



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA
JUDGMENT

REPORTABLE
Case No: 100/2014

In the matter between:

SOCIÉTÉ DES PRODUITS NESTLÉ SA
NESTLÉ SOUTH AFRICA (PTY) LTD

FIRST APPELLANT
SECOND APPELLANT

and

INTERNATIONAL FOODSTUFFS CO
IFFCO SOUTH AFRICA (PTY) LTD
THE REGISTRAR OF TRADE MARKS

FIRST RESPONDENT
SECOND RESPONDENT
THIRD RESPONDENT

Neutral citation: *Société des Produits Nestlé SA v International Foodstuffs*
100/14) [2014] ZASCA 187 (27 November 2014).

Coram: Navsa ADP, Theron JA, Swain, JA, Zondi JA et Dambuza AJA

Heard: **3 November 2014**

Delivered: **27 November 2014**

Summary: Trade Marks Act 194 of 1993 – s 34(1)(a) and (c) – shape of respondents’ ‘Break’ finger wafer chocolate bar confusingly and/or deceptively similar to appellants’ 4 finger wafer and 2 finger wafer shape trade marks – blurring of appellants’ shape mark established – ‘Break’ word trade mark of respondent not confusingly similar to appellants’ word trade mark ‘Have a Break, Have a Kit Kat’ – blurring of appellants’ word mark not established – s 10(5) – appellants’ registered shape not attributable only to the technical shape – s 16(5) – Registrar entitled to make substantial amendments to pending applications – must exercise caution in doing so and where amendment will cause injury or prejudice should not be allowed – two-dimensional depiction of three-dimensional shape in application for registration.

ORDER

On appeal from: The North Gauteng High Court, Pretoria (Louw J sitting as court of first instance):

The following order is made:

1 The appeal by the first and second appellants against the order of the court a quo dismissing the appellants' application with costs, succeeds with costs, to the extent reflected in the following order:

'The first respondent and the second respondent are interdicted from infringing the rights of the first applicant in trade mark registration numbers 1999/23579 4 finger wafer shape and 1999/23580 2 finger wafer shape by making unauthorised use, in the course of trade, in relation to chocolate and/or confectionary products of any finger wafer shape mark of any of the types referred to in paragraph 11 of the founding affidavit of Kevin Corlett and illustrated in annexures "N17A" to "N17E" thereto, and of any depictions of any such finger wafer shapes on the packaging or labelling of such products, or of any finger wafer shapes which are confusingly and/or deceptively similar to the aforesaid registered trade marks of the first applicant.

The first and second respondents are ordered to pay the first and second applicants' costs.'

2 The cross-appeal by the first and second respondents against the dismissal of the respondents' counter-application and second review application with costs, is dismissed with costs.

3 The costs orders are to include the costs of two counsel.

JUDGMENT

Swain JA (Navsa ADP, Theron, Zondi JJA et Dambuza AJA concurring):

[1] The first appellant (Société des Produits Nestlé SA) and the second appellant (Nestlé South Africa (Pty) Ltd) who I will collectively refer to as Nestlé, and the first

respondent (International Foodstuffs Co) and the second respondent (Iffco South Africa (Pty) Ltd) who I will refer to as Iffco, are international competitors in the sale of chocolates.

[2] The physical shape as well as the name of a chocolate bar marketed and sold by Iffco has given rise to the present dispute. Nestlé alleged that these attributes of Iffco's 'Break' chocolate bar, infringe trade marks held by Nestlé in the 'Kit Kat' chocolate bar, marketed and sold by it. It is also alleged that these attributes result in the passing off of Iffco's chocolate bar for that of Nestlé.

[3] Nestlé unsuccessfully applied in the North Gauteng High Court (Louw J) for interdictory relief based upon trade mark infringement and passing off. Nestlé was also unsuccessful in its attempt to expunge certain word trade marks from the trade marks register held by Iffco in its chocolate bar.

[4] Iffco was in turn equally unsuccessful in its attempt, brought by way of a counter-application before the court a quo, to expunge certain shape trade marks held by Nestlé in its Kit Kat chocolate bar, as well as an application to review the registration of these shape trade marks.

[5] Leave was granted by the court a quo to Nestlé and Iffco respectively to appeal against the dismissal of Nestlé's application and the dismissal of Iffco's counter-application, as well as the review application.

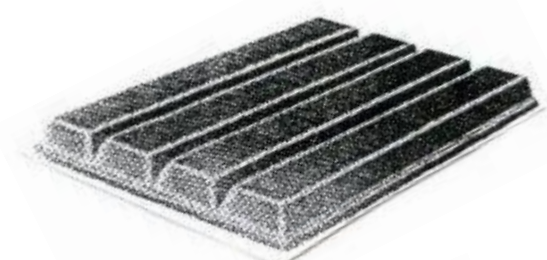
[6] Because the validity of the shape trade mark held by Nestlé, which it seeks to enforce against Iffco, forms the principal basis for the relief sought by Iffco in its counter and review applications, it is necessary to deal firstly with Iffco's appeal against the dismissal of these applications. This is so because if successful Nestlé's shape marks will be rendered invalid and unenforceable.

Iffco's review application

[7] At the heart of Iffco's application to review certain administrative decisions taken by the Registrar in the registration process of Nestlé's 4 wafer finger and 2 wafer finger shape trade mark registrations, lies the contention that what was initially

sought to be registered as trade marks, were pictorial devices to be placed on packaging consisting of depictions of products, and not the three-dimensional shapes of the chocolate bars themselves. In addition, it was submitted that there was no endorsement which would indicate that the trade marks were for the three-dimensional shape of these goods.

[8] The pictorial representations as submitted by Nestlé for registration were as follows in respect of the 4 finger wafer shape:



and in respect of the 2 finger wafer shape:



[9] In terms of s 2(1) of the Trade Marks Act 194 of 1993 (the Act) a 'mark' is defined as:

'... any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the aforementioned.'

A shape may accordingly fall within the definition of a trade mark as defined in s 2(1) of the Act, to be used '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'¹.

