

**Cochrane Steel Products (Pty) Ltd v M-Systems Group (Pty) Ltd and another
[2015] 2 All SA 162 (GJ)**

Division: GAUTENG LOCAL DIVISION, JOHANNESBURG
Date: 29 October 2014
Case No: 39605/13
Before: CH NICHOLLS J
Sourced by: T Nzimande
Summarised by: DPC Harris

[. Editor's Summary .](#) [Cases Referred to .](#) [Judgment .](#)

[1] Intellectual property - Absence of registered trade mark - Action based on unlawful competition - Leaning on - Court had to consider whether the common law prohibits the use of another's good name in terms of unlawful competition - Court found that leaning on (albeit described somewhat differently) had been dealt with in our law and rejected as courts have unanimously held that in the absence of passing off, no proprietary rights can be enjoyed in an unregistered trade mark.

[2] Intellectual property - Absence of registered trade mark - Action based on unlawful competition - Passing off - Passing-off consists of a false representation made by one trader to members of the public that the goods of a rival trader either belong to him or are connected in the course of trade with his own business - Requirements for a successful interdict for passing off are reputation and deception, as well as injury to the plaintiff's business.

Editor's Summary

The applicant and respondents were competitors in the industry of perimeter security and fencing. Objecting to the respondents' use of the applicant's trade mark "ClearVu" for its internet advertising, the applicant sought a final interdict restraining the respondent from using the trademark "ClearVu" as a keyword in the Google AdWords System, or as a metatag. There was no trade mark registered over "ClearVu" and, accordingly, the relief was based not on a statutory infringement, but on the common law interdict of unlawful competition. The respondent denied that it is using the word "ClearVu" as a metatag but admitted that it bid on the word on Google AdWords, which it said was a lawful and common business practice. In light of this concession, the case was argued only on the issue of keywords. The Court began by explaining how the Google AdWords Systems operated.

Held - When an internet user performs a search on the basis of one or more words on the Google search engine, the results which best correspond to that word in decreasing order of relevance will be displayed. The second type of link is a sponsored link, which constitutes a form of advertising where a commercial entity has paid for their advertisement to appear once certain words, known as keywords, are entered into the search engine. The applicant's complaint was that although internet users searching via Google for "ClearVu" would be looking for the applicant's product, such search would actually result in the respondent's advertisement being displayed because it had selected "ClearVu" as a keyword.

The applicant relied on two common law causes of action, passing off and "leaning on". While the latter does not form part of our law, the applicant urged the court to develop the common law in terms of [section 173](#) of the Constitution. Passing-off consists of a false representation made by one trader to

Page 163 of [2015] 2 All SA 162 (GJ)

members of the public that the goods of a rival trader either belong to him or are connected in the course of trade with his own business. The requirements for a successful interdict for passing off are reputation and deception, as well as injury to the plaintiff's business.

In deciding whether leaning on can constitute a cause of action in our law, independent of passing off or a statutory claim for trade mark infringement, the Court had to consider whether the common law prohibits the use of another's good name in terms of unlawful competition. The Court found that leaning on (albeit described somewhat differently) had been dealt with in our law and rejected. The courts have unanimously held that in the absence of passing off, no proprietary rights can be enjoyed in an unregistered trade mark.

The applicant was also unsuccessful on the passing off claim, as it was unable to satisfy the requirements of deception or confusion. Its case was dismissed with costs.

Notes

For Unlawful Competition see:

- LAWSA Second Edition Replacement Volume (Vol 2(2) paras [263-273](#))

Cases referred to in judgment

South Africa

Adidas AG and another v Pepkor Retail Ltd [\[2012\] 1 All SA 636](#) (2013 JDR 3) (WCC) - **Referred to**

