 34(1)(a).

[20] That leaves the unlawful competition: The appellant’s application initially commenced as one relying exclusively on the provisions of s 34(1)(a) of the Act. This was the case that the respondent was required to meet when delivering its answering affidavit. After all the papers had been exchanged in the application, the appellant proceeded to amend its notice of motion to include a new prayer 4 for relief based on unlawful competition. Prayer 4 in the amended notice of motion reads:

‘Interdicting and restraining the Respondent from competing unlawfully with the Applicant by using the confusingly similar infringing marks and ATLANTIC get-ups . . . , to promote its cigarettes, thereby imitating the Applicant’s PACIFIC range of products; obtaining a springboard advantage and taking unfair advantage of the Applicant’s fruits and labours in respect of its PACIFIC trade marks and PACIFIC get-ups . . . ; and interfering with the Applicant’s exclusive rights in its PACIFIC trade marks and PACIFIC get-ups.’

[21] The amendment was introduced about 6 months after the application had been issued and 4 months after delivery of the respondent’s replying affidavit. The amendment was sought absent a supporting or supplementary affidavit. Moreover, the amendment was sought in the face of the repeated refrain in the replying affidavit that the appellant’s case was based exclusively on the provisions of s 34(1)(a) of the Act. It had been variously stated in the replying affidavit that:

‘43. It is not necessary for an applicant relying upon section 34(1)(a) . . . to produce evidence of use. However, in applying the notional use test applicable, such evidence can be useful to the Honourable Court and was provided to assist the Court.

...

61. The applicant is not required to present a copy of any licence agreement in support of its cause of action under s 34(1)(a) . . . and is also not required to prove that . . . is licensed to use its marks. The cause of action is not based on statutory or common law user rights.

...

98. There is no need to put up proof of supply to wholesalers as the cause of action is not based upon user rights.’

[22] In the event, the appellant’s founding affidavit, which exclusively sought to make out a case in support of the relief under s 34(1)(a) of the Act, is also the evidence that the appellant now seeks to rely on for its belatedly introduced cause of action based on unlawful competition. However, first, the appellant’s unlawful

competition claim has no legitimate connection to the evidence advanced in the founding affidavit and thus lacks any evidentiary support. Second, the appellant was obliged to make out its case in its founding papers. Third, the respondent is only obliged to meet such case as is made out in the founding papers.¹⁰

[23] What is more, our courts have generally declined to come to the aid of an applicant, who complains 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.¹¹ As it was put by Schutz JA in *Payen Components SA Ltd v Bovic CC and Others*:

‘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 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.’¹²

[24] The appellant contends in its heads of argument that its case based on unlawful competition is supported by the factual allegations and evidence in the founding affidavit. That is not so. There is simply no evidence in the appellant’s papers in support of such a case. On the contrary, the appellant expressly disavowed any possible reliance on unlawful competition when it said ‘there is no need to put up proof of supply to wholesalers as the cause of action is not based upon user rights’.

¹⁰ *Molusi and Others v Voges NO and Others* [2016] ZACC 6; 2016 (3) SA 370 (CC); 2016 (7) BCLR 839 (CC) para 27 and 28.

¹¹ See *Cochrane Steel Products (Pty) Ltd v M-Systems Group (Pty) Ltd and Another* [2016] ZASCA 74; [2016] 3 All SA 345 (SCA); 2016 (6) SA 1 (SCA) para 24 and the cases there cited.

¹² *Payen Components South Africa Ltd v Bovic Gaskets CC and Others (Payen Components)* [1995] ZASCA 57; [1995] 2 All SA 600 (A); 1995 (4) SA 441 (A) at 453.

[25] In any event, the appellant relies for its unlawful competition claim on the identical trade marks relied on for its trade mark infringement relief. The unlawful competition relief that the appellant seeks is premised on the factual assertion that the respondent is using ‘confusingly similar infringing marks’, thereby imitating the appellant’s PACIFIC range of products. Having determined that the marks are not confusingly similar for the purposes of trade mark infringement, how, it must be asked, can they be confusingly similar for the purposes of the alternative claim based on unlawful competition.

[26] In *Blue Lion*, Schutz JA had occasion to repeat the caution sounded by him some 16-years earlier in *Payen Components*.¹³ He did so in these terms.

‘. . . concerning the illegitimacy of using some general notion of unlawful competition to create an ersatz passing off with requirements (in the alternative) less exacting than those required by the common law. . . .’¹⁴

He 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 deception and confusion) are important in preventing the creation of impermissible monopolies. . . .’¹⁵

I daresay, this is precisely the kind of matter that Schutz JA cautioned against.

[27] It follows that, like the trade mark infringement claim under s 34(1)(a), the unlawful competition claim must also fail.

¹³ *Payen Components* fn 12 above.

¹⁴ *Blue Lion* fn 5 above para 1.

¹⁵ *Ibid.*

[28] In the result, the appeal is dismissed with costs, including those of two counsel.

V M Ponnau
Judge of Appeal

APPEARANCES

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