¹ This court has recognised that the shapes of goods may perform a trade mark function. *Beecham Group plc & another v Triomed (Pty) Ltd* 2003 (3) SA 639 (SCA); *Die Bergkelder Bpk v Vredendal Koöp Wynmakery & others* 2006 (4) SA 275 (SCA).

[10] In terms of Regulation 13(1) of the Trade Marks Regulations (GNR 578, GG 16373 21 April 1995) every application for the registration of a trade mark shall contain a representation, suitable for reproduction, affixed to it 'in the space provided' in the form TM1 for this purpose. In terms of Regulation 13(3) three-dimensional marks must be represented in such a way that all the dimensions are clearly visible. In addition the pictorial representation of the mark must have the required degree of certainty for the public to know the extent of the monopoly claimed.²

[11] Nestlé contended that the relevant trade marks were applied for as shape marks and that this is visually apparent from the representations of the marks that were filed with the application forms TM1 on 21 December 1999. Nestlé submitted that Ifco is wrong in its assertion that it applied for two-dimensional device marks. On 18 January 2000 Nestlé applied for an endorsement to be entered against both the 2 finger and the 4 finger wafer shape trade mark applications reading as follows: 'The mark consists of the distinctive shape or appearance of the goods.' Nestlé argued that the endorsement simply clarified and confirmed the monopoly in which it was seeking rights, whereas Ifco contended that by entering the endorsement the relevant trade marks were transformed from device marks, into marks consisting of the shape of goods.

[12] Counsel were in agreement that the interpretation of a trade mark application must be made objectively and through the eyes of an ordinary consumer in the same way as the infringement of a trade mark is determined. That test requires a court to compare the registered trade mark and the allegedly infringing mark through the eyes of the ordinary consumer, both side-by-side and apart and determine, whether as a matter of global first impression there exists a likelihood of deception or confusion.³ This must be so because if the comparison is to be made objectively and through the eyes of the ordinary consumer, the interpretation of the trade mark allegedly infringed must be conducted in the same manner. Consequently, the subjective intention of the applicant for the mark sought to be registered is irrelevant.

² *Triomed (Pty) Ltd v Beecham Group and others* 2001 (2) SA 522 (T) at 539D-F.

³ *Plascon Evans Paints (Pty) Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A) at 640-641; *Bata v Face Fashions CC and another* 2001 (1) SA 844 (SCA) para 9; *Puma v Global Warming* 2010 (2) SA 600 (SCA) paras 8-9.

The interpretation of the mark is to be decided by the court and the views of expert witnesses as to how the mark would be perceived by the ordinary consumer is accordingly irrelevant. In this regard the views of Dr Dean, Mr Stewart and Mr Bouwer whose evidence was relied upon by the parties is therefore irrelevant.

[13] In my view on the facts of this case the representations of the marks as contained in the application by Nestlé for registration as trade marks, viewed objectively through the eyes of the notional ordinary consumer, would be perceived as two-dimensional depictions of three-dimensional shapes and not two-dimensional devices for the following reasons. It is clear that the chocolate bars in question have been marketed and sold in South Africa under the name Kit Kat, in the shape depicted in the applications for registration, for the last 50 years. In addition it is clear that Nestlé has also for a considerable period of time made extensive use of this shape of the chocolate bar in advertisements to promote its sale.

[14] That ordinary consumers are able to recognise the shape of Nestlé's Kit Kat finger wafer chocolate bar is borne out by the results of two market surveys conducted by Nestlé during 2005 and 2011 in which consumers were shown a photograph of each of the Kit Kat chocolate bars in black and white in the form applied for (and subsequently registered) and asked whether any foodstuffs came to mind. In both surveys a significant number of consumers associated the shape depicted with chocolate or confectionary as well as with Nestlé and the Kit Kat brand. I agree with the submission made by counsel for Nestlé that Iffco has not challenged the survey evidence in any meaningful way save to submit that the fact that the public recognised the mark is irrelevant for its interpretation. However, the fact that the consumers surveyed, when shown the identical two-dimensional pictures which were the subject of the application for the registration of the 2 finger and 4 finger wafer shape trade marks, recognised them as the three-dimensional Kit Kat chocolate bar, without any endorsement to clarify that what was depicted was the shape or appearance of the chocolate bar, is relevant to an objective assessment of what the perception of the notional ordinary consumer would be.

[15] A further argument advanced by Iffco was that because a certain portion of the specifications of goods claimed by Nestlé, in respect of the marks could not take

the shape of the goods contended for it meant that the applications as filed, when objectively viewed, were not marks for the shape of goods, but rather for materials intended as ornamentation for packaging and the like. In addition, because the consumers surveyed were not shown the specifications of the goods claimed their views were accordingly unreliable. As the distinctive shape of the chocolate bars in question were readily identifiable by a significant number of consumers, in my view the inclusion of the list of specifications would not have drastically altered these results. For the same reason the objective perception by the notional ordinary consumer of the shape claimed, in my view, would not be affected by the addition of other goods in addition to 'cocoa and preparations having a base of cocoa, chocolate, chocolate confectionary, sweets, candies, sugar . . .' in the specifications. In any event, even if some of the goods listed in the specifications could not take the shapes as depicted in the applications, this does not lead to the conclusion that what were depicted were not shapes. It could equally be concluded that Nestlé included some goods that it did not intend to use as part of the marks claimed. If this is so the appropriate remedy would be to apply for their removal in terms of sections 10(4), 24(1) and/or 27(1)(a) of the Act. In addition, after five years of non-use of any of the goods specified with the mark, application could be made by any interested person for their removal from the register in terms of s 27(1)(b) of the Act.