<i>AM Moolla Group Ltd and others v The Gap Inc and others</i> [2005] 4 All SA 245 (2005 (6) SA 568) (SCA) - Referred to	167
<i>Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd</i> [2001] 4 All SA 235 (2001 (3) SA 884) (SCA) - Referred to	170
<i>Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd and another</i> 1991 (2) SA 455 (W) - Referred to	169
<i>Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and another</i> [1998] 3 All SA 175 (1998 (3) SA 938) (SCA) - Referred to	172
<i>Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International and another</i> 2005 (8) BCLR 743 (2006 (1) SA 144) (CC) - Referred to	172
<i>Milne NO v Fabric House (Pty) Ltd</i> [1957] 3 All SA 214 (1957 (3) SA 63) (N) - Referred to	168
<i>Moroka Swallows Football Club Ltd v The Birds Football Club and others</i> [1987] 3 All SA 65 (1987 (2) SA 511) (W) - Referred to	170
<i>National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd</i> [2001] JOL 8068 (2001 (3) SA 563) (SCA) - Referred to	172
<i>Online Lottery Services (Pty) Ltd and others v National Lottery Board and others</i> [2009] 4 All SA 470 (2010 (5) SA 349) (SCA) - Referred to	172
<i>Payen Components SA Ltd v Bovic CC and others</i> [1995] 2 All SA 600 (1995 (4) SA 441) (A) - Referred to	170
<i>Philip Morris Inc and another v Marlboro Shirt Co SA Ltd and another</i> [1991] 2 All SA 177 (1991 (2) SA 720) (A) - Referred to	171
<i>Phumelela Gaming and Leisure Ltd v Gründlingh and others</i> 2006 (8) BCLR 883 (2007 (6) SA 350) (CC) - Referred to	170
<i>Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd</i> [1984] 2 All SA 366 (1984 (3) SA 623) (A) - Applied	168

Page 164 of [2015] 2 All SA 162 (GJ)

<i>Poseidon Ships Agencies (Pty) Ltd v African Coaling and Exporting Co (Durban) (Pty) Ltd</i> 1980 (1) SA 313 (D) - Referred to	168
<i>Premier Trading Co (Pty) Ltd and another v Sporttopia (Pty) Ltd</i> [1999] JOL 4947 (2000 (3) SA 259) (SCA) - Referred to	169
<i>Transvaal Racing Club v Jockey Club of South Africa</i> 1958 (3) SA 599 (W) - Referred to	167
<i>Union Wine Limited v E Snell and Co Ltd</i> 1990 (2) SA 189 (C) - Referred to	170
<i>Verimark (Pty) Ltd v BMW Agbmw AG v Verimark</i> 2007 (6) SA 263 (SCA) - Referred to	172
European Court of Justice	
<i>Arsenal Football Club</i> [2002] ECR I - 10273 - Referred to	174
<i>Google France SARL v Louis Vuitton Malletier SA</i> [2010] ECR 1-2417 - Referred to	173
<i>Interflora Inc v Marks and Spencer Plc</i> [2013] EWHC 1291 (Ch) - Discussed	173
<i>L'Oreal SA v Bellure NV</i> European Court of Justice [2010] RPC 1 - Referred to	174
New Zealand	
<i>Intercity Group (NZ) Ltd v Naked Bus NZ Limited</i> [2014] NZHC 124 - Referred to	168
United Kingdom	
<i>Cosmetic Warriors Ltd & Lush Ltd v Amazon.co.uk. Ltd and another</i> [2014] EWHC 181 (Ch) - Discussed	168

Judgment

NICHOLLS J:

Introduction

- [1] The applicant is a company which conducts business as a manufacturer of security fencing and related products. The respondent is a company which competes with the applicant in the industry of perimeter security and fencing. The applicant's complaint is that the respondent uses the applicant's trademark "ClearVu" for its internet advertising.
- [2] The applicant claims that in 2008 it developed and successfully pioneered a type of fencing which allows optimal visibility but which is, for all intents and purposes, impenetrable. The applicant's brand name for this fencing is "ClearVu". It is allegedly well known throughout South Africa and represents business worth hundreds of millions of rands. In 2012, the respondent commenced the manufacture and sale of a similar product using the name "M-Secure".
- [3] The applicant seeks a final interdict restraining the respondent from using the trademark "ClearVu" as a keyword in the Google AdWords System, or as a metatag. There is no trade mark registered over "ClearVu" and accordingly the relief is based not on a statutory infringement, but on the common law interdict of unlawful competition. In argument, the applicant contended for an interim interdict pending the registration of the

Page 165 of [2015] 2 All SA 162 (GJ)

trade mark in the alternative. The respondent denies that it is using the word "ClearVu" as a metatag but admits that it bids on the word on Google AdWords, which it says is a lawful and common business practice. In light of this concession, the case was argued only on the issue of keywords and the cause of action on metatags was seemingly abandoned. To understand the issues in this case, an explanation of how the Google AdWords Systems operates is necessary.

Google AdWords System

- [4] When an internet user performs a search on the basis of one or more words on the Google search engine, it will display the results which best correspond to that word in decreasing order of relevance. These are the so-called "natural" or "organic" results of the search. The second type of link is a "sponsored link". This constitutes a form of advertising where a commercial entity has paid for their advertisement to appear once certain words, known as "keywords", are entered into the search engine.
- [5] The Google AdWords System grew out of Google's recognition of the importance of the internet as a marketing tool and how lucratively this could be exploited. Google therefore "sells" advertising space on the top of the page (or the right hand side of the page), above the natural results. Any commercial entity, by means of the reservation of one or more keywords, can obtain an advertising link to its site when an internet user enters one or more of the keywords into a search request. Google refines the system from time to time but the essential elements remain unchanged.
- [6] The system enables an entity to pay a fee to display an advertisement in these sections. This advertising space is highly sought after. The advertisement is triggered by the use of one or more keywords in a given search. The ranking of the advertisements, an all important aspect, is determined by various factors but primarily a price-per-click. This is when an internet user "clicks" on the advertisement to take him through to the advertiser's website. An advertiser can, at any time, improve its ranking by fixing a higher maximum price-per-click for a keyword than another commercial entity who has nominated the same keyword.
- [7] The fee is calculated primarily on the basis of a maximum price-per-click which the advertiser has agreed to pay and the number of times that the link was clicked on by internet users. The price-per-click is negotiated for each keyword exploited by an advertiser. There might be several keywords, each having a different price tag for a resulting "click-through" to the advertiser's site.
- [8] The applicant's complaint is that a search for "ClearVu" will result in the respondent's advertisement being displayed because it has selected "ClearVu" as a keyword. The applicant contends that whenever an internet user searches via Google for "ClearVu" it is because the internet user is looking for the applicant's product. Instead, the respondent's advertisement (for its M-Secure product) pops up, prominent in relation to the search results.
- [9] Moreover, the applicant alleges in its supplementary affidavit that the applicant's trade mark "ClearVu" appears in the text of the respondent's advertisement. This allegedly reinforces the representation that the

Page 166 of [2015] 2 All SA 162 (GJ)

respondent's business and products are connected or associated with the applicant and its "ClearVu" product. The applicant asserts that this is nothing other than a competitive act calculated to confuse or deceive customers and designed to take business away from the applicant and divert it to the respondent.

- [10] To add insult to injury, to ensure that the applicant's advertisement has a higher ranking and appears in a preferable position to that of the respondent, the applicant has to raise the price-per-click for the use of its

own brand name. Since this pricing works on a basis whereby the applicant does not know what the respondents have tendered for a "click-through" resulting from its advertisement, the applicant is, it asserts, doubly prejudiced. It has to pay more than it would have to in order to advertise its own brand.

- [11] The respondent admits that it bids on the words "clearvu", "clear vu" and "clear-vu" in the Google AdWords System - this is the reason for the appearance of its M-Secure advertisement in the search result of "ClearVu". It denies that this conduct amounts to the use of the applicant's "ClearVu" mark as a trademark or that this will result in customers being confused and deceived into thinking the respondent's M-Secure product is connected with the applicant's "ClearVu" product. It also denies that every instance of a search for a keyword will lead to the display of the related advertisement. This, it says, will depend on the number of advertisements related to the keyword and the respective ranking of the keywords. The respondent further denies that the Google AdWords affect the ranking of natural search results. In respect of the allegation that "ClearVu" appears in the text of the respondent's advertisement, this is emphatically denied. This so called "visual use" will be dealt with later in the judgment.
- [12] The applicant applied for the registration of "ClearVu" as a trade mark in terms of the Trade Marks Act [194 of 1993](#) ("the Act") during 2010. The respondents were informed by the applicants' attorneys that once the mark was registered, its use would constitute another ground of illegality, namely a statutory trade mark infringement. The Registrar accepted the application for registration but a few days before the expiry of the statutory three month period for filing opposition to the registration, the respondent notified the Registrar that it wished to oppose the registration. As a result, the trademark is currently not registered.
- [13] The applicant attributes a sinister motive to the respondent. It asserts that this conduct is abusive as the respondent's objection is ill-founded and designed merely to prevent the applicant from securing registered protection in order to avoid another statutory ground of illegality. Nonetheless, the applicant for the purposes of this application, relies on the infringement of its common law rights which it states resides in its reputation, and is a constituent of its goodwill. The applicant is also the owner of the internet domains <"clearvu".co.za> and <"clearvu".com>.
- [14] Before dealing with the applicant's causes of action, its allegation of visual use by the respondent must be addressed. Visual use consists, not only of the use of a trade mark as a keyword by a competitor, but also using the trade mark in the text of the competitor's advertisement.