[16] Because the 2 finger and 4 finger wafer shape trade marks filed without any endorsements, would objectively have been interpreted by the notional ordinary consumer as two-dimensional depictions of three-dimensional shapes, the endorsements which Nestlé applied for did not affect the identity of the finger wafer shape trade marks and were included simply to clarify the rights it claimed. In this regard I agree with the view of the court a quo, that even if the notional consumer was confused as to whether the marks were two-dimensional or three-dimensional, the endorsements constituted a limitation in that the marks were limited to a three-dimensional shape. It is not without significance that Mr Catic, the director of international business development of Iffco, and the deponent to the affidavits filed on behalf of Iffco, stated the following in this regard: 'Without the endorsement that the mark is a "shape mark", the mark is simply a logo mark and would not prohibit a person from using the shape in a three-dimensional form. At worst for the respondents (Iffco) it could be interpreted as either one or the other (although the

respondents contend there is only the interpretation). For that reason, too, it is non-distinctive.’ (My emphasis.)

[17] The effect of the endorsements lies at the heart of the additional ground advanced by Iffco for the review of the Registrar’s decision. The submission was that the Registrar is not entitled in terms of s 16(5) of the Act, to permit amendments to an application that would substantially affect the identity of the trade mark. Iffco conceded, however, that s 16(5) of the Act on the face of it, provides for an unlimited discretion on the part of the Registrar to make amendments to pending applications. Iffco submitted that the Registrar’s discretion must be exercised in a judicious and responsible manner, bearing in mind the purpose and spirit of the Act and its provisions as a whole, including the provisions of s 29(1) which deal with the withdrawal by the Registrar of an application for registration accepted in error. The practice of the Registrar and practitioners, according to Iffco, has been to regard s 25, which deals with the alteration of registered trade marks, as the standard for making or allowing amendments to trade mark applications. The present enquiry is concerned with the power of the Registrar in terms of s 16(5) of the Act to permit an applicant for registration of a trade mark, whether before or after acceptance by the Registrar, to amend the application. This is to be contrasted with the power of the Registrar in terms of s 25 of the Act to amend a registered trade mark.

[18] The relevant parts of s 16 of the Act provide:

‘(1) An application for registration of a trade mark shall be made to the registrar in the prescribed manner.

...

(5) The registrar or the court, as the case may be, may at any time, whether before or after acceptance of the application, correct any error in or in connection with the application, or may permit the applicant to amend his application upon such conditions as the registrar or the court, as the case may be, may think fit.’

[19] Webster *et al*⁴ state that an amendment of an application in terms of s 16(5) would appear to relate to matters of substance concerning an application contained

⁴ G C Webster, N S Page, C E Webster, G E Morley *South African Law of Trade Marks* (2013) at 8.25.

in the form TM1 such as the identity of the applicant, the form of the mark or the specification of goods or services.

[20] Section 25(1) of the Act, dealing with the alteration of registered trade marks provides that:

‘(1) The registered proprietor of a trade mark may apply in the prescribed manner to the registrar for leave to add to or alter the trade mark in any manner not substantially affecting the identity thereof, and the registrar may refuse leave or may grant it on such terms and subject to such limitations as he may think fit.’

Whether the alteration sought substantially affects the identity of the mark is determined by the application of the so-called ‘arresting features test’.⁵ The registered mark and the mark containing the alteration or addition, are physically inspected side-by-side and the question to be asked and answered is whether the mark retains its arresting features. If they are then the identity of the mark is not substantially altered.

[21] Iffco, citing the Registrar’s practice directives⁶ dealing with ‘amendment of marks’, submitted that they indicate that the provisions of s 25 should be applicable in the exercise of the Registrar’s discretion when allowing the amendments of the mark, which is the subject of the pending application. Substantial changes affecting the identity of the mark in the application accordingly cannot be made and the applicant is bound by the identity and nature of the mark as contained in the initial application. The principles contained in s 25 of the Act according to the original submissions by Iffco when applied to pending applications meant, in reality that only minor errors, such as clerical errors and the like should be permitted to be amended in pending applications. Counsel for Iffco, however, in argument, disavowed reliance upon such a limited interpretation being placed upon the Registrar’s discretion.

[22] The Registrar’s practice directive as well as the views of certain practitioners of the relevance of the provisions of s 25 to applications brought in terms of s 16 of

⁵ *Bernstein Manufacturing Co (1961) (Pvt) Ltd v Shepherdson* 1968 (4) SA 386 (T) at 389H; *Adcock Ingram Consumer Products Ltd v Dhansooklal Jeenabhai Mody t/a Black Magic* [1997] 3 All SA 125 (T) at 129.

⁶ Companies and Intellectual Property Registration Office: Guidelines in the examination of trade mark applications.

the Act are irrelevant to an interpretation of its provisions. As pointed out, s 25 deals with the entirely different scenario of amendments to be made to registered marks. The Registrar's discretion is quite clearly not limited to correcting minor errors such as clerical errors and the provisions of s 46(1) of the Act provide for this eventuality. This section empowers the Registrar:

' . . . [A]t any time before the registration of a trade mark permit the amendment of any document relating to any application or proceedings before him on such terms as to costs or otherwise as he may think just.'

Webster *et al*⁷ state that this section deals with non-essential elements of an application, such as the amendment of the form TM1 or any other document forming part of the application, as opposed to amendments of substance which are dealt with in terms of s 16(5).

[23] Ifco also submitted that s 29(1) of the Act, which provides that amendments to pending applications have retrospective effect to the date of the trade mark application should be understood as a 'deeming provision' in the interpretation of s 16(5). The argument is that the date of the application is important because it in due course becomes the effective date of the registered trade mark and the date and period when priority can be claimed for filing of 'convention applications' in foreign countries in terms of the Paris Convention. Consequently, if a mark which on the date of filing of the domestic application was a device mark, and was disseminated internationally on that basis, was later transformed in the domestic country to a shape or other form of mark, an anomaly would arise. The international derivations of the mark would be for device marks but the domestic application would be for a shape mark. I agree, however, with the submission by Nestlé that insofar as the South African application may be used as a priority application in foreign countries, it will be for those foreign countries to determine whether that priority is legitimately claimed. In the face of the clear and unambiguous wording of s 16(5) of the Act, the discretion of the Registrar and the court is unfettered and includes the power to allow amendments to applications which substantially affect the identity of the mark. I agree, however, with Webster *et al*⁸ that caution should be exercised in allowing a substantial amendment to a mark and that if injury or prejudice will result to another

⁷ *Supra* paragraph 8.25.

⁸ *Supra* paragraph 8.25.

party, or the public, it should not be allowed. For the reasons set out above no substantial amendment was made to the shape mark of Nestlé and no prejudice or injury resulted.

[24] Iffco's appeal against the refusal by the court a quo to review the Registrar's decision on these grounds must accordingly fail.

Iffco's counter-application for the expungement of Nestlé's finger wafer shape trade mark registrations

[25] The application by Iffco for the expungement of Nestlé's finger wafer shape trade marks is limited to s 10(5) of the Act. Section 10 of the Act deals with unregistrable trade marks and section 10(5) provides as follows:

'10. The following marks shall not be registered as trade marks or, if registered, shall, subject to the provisions of sections 3 and 70, be liable to be removed from the register:

. . .

(5) a mark which consists exclusively of the shape, configuration, colour or pattern of goods where such shape, configuration, colour or pattern is necessary to obtain a specific technical result, or results from the nature of the goods themselves.'

[26] The cornerstone of Iffco's challenge is that the trapezoidal shape of Nestlé finger wafer shape trade mark registrations is entirely a technical requirement. It is not in dispute that chocolate bars have to be trapezoidal in shape when viewed in cross-section in order to facilitate their release (the so-called 'release angle') from the moulds in which they are formed. In short its shape was merely functional. What is, however, in issue is whether the additional elements which contribute to the shape of Nestlé's finger wafer shape trade marks (other than the cross-sectional trapezoidal shape) are not distinctive but simply 'banal' arbitrary additions to the shape of the product. If they are then Nestlé's finger wafer shape marks consist exclusively of a shape which is necessary to obtain a specific technical result (ie release of the chocolate bar from the mould) were not registrable and are to be expunged from the register.

[27] Section 10(5) is concerned with the question of ‘whether the registered shape is necessary to obtain a specific technical result’⁹ or whether ‘the essential functional features of that shape are attributable only to the technical result’.¹⁰

[28] Both parties relied upon certain decisions of overseas tribunals, in which Nestlé’s finger wafer shape marks were in issue, as support for their competing contentions.

[29] Nestlé relied upon the findings made by the Second Board of Appeal of the Office for Harmonization (OHIM) in the United Kingdom in the case of *Société des Produits Nestlé SA v Cadbury Holdings Ltd* (11 December 2012). One of the issues for determination there was whether the shape of Nestlé’s 4 finger wafer bar was precluded from registration because its shape consisted exclusively, in its essential characteristics, of the shape of the goods which was technically causal of, and sufficient to obtain the intended technical result. It was held that the shape in question possessed three attributes which were not necessary to achieve the technical function. Firstly, the rectangular base upon which the four identical trapezoidal bars were aligned was not a feature which responded to a technical need or performed a technical function of the goods at issue. Secondly, even if it were considered that the bars served the purpose of facilitating the partition of the product into four portions at the moment of consumption, this solution was neither technical nor essential in the shape of the chocolate bar. Thirdly, the technical solution could be incorporated without difficulty by competitors in shapes which did not have the same non-functional elements as contained in Nestlé’s chocolate bar such as the trapezoidal shape of each bar, the alignment of the bars, the alignment into four bars, the common joining base and its rectangular shape.¹¹

[30] Although the Second Board of Appeal remarked that these non-technical features were rather banal, the fact remained that these characteristics, not dictated by any technical reason, were sufficient to make that shape recognised by the

⁹ *Beecham supra* para 30.

¹⁰ *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* (para 84) quoted with approval in *Beecham supra* para 28.

¹¹ Paras 104-107.

relevant public as a badge of origin, as an indication of the commercial origin of the products bearing them.¹²

[31] Iffco, in turn, relied upon the decision of the United Kingdom's Intellectual Property Officer (IPO) dated 20 June 2013 in the case of *Société des Produits Nestlé SA v Cadbury Holdings Ltd* in opposition proceedings. The main findings were as follows. Firstly, it was held that the basic rectangular 'slab' shape represented by the mark was a shape which results from the nature of moulded chocolate bars. Secondly, the presence of breaking grooves was a feature which was necessary to achieve a technical result. Thirdly, the angle of more than 8-10 degrees for the sides of the product and the breaking grooves resulted from the nature of moulded chocolate products, and the depths of the grooves was necessary to achieve a technical result. Fourthly, the number of breaking grooves and fingers was determined by the desired portion size.¹³ In the result it was held that Nestlé's finger wafer shape was contrary to s 3(2)(b) of the United Kingdom Act, which prohibits the registration of 'the shape of goods which is necessary to achieve a technical result'.

[32] Nestlé submitted that achieving a portion size is not a technical result, but simply a marketing choice. In addition the finding that the number of fingers reflects a technical result (portion size) is wrong because it is not necessary to have breakable fingers at all to achieve a portion size. The choice of fingers rather than square or squat – rectangular pieces of chocolate is an aesthetic choice, not dictated by technical considerations. Portion size can just as easily be adjusted by increasing the size or weight of the fingers and the number of fingers is therefore not necessary to achieve a portion size. As regards the presence of breaking grooves, whilst necessary to achieve breakability, the shape of the fingers joined by that groove, and thus the length and breadth of the groove itself, was not necessary to achieve a technical result. I agree with these submissions. In addition the finding that the basic rectangular 'slab' shape of the finger wafer shape trade marks resulted from the nature of moulded chocolate bars, was the result of this generally rectangular shape being attacked on the basis that it 'results from the nature of the goods themselves'. This challenge, however, is not raised in these proceedings.

¹² Para 108.

¹³ Para 81.

[33] This decision of the UK IPO was appealed by Nestlé to the Chancery Division *Société des Produits Nestlé SA v Cadbury UK Ltd* [2014] EWHC 16 (Ch). On 17 January 2014, Justice Arnold referred certain questions to the Court of Justice of the European Union and expressed his views on the questions raised. His views do not constitute findings of the court and with respect do not require further consideration.