Page 167 of [2015] 2 All SA 162 (GJ)

Visual use

- [15] Until 11 April 2014, the applicant's case was based entirely on the use of the keyword "ClearVu" as set out above. On 11 April 2014, the applicant filed a fourth affidavit seeking to introduce evidence to the effect that on 19 March 2014 it became aware that the respondent was using "ClearVu" in the text of its Google advertisements. In support of this, the applicant attached what it claimed was an example of the visual use of "ClearVu" in the respondent's advertising text. No explanation is proffered as to how this evidence was obtained. The advertisement referred to is:



- [16] The respondent denies that it uses "ClearVu" as text in its advertisements. It states that there is no evidence that it is responsible for this visual use as anyone can manufacture a search result simply by bidding on a Google Adword and crafting an advertisement that will appear in the results. Apart from alleging gross unfairness if the evidence were introduced at this stage, the respondent avers that the introduction of this evidence amounts to the introduction of an entirely new cause of action, based on facts which were neither pleaded nor evidenced in the founding affidavit.
- [17] Ordinarily only three sets of affidavits are permitted in motion court proceedings - the founding affidavit, the answering affidavit and the replying affidavit. However, a court has a discretion to admit more than three affidavits subject to considerations of fairness and justice and in the absence of prejudice to other parties. The applicant is obliged to show circumstances warranting the admission of further affidavits.¹ It is not sufficient to set out bald allegations.² Counsel for the respondent correctly states that the applicant has set out very few facts to support its claims of "visual use". It is not stated what search engine was used or what search was done to discover the visual use.

- [18] It is trite that a new case cannot be introduced in reply which was not made out in the founding affidavit.³ If regard is had to case law, especially that emanating from foreign jurisdictions, "visual use" is considered to be a separate cause of action from that of the use of keywords.⁴ Even the applicant acknowledges this by describing visual use in the supplementary affidavit as "a new and additional infringement".
- [19] The case for visual use should have been made out in the founding affidavit. It was never suggested in the founding affidavit, or indeed in reply, that the respondent was using the mark "ClearVu" in the text of its Google advertisement. It is not open to the applicant to raise it as an additional cause of action at a much later stage of the proceedings. Whether a further set of affidavits should be permitted is essentially a question of fairness to both parties.⁵ To admit the applicant's affidavit at a much later stage of the proceedings would clearly be prejudicial to the respondent.
- [20] Significantly, the relief sought in the notice of motion is in relation to the use of a keyword. To include visual use would require an amendment of the notice of motion which was not sought. In any event, the respondent denies the visual use and in a claim for final relief the *Plascon-Evans* rule⁶ applies and the respondent's version must prevail.
- [21] In the circumstances, the further affidavit dealing with the visual use of "ClearVu" is not admitted into evidence. Accordingly, the case against the respondent is confined to "keyword use" as set out in the notice of motion.

The common law

- [22] In the absence of a registered trade mark, the applicant's case is confined to unlawful competition in terms of the common law. The applicant relies on two common law causes of action, passing off and "leaning on". Counsel for the applicant acknowledges that the latter is not part of our law but urges the court to develop the common law in terms of [section 173](#) of the Constitution.⁷ The respondent on the other hand contends that "leaning on", albeit under different descriptions, has been considered and specifically rejected as forming part of our law; and that, in the absence of passing off or the infringement of a statutory right, there is no prohibition to the appropriation of another's well-known trade mark.
- [23] Passing-off consists of a false representation made by one trader to members of the public that the goods of a rival trader either belong to him or are connected in the course of trade with his own business. Passing off erodes the plaintiff's goodwill. The requirements for a successful interdict

Page 169 of [2015] 2 All SA 162 (GJ)