[34] In my view there are a number of features of Nestlé's finger wafer shape trade marks, which are distinctive and not attributable only to a technical result. Most significant is the 'plinth' or 'apron' which forms the basis for the composite finger wafer shapes, whether in the form of the four or two finger varieties. This imports a distinctive appearance and aesthetic appeal to either product. I disagree with Iffco's contention that the 'plinth' is merely an arbitrary addition to the product. In addition the 'finger' shape of each of the chocolate wafer bars when viewed from above is distinctive. I agree with Nestlé's contention that the high length to width ratio of each of the chocolate wafer fingers is distinctive and a major non-functional element of the chocolate bars as a whole.

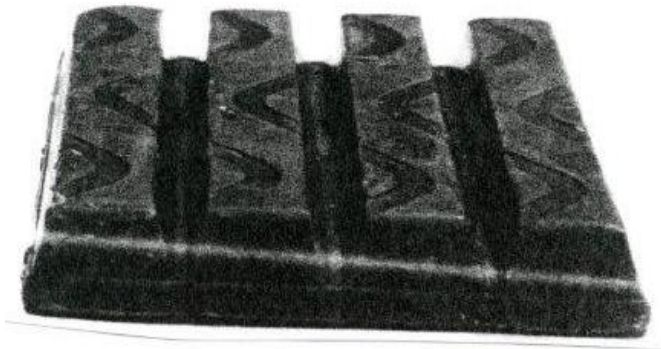
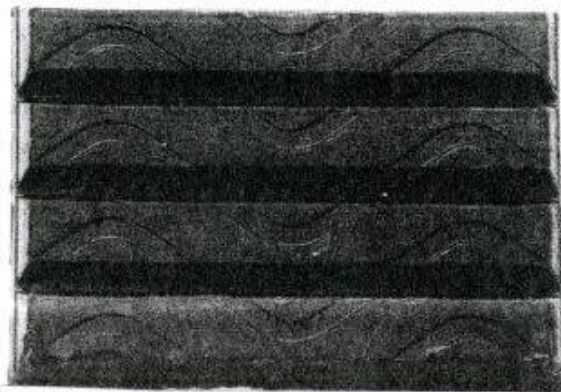
[35] I am fortified in these views by the rationale underlying the provisions of s 10(5) of the Act which 'is to prevent trade mark protection from granting its proprietor a monopoly on technical solutions, or functional characteristics of a product which a user is likely to seek in the product of competitors'.¹⁴ It is quite clear that the finger wafer shape trade marks in issue do not grant Nestlé a monopoly over trapezoidal shaped chocolate bars. Iffco does not identify what 'technical solution' or 'functional characteristics' Nestlé has obtained a monopoly over in terms of the finger wafer shape trade marks.

[36] I accordingly agree with the conclusion of the court a quo that Nestlé's finger wafer shape trade marks are not solely shapes of goods which incorporate a technical solution. Iffco's appeal against the court a quo's refusal to expunge Nestlé's finger wafer shape trade marks from the register accordingly fails.

¹⁴ *Beecham supra* para 28 quoting Philips para 78.

Nestlé's application for interdictory relief based upon Iffco's alleged use as trade marks of the 4 finger wafer shape and 2 finger wafer shape trade marks

[37] Nestlé alleges infringing use by Iffco of its 4 finger and 2 finger wafer shape trade marks in the following manner. In the shape of Iffco's Break 4 finger wafer product:



and its representation on the packaging of its Break 4 finger wafer product:



As well as the shape of Iffco's Break Mini 2 finger wafer product:



And its representation on the packaging of its Break Mini 2 finger wafer product:



[38] What is immediately apparent is that the shape of Iffco's 'Break' chocolate bars are almost identical to Nestlé's 4 finger and 2 finger wafer shape trade marks. The only insignificant difference is the superficial decorative pattern which is embossed on the top of Iffco's chocolate finger wafer bars.

[39] In terms of s 34(1)(a) of the Act Nestlé has to establish that Iffco has used the mark in respect of the same goods for which the trade marks are registered which is either identical to, or so nearly resembles the registered trade mark, so as to be likely to deceive or cause confusion. The mark is used in respect of the same goods, namely chocolate bars. The issue accordingly is whether there is a likelihood of confusion or deception between the chocolate bars. In addition Nestlé has to establish that Iffco is using the finger wafer shapes themselves, or on the packaging of their chocolate bar 'Break', as a badge of origin and not simply in a descriptive manner.

[40] The use of the trade mark must be 'such that it creates the impression that there is a "material link in trade between the third party's goods and the undertaking from which those goods originate". There can only be primary trade mark infringement if it is established that consumers are likely to interpret the mark, as it is used by the third party, as designating or tending to designate the undertaking from which the third party's goods originate'.¹⁵

[41] As regards the likelihood of deception or confusion 'what is required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise there is not. The use of a mark for purely descriptive purposes will not create that impression but it is also clear that this is not necessarily the definitive test'.¹⁶ The issue is whether the public would perceive the finger wafer shape to perform the function of a source identifier and for that purpose the finger wafer shape must be considered in context and not in isolation.¹⁷

¹⁵ *Verimark (Pty) Ltd v BMW AG; BMW AG v Verimark (Pty) Ltd* 2007 (6) SA 263 (SCA) para 5.

¹⁶ *Verimark* para 7.

¹⁷ *Verimark* para 9.

[42] Iffco submitted that there is no evidence to show any actual instances of confusion over the nine years that the chocolate bar of Nestlé and that of Iffco have been sold side-by-side in Shoprite stores. Evidence of actual confusion may be of special value in a particular case,¹⁸ but as pointed out by this court, however, the likelihood of deception or confusion is ‘a matter for the court to decide and, taking into account the difficulties associated with the admissibility and the weight to be given to such evidence, no significance can be attached to the absence of this evidence’.¹⁹ In my view, by virtue of the fact that the shape of Iffco’s chocolate Break bars is identical to that of Nestlé’s Kit Kat chocolate bar, whether in the 4 finger or 2 finger wafer varieties, when viewed through the eyes of the ordinary consumer, side-by-side and apart, as a matter of global first impression there exists a likelihood of deception or confusion.

[43] The issue of whether the ordinary customer would perceive the finger wafer shape depicted in two-dimensions on the packaging of Iffco’s ‘Break’ chocolate bars, as well as the three-dimensional shape of the chocolate bar itself, as a source identifier, ie as a badge of origin of the chocolate bar, must be considered in context. The court a quo concluded that customers would not see the depictions of the chocolate fingers on the respondent’s packaging as an indication of their origin, but simply as an indication of what was inside the package. In other words, purely descriptive use of the mark. The court also recorded that when seeing the product after opening the package, the consumer would also not believe that the product emanates from Nestlé, or that there was any connection between the product and Nestlé’s product. It appears that the main factor which led the court a quo to this conclusion was the fact that the most prominent feature of the packaging was the word ‘Break’ which was in capital letters, with the word ‘Tiffany’ above the word ‘Break’ in an elliptical circle. In effect the court a quo minimized the depiction of the shape of the chocolate bar on the packaging.

[44] The evidence of surveys conducted by Nestlé, referred to above, is of importance in this regard. It is clear that the unique shape of Nestlé’s Kit Kat chocolate bar has been advertised and sold for 50 years in South Africa. The market

¹⁸ *Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son SA (Pty) Ltd* 1993 (2) SA 307 (A) at 316l.

¹⁹ *Adidas AG & another v Pepkor Retail Ltd* [2013] ZASCA 3 (28 February 2013) para [27].

survey has established that a significant number of consumers associated the shape of the chocolate bar with Nestlé's Kit Kat product. In this regard Iffco contended that the surveys were of no assistance because they were conducted in 2005 and 2011 respectively, whereas Iffco had commenced their conduct in June 2002 and the lawfulness of their conduct is to be assessed at that date. It was further submitted that Nestlé has to show that as at June 2002 the public would have perceived the use by Iffco as trade mark use, for the reason that the rights of one party cannot be overtaken by another.²⁰ What has to be determined is the perception of the consumer as to the existence of a material link between the two products. The evidence of the surveys is not conclusive but simply of relevance in determining this issue. The results of these surveys must be considered in the context of the clear evidence that Nestlé has marketed and sold its Kit Kat chocolate bar in its present shape in South Africa for more than 50 years. This is not a case where the evidence is that Nestlé only sold and acquired a reputation in the shape of its Kit Kat chocolate bar after Iffco entered the market with its Break bar in June 2002, and that Nestlé now seeks to rely upon that subsequently acquired reputation to disentitle use by Iffco of the almost identical shape of its Break chocolate bar. The evidence to the contrary is that Nestlé enjoyed a reputation in the shape of its Kit Kat chocolate bar before Iffco even entered the South African market. I agree with the submission of Nestlé that once it is accepted, as the court *a quo* did, that Nestlé enjoys a reputation in its finger wafer shapes, whether in the 4 finger or 2 finger varieties, it follows that these shapes are distinctive and designate the origin of the proprietor.

[45] The fact that according to Iffco it is common in the confectionary industry to depict the actual product in the packaging, so that the consumer knows what is inside the packaging does not per se mean that such use constitutes descriptive use. What is of importance is whether the shape of the product depicted on the packaging, is a shape that is capable of distinguishing the product of the owner of the shape trade mark in question from the products of competitors.²¹ If the public perceives that shape of the product depicted on the packaging as a badge of origin this would not constitute descriptive use.

²⁰ *A M Moolla Group Ltd and others v The Gap Inc and others* 2005 (6) SA 568 (SCA) at 582E-G.

²¹ *Bergkelder supra* para 9.

[46] In addition, this court has held that one cannot use a trade mark and then argue that it was used as ornamentation.²² This is not a case where the finger wafer shape trade marks of Nestlé have been altered in some way by Iffco to distinguish their 'Break' chocolate bars from that of Nestlé's 'Kit Kat' chocolate bars. As pointed out above, the shape of the chocolate bars are almost identical, save for the insignificant decorative pattern which is embossed on the tops of Iffco's chocolate bars.

[47] I accordingly conclude that the court a quo erred in finding that consumers would not be deceived or confused by the depiction on the packaging of Iffco's chocolate bars nor by the shape of their chocolate bars as to the origin of the chocolate bars. The use by Iffco of the shape as depicted on its packaging and its three-dimensional form would be perceived by the consumer as a source identifier, that is, as a badge of origin, of the goods as emanating from Nestlé.²³

[48] The use by Iffco of the 4 finger and 2 finger wafer shape trade mark of Nestlé accordingly contravenes s 34(1)(a) of the Act. The court a quo accordingly erred in concluding that Nestlé had failed to prove an infringement of the registered finger wafer trade marks in terms of s 34(1)(a) of the Act. Whether Nestlé is entitled to an order interdicting Iffco from using this trade mark, requires the consideration of a number of special defences raised by Iffco, namely waiver, acquiescence and estoppel, in due course.

[49] Nestlé also relied upon the provisions of s 34(1)(c) of the Act to restrain the use by Iffco of the finger wafer shape trade marks. Having already established that its trade mark is well-known in South Africa and that Iffco is using a trade mark which is identical or similar to this registered trade mark, Nestlé, for the purposes of this section, had to establish that Iffco's shape of its Break chocolate bars, is likely to

²² *Puma AG Rudolf Dassler Sport v Rampar Trading (Pty) Ltd & others* [2011] 2 All SA 290 (SCA) para 27.