- for passing off are reputation and deception. Reputation in this context is whether the sign or mark has become distinctive enough in the eyes of the public to denote a particular origin of the goods concerned. Deception in this sense is whether the use of the mark is likely to deceive and cause confusion which would, to a significant part of the buying public, cause confusion as to its origin and therefore influence their decision to procure it. The final requirement is an injury, actual or probable, to the plaintiff's business.⁸
- [24] A statutory infringement is a much narrower inquiry based on an infringement of another's mark whereas a cause of action based upon passing off is a remedy for the invasion of a right in the property, not the mark. This pertains to the business or goodwill likely to be injured by the misrepresentation made by passing off one's own goods as the goods of another.
- [25] In order to succeed the applicant will either have to prove the requirements of passing off or persuade the court that the time has come to develop the common law to include "leaning on".

Leaning on

- [26] The authority on which the applicant relies, for the proposition that "leaning on" forms part of our law, is the textbook "Unlawful Competition" by Van Heerden and Neethling.⁹ The authors are of the view that where a trader "leans on" the reputation or good name of another trader for his own profit and financial gain, this is actionable as unlawful competition even in the absence of passing off (ie in the absence of confusion or deception).
- [27] At page 195, the learned authors describe "leaning on" thus:
- "Leaning on occurs when one entrepreneur, in order to advertise his performance, and in this way promote and expand his goodwill, uses the advertising mark of another entrepreneur. In other words, he misappropriates or utilises the advertising value which, for example, the trade name, trade mark or service mark of the other entrepreneur has in connection with the latter's own undertaking goods or services. Thus he leans on the reputation or good name of the others performance for his own profit and financial gain. Leaning on may occur between competitors as well as non-competitors, and it may take place either openly or in a concealed ('bedekte') manner". ¹⁰
- [28] "Concealed leaning on" occurs where a trader attempts to draw customers, not through the merits of its own performance but those of his rival's well-known brand or performance. This, it is said, generally takes place in the context of passing off, in which case unfair advantage is taken of the distinctive value, the advertising value and the origin value of a trade mark.¹¹ It is acknowledged that passing off usually provides adequate protection for these interests and therefore separate reliance on "leaning on"

Page 170 of [2015] 2 All SA 162 (GJ)

is generally unnecessary.¹² However, in the absence of passing off, the proprietor of a trade mark which has a reputation should be protected against misappropriation of that advertising value,¹³ particularly where

there is a real danger of dilution of the advertising value of the trade mark.¹⁴

- [29] The question is therefore whether "leaning on" as described by the authors can constitute a cause of action in our law, independent of passing off or a statutory claim for trade mark infringement. In other words, does the common law prohibit the use of another's good name in terms of unlawful competition?
- [30] Our courts have, on several occasions, expressed their disapproval of monopolies, other than those statutorily protected. The Constitutional Court has held that no trader has the right to be immunised from all competition, except in instances of statutory prohibition.¹⁵ The general rule is that the mere fact that a person has made a name famous does not give him/her a right of property in the name. He/she cannot stop other entrepreneurs from making use of the famous name in the marketing of their goods as long as there is no likelihood of confusion as to the origin of the goods.¹⁶
- [31] In *Moroka Swallows Football Club Ltd v The Birds Football Club and others*, a judgment of this division, Stegmann J said:
- "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."¹⁷
- [32] The court stated that the wide genus of competition law was not there to save a litigant who could not prove the essential requirements of passing off. A similar view was expressed by the Appellate Division in *Payen Components SA Ltd v Bovic CC and others*. The court cautioned that unlawful competition should not be added as a "ragbag and often forlorn final alternative to every trade mark, copyright, design or passing off action."¹⁸
- [33] In *Union Wine v Edward Snell*,¹⁹ the court found that no monopoly was created in a name merely because it had been used for so long. It went on to say:
- "I am unaware of any case in which it has been held that copying of an unregistered trade mark is unlawful in the absence of confusion. The cases of

Page 171 of [2015] 2 All SA 162 (GJ)

Adcock Ingram Products Ltd v Beecham SA (Pty) Ltd [1977 \(4\) SA 434](#) (W) at 437E - [F20](#) and authorities there quoted, and *Pasquali's* case *supra* at 479 are illustrative of the contrary.