²³ In the matter of *Nestlé Deutschland AG and Société des Produits Nestlé SA v Inter Cookies Gebäck – und Kuchenspezialitäten GmbH* – the District Court of Cologne held that the defendant was prohibited from marketing a chocolate bar, which was confusingly similar to Nestlé's three-dimensional trade mark in its Kit Kat chocolate bar. The court held (at para 3) that the form of the defendant's product and as depicted on the wrapping was identical to Nestlé's product and had become known to the consumer as an indication of origin of Nestlé's product.

take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered 4 finger wafer shape and 2 finger wafer shape trade marks.²⁴

[50] The section ‘aims to protect the commercial value that attaches to the reputation of a trade mark, rather than its capacity to distinguish the goods or services of the proprietor from those of others . . . That being so, the nature of the goods or services in relation to which the offending mark is used, is immaterial, and it is also immaterial that the offending mark does not confuse or deceive’.²⁵

[51] The protection of s 34(i)(c) extends beyond the primary function of a trade mark which is to signify the origin of goods or services. It strives to protect the unique identity and reputation of a registered trade mark which sells the goods. Its object is to avoid ‘blurring’ and ‘tarnishment’ of the trade mark.²⁶

[52] The advantage or detriment complained of must be of a sufficiently significant degree to restrain the use of the trade mark.²⁷ The court must be satisfied by evidence of actual detriment, or of unfair advantage, but depending on the primary facts, these may be self-evident.²⁸ I agree with the submission by Nestlé that as the sales of Iffco’s Break chocolate bars increase consumers will associate Nestlé’s registered finger wafer shape with the product of Iffco, or as the shape of a chocolate bar sold by a number of proprietors in South Africa. The loss of the unique shape of Nestlé’s Kit Kat bar as a distinctive attribute will inevitably result in a loss of advertising or selling power to Nestlé. This will clearly result in ‘blurring’ of Nestlé’s finger wafer shape trade mark. In addition, because Nestlé and Iffco are direct competitors, increased sales of Iffco’s Break chocolate bars will be at the expense of Nestlé’s Kit Kat chocolate bar. Economic harm to Nestlé is consequently self-evident from the primary facts.

²⁴ *Bata v Face Fashions CC and another supra* at para 13.

²⁵ *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 (3) SA 563 (SCA) para 11.

²⁶ *Laugh it Off Promotions CC v SAB International (Finance) BV t/a SABMARK International (Freedom of Expression Institute as Amicus Curiae)* 2006 (1) SA 144 (CC) paras 40 and 41.

²⁷ *Laugh it Off* para 39.

²⁸ *Verimark* para 14 n 21.

[53] The court a quo accordingly erred in concluding that Nestlé had failed to prove an infringement of the registered finger wafer trade marks in terms of s 34(1)(c) of the Act. Whether Nestlé is entitled to interdictory relief in this regard again must await a consideration of the special defences raised by Iffco as referred to above.

Nestlé's application for interdictory relief based upon Iffco's use of the 'Break' trade mark in contravention of Nestlé's word trade marks

[54] Counsel for Nestlé conceded at the hearing that if Nestlé was successful in interdicting the use by Iffco of Nestlé's 4 finger and 2 finger wafer shape marks, there would be no practical need to interdict the use by Iffco of the 'Break' word mark. However, Counsel for Iffco submitted that the resolution of the dispute concerning the shape marks would not be dispositive of the dispute concerning the use by Iffco of the 'Break' word mark. The issue required determination in the appeal.

[55] A determination of whether Iffco's 'Quanta Break' and 'Tiffany Break' word trade marks, contravene Nestlé's word trade marks must be carried out without regard to the finding that the shape of Iffco's chocolate finger wafer bars to which the name 'Break' is attached, is confusingly or deceptively similar to Nestlé's 4 finger and 2 finger wafer shape marks. This is because the comparison is between the respective word marks of Nestlé and Iffco and not between the respective word marks viewed in conjunction with the shape of the products which they name.

[56] The registered word trade marks of Nestlé are the following:

Have a Break, Have a Kit Kat

Have a Break . . . Have a Kit Kat

Have a Break

Take a Break

All of these marks, except for 'Have a Break, Have a Kit Kat' are endorsed with disclaimers on the word 'Break'. Counsel for Nestlé in their heads of argument accordingly rely solely on the mark not subject to the disclaimer, namely 'Have a Break, Have a Kit Kat.'

[57] The registered word trade marks of Iffco are 'Quanta Break' and 'Tiffany Break', but it is clear that Iffco uses the word 'Break' on its packaging as a trade mark. By virtue of the fact that Nestlé relies upon the provisions of s 34(1)(a) of the Act, it has to be determined by comparing the mark of Nestlé relied upon, namely 'Have a Break, Have a Kit Kat', with the mark of Iffco namely, 'Break' whether there is a likelihood that consumers would be deceived or confused into believing that Iffco's product is a Nestlé product, or that there was a material connection between them.

[58] Of significance in this enquiry is the fact that Nestlé has disclaimed use of the word 'Break' in three out of the four registered word marks. Why it has not been disclaimed in the remaining word mark relied upon by Nestlé is not explained. There is certainly nothing in the word mark relied upon to distinguish it in this regard from the other word marks. It is clear that a disclaimer allows others to use disclaimed features in a trade mark sense and is not simply intended to protect third parties who use the word 'Break' descriptively in association with chocolate confectionary as contended for by Nestlé. If this was so, the provisions of s 34(2)(b) of the Act would be rendered superfluous. This section permits the descriptive use of features which have not been disclaimed. In this regard I agree with the view expressed by the court a quo, relying upon the authors Webster and Page,²⁹ that the effect of a disclaimer is that the trade mark owner recognises that that which is disclaimed, is not in itself distinctive of the origin of the goods or services in question and that there will be no infringement of the trade mark, where the only similarity between the trade mark and the mark complained of consists of a similarity to those features which have been disclaimed.

[59] Nestlé does not claim exclusivity in the word 'Break' in a trade mark sense. What is relied upon is the contention that the use of the word 'Break' as a trade mark is confusingly or deceptively similar to Nestlé's trade mark 'Have a Break, Have a Kit Kat'. Nestlé contends that Iffco has appropriated a dominant and essential element of their trade mark, namely the word 'Break'. I disagree. In order to find that a consumer would be confused or deceived into thinking that the word 'Break'

²⁹ Paragraph 9.8.

indicated that the origin of Iffco's product was that of Nestlé, the highly distinctive name of Nestlé's product 'Kit Kat' would have to be ignored. It is clear that the likelihood of confusion must be a real probability, not a remote possibility.³⁰ In my view, the requisite likelihood of confusion amongst consumers confronted by the respective trade marks has not been established by Nestlé. Nestlé's appeal against this finding by the court a quo accordingly fails.