However great a reputation and goodwill it may have built up and however much money and energy may have been expended to achieve its share of the market, an unregistered trade mark or name has no statutory or judicial protection and it may be appropriated by competitors provided they do not mislead the public by passing off or compete unlawfully in some other manner . . .

The principle of free and active competition in the market is public policy in South Africa and monopolies are regarded with disfavour."²¹

- [34] The Supreme Court of Appeal has stated in no uncertain terms that the practice of seeking to introduce a cause of action based on what it referred to as some vague notion of unlawful competition as a tack-on to passing off should be brought to a halt. Schutz JA in the case of *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd*²² frowned upon this conduct as a way in which to bypass the need to prove the likelihood of deception and confusion. The lengthy record in that matter was attributed to the fact that the applicant had run a case based on unlawful competition in tandem with its passing off case. The court went on to say:
- "This, despite what was said (if not in so many words) in *Payen Components SA Ltd v Bovic CC and Others* [1995 \(4\) SA 441](#) (A) at 453G - H 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. 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. That is all I have to say on the alternative cause of action, save that it is a pity that the appellant did not ask for a special order for costs."²³
- [35] It is evident that "leaning on", albeit described somewhat differently, has indeed been dealt with in our law and rejected. The courts have unambiguously held that in the absence of passing off, no proprietary rights can be enjoyed in an unregistered trade mark. Litigants have repeatedly faced criticism for attempting to introduce causes of action based on unlawful competition when confronted with difficulties in proving passing off.
- [36] Insofar as the applicant argues dilution, this too has been dealt with by our courts. Dilution occurs when the offending use dilutes the uniqueness and distinctive nature of the trademark. The dilution reduces the ability of the trademark to identify and distinguish the goods and services of its proprietor from those goods which have a different origin.
- [37] The Appellate Division considered an argument based on the dilution of the advertising value of an unregistered trade mark advanced before it in *Philip Morris Inc and another v Marlboro Shirt Co SA Ltd and another*.²⁴ The court found that in our law a trade mark *per se* is not protected by the law

Page 172 of [2015] 2 All SA 162 (GJ)

of passing off but rather by registration in terms of the Act. The common law protects the goodwill in a trade mark and no more. The other rights which inhere to famous trade marks (such as the advertising value) can only be enforced statutorily, in terms of the Trade Marks Act.²⁵

- [38] Although the old Trade Marks Act [62 of 1963](#) was applicable at the time of the *Phillip Morris* case, the Supreme

Court of Appeal and the Constitutional Court have recognised that [section 34\(1\)\(c\)](#) of the new Act preserves the commercial value that attaches to the reputation of the trade mark - its advertising value and selling power. The section was designed as an anti-dilution protection of the unique identity and reputation of a registered trade mark rather than to prevent any form of confusion.²⁶ It, therefore, seems to me that if the applicant is to be afforded any protection for dilution, the remedy would lie in terms of [section 34\(1\)\(c\)](#) of the Act rather than any claim under the common law.

[39] I, accordingly, conclude that there is no room in our law for the applicant to avail itself of "leaning on" as a common law action independent of passing off or statutory registration. I am unpersuaded that in terms of [section 173](#) of the Constitution, I need develop the common law in this regard. The interests of justice and the enjoinder to develop the common law in order to promote the spirit, purport and objects of the Bill of Rights²⁷ find no applicability in this instance. Moreover, the Competition Act [89 of 1998](#), which is post-Constitution legislation, does not list "leaning on" as one of the prohibited practices. The applicant must fail in its attempt to base its cause of action on "leaning on".

Passing off

[40] What remains to be determined is whether the applicant meets the threshold for passing off, namely reputation and confusion. As stated previously, the essence of an action for passing off is to protect a business against a misrepresentation of a particular kind, namely where a party represents that the business, goods or services of another are its own or associated therewith. Misrepresentations of this kind can be committed only in respect of a business that has goodwill. The only component of goodwill that can be damaged by means of passing off is its reputation. For this reason proof of reputation is an essential component of passing off.

[41] Before determining whether the applicant has proved reputation, the question is whether the other prerequisite for passing off, namely deception and confusion has been met.²⁸ The applicant is required to prove that

Page 173 of [2015] 2 All SA 162 (GJ)

the respondent's use of the mark is likely to cause confusion amongst a substantial number of consumers as to the origin of the mark. If the applicant cannot show that the use of "ClearVu" as a keyword causes confusion, this will be dispositive of the applicant's case.