[60] Nestlé also relies upon the provisions of s 34(1)(c) of the Act to restrain the use by Iffco of the Break trade mark. As pointed out the object of this section is to avoid 'blurring' and 'tarnishment' of the trade mark. It is clear that the mark of Nestlé relied upon, namely 'Have a Break, Have a Kit Kat' is well-known and has been used for a considerable period of time in South Africa. As pointed out it is not necessary for Nestlé to prove the likelihood of confusion among customers when viewing the respective trade marks. Nestlé contends that the harm to the selling power in the Break trade mark is self-evident, because it will now be precluded from relying upon the 'Have a Break' concept in its advertising. It argues that the value of the Break trade marks, which were devised and used as advertising slogans, resides in their advertising value. It is alleged that Nestlé's promotion of its Kit Kat product using the Break trade marks, will have the undesirable effect of promoting Iffco's Break products.

[61] As pointed out the court must be satisfied by evidence of actual detriment, or of unfair advantage. However, this may be self-evident from the primary facts. In my view the mere fact that the concept of 'Have a Break, Have a Kit Kat' has become well-known in connection with the Nestlé's Kit Kat chocolate bar, does not mean that the detriment or unfair advantage alleged by Nestlé in the use by Iffco of the trade mark Break is self-evident. This is a case which required evidence to prove the 'blurring' of Nestlé's word mark in the respects alleged. Nestlé's appeal against the finding of the court a quo must accordingly fail.

Nestlé's application to expunge Iffco's Quanta Break and Tiffany Break trade marks

³⁰ *Cowbell AG v ICS Holdings Ltd* 2001 (3) SA 941 (SCA) para 15.

[62] In the light of the conclusion that Iffco's Quanta Break and Tiffany Break trade marks are not confusingly similar to Nestlé's trade marks and their use does not lead to the dilution of Nestlé's Break trade marks by blurring, there is no basis for ordering that Iffco's trade marks be expunged from the register. Nestlé's appeal against the court a quo's refusal to grant such an order accordingly fails.

Nestlé's claim in terms of s 35(3) of the Act and for passing off

[63] Counsel for Iffco conceded that if Nestlé was successful in obtaining interdictory relief either in terms of s 34(1)(a) or (c) of the Act, there would be no need to deal with these claims.

Iffco's special defences based upon acquiescence, waiver and estoppel

[64] A great deal of evidence was filed by Nestlé and Iffco dealing with the defences raised by Iffco of tacit waiver (through silence or a failure to act in the face of a legal duty to do so) and acquiescence, on the part of Nestlé. Iffco also raised the defence of estoppel based upon an implied representation made by Nestlé as a result of a failure to act in preventing Iffco from continuing to use the contested trade marks.

[65] The basis for these defences is the allegation by Iffco that Nestlé was aware of Iffco's use of the Quanta Break and Tiffany Break word marks, as well as the 4 finger wafer shape trade mark from 2002, but only took action in June 2011.

[66] At the hearing counsel for Iffco quite correctly abandoned reliance upon the defence of acquiescence, which does not form part of our law.³¹ In addition, counsel stated he would not address further argument on these defences and relied solely upon the submissions made in his heads of argument.

[67] I find it unnecessary to deal with the evidence in detail because it is clear that Iffco received demands from Nestlé on several occasions to cease the sale of its Break chocolate bar in South Africa and elsewhere in the world. Although it is clear that no demands were made during the period 2004 to 2008 for Iffco to cease selling

³¹ *Turbek Trading CC v A & D Spitz (Pty) Ltd & another* [2010] 2 All SA 284 para 15.

their Break chocolate bar in South Africa, the delay is explained by Nestlé on the basis that it was awaiting registration of the finger wafer shape trade marks in South Africa before taking action.

[68] In addition during this period in 2008 the parties litigated over the identical trade mark issues, with Nestlé instituting legal proceedings against Iffco in Iffco's country of domicile being the United Arab Emirates. From 2008 a number of meetings were held between the parties to settle their dispute on a global scale.

[69] On a conspectus of all of the evidence I am satisfied that Iffco was never led to believe that Nestlé would not enforce the contested trade marks in South Africa against Iffco. The conduct of Nestlé never unequivocally indicated a waiver of the rights it held in the contested trade marks, nor did it amount to a representation that action would not be taken against Iffco to enforce these rights.

[70] These defences were not dealt with by the court a quo, finding it unnecessary to do so because of the dismissal of Nestlé's application on the basis that it had failed to prove infringement of its trade marks. For the reasons set out above these defences must fail and Nestlé is accordingly entitled to the interdictory relief referred to above.

[71] The following order is made:

1 The appeal by the first and second appellants against the order of the court a quo dismissing the appellants' application with costs, succeeds with costs, to the extent reflected in the following order:

'The first respondent and the second respondent are interdicted from infringing the rights of the first applicant in trade mark registration numbers 1999/23579 4 finger wafer shape and 1999/23580 2 finger wafer shape by making unauthorised use, in the course of trade, in relation to chocolate and/or confectionary products of any finger wafer shape mark of any of the types referred to in paragraph 11 of the founding affidavit of Kevin Corlett and illustrated in annexures "N17A" to "N17E" thereto, and of any depictions of any such finger wafer shapes on the packaging or labelling of such products, or of any finger wafer shapes which are confusingly

and/or deceptively similar to the aforesaid registered trade marks of the first applicant.

The first and second respondents are ordered to pay the first and second applicants' costs.'

2 The cross-appeal by the first and second respondents against the dismissal of the respondents' counter-application and second review application with costs, is dismissed with costs.

3 The costs orders are to include the costs of two counsel.

K G B SWAIN
JUDGE OF APPEAL

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