[42] The respondent argues that as the applicant has conceded that this is not a "get-up" case, it is difficult to see how any misrepresentation is made to the public. In the New Zealand case of *InterCity Group (NZ) Ltd v Nakedbus NZ Limited*²⁹ the advertisement of the Naked Bus company appeared when the keyword "intercity" was typed into the Google search engine. The InterCity bus company complained of an infringement of its trade mark. The court found that in these circumstances because the use by Nakedbus of the InterCity's trade mark as a keyword was not seen by the consumer, merely by Google and the advertiser, it could not be taken "as being used as a trade mark".³⁰ Similarly, argues the respondent, the respondent's use of the keyword "ClearVu" is invisible to the public so no representation is made to them.

[43] The applicant asserts that foreign case law is supportive of its case that keyword advertising is unlawful. Particular reliance is placed on the decisions of the Grand Chamber of the European Court of Justice especially *Google France SARL v Louis Vuitton Malletier SA*;³¹ *Interflora Inc v Marks and Spencer Plc*³² and the recent case from the Intellectual Property division of High Court of England and Wales, *Cosmetic Warriors Ltd & Lush Ltd v Amazon.co.uk Ltd and another*.³³ What should be emphasised is that the decisions emanating from the European Court of Justice do so in the context of article 5 of the directives of that court. Article 5, which is entitled "Rights conferred by a Trade Mark", provides that a registered trade mark shall confer on the proprietor exclusive rights therein who shall be entitled to prevent all third parties from using an identical trade mark in the course of trade.³⁴ The use of a sign where, because of its identity with the trade mark, is likely to cause confusion on the part of the public is prohibited.³⁵ The European Court of Justice in *Google France* found that in this context keyword advertising by using a keyword identical with a registered trade mark constitutes "use" in the course of trade.³⁶

[44] However, the European and English decisions are not authority for the proposition that advertising using another trader's trade mark as a keyword is prohibited. Nor are they authority that keyword advertising is likely to cause confusion. Instead, the courts have held that the proprietor of a trade mark cannot oppose the use of an identical mark unless it causes

Page 174 of [2015] 2 All SA 162 (GJ)

detriment to the functioning of the mark in that it is likely to cause confusion as to the origin.³⁷

[45] In the one instance, *Interflora Inc Plc, Interflora British Unit v Marks and Spencer Plc, Flowers Direct Online* where the court found that the use of a sign identical to a trade mark as a keyword did indeed cause confusion, it was observed that:

"... the starting point for assessing Interflora's claims [a keyword advertising claim involving the use of a famous mark] in the present case is that, as is common ground, keyword advertising is not inherently or inevitably objectionable from a trade mark perspective. On the contrary, the case law of the CJEU in this field recognises that, as a general rule, keyword advertising promotes competition: see in particular *Google France* at [69] and *Interflora* (CJEU) at [58]."³⁸

[46] The European Court of Justice has deferred to the national referring courts of the member states to decide whether the use of the mark in question affects the functioning of the mark. This is dependent on the

particular manner in which an advertisement has been presented in the context of the facts of that case. Generally, foreign jurisdictions have held that ordinary keyword advertising using another proprietor's trademark does not have an adverse effect on the advertising function of a trade mark and does not necessarily lead to confusion. This only occurs where the advertisement of the competitor does not enable the average internet user to ascertain with a certain degree of ease whether the goods and services originate from the proprietor of the trade mark. What is postulated is the reasonably well informed consumer.³⁹

- [47] As long as the use of the keyword triggers the display of an advertisement which the reasonably informed and observant internet user can tell that the goods originate, not from the proprietor but the competitor, then it is not unfair. Where advertisements are displayed without offering imitations of the goods, merely an alternative to the original goods, these fall within the ambit of fair competition.⁴⁰
- [48] Internet advertising on the basis of keywords corresponding to trade marks merely offers internet users alternatives to the goods and services of those of the proprietors of that trade mark. The selection of a sign identical with another person's trade mark does not deny the proprietor of that trade mark the opportunity of using its mark effectively to inform and win over customers.⁴¹

Page 175 of [2015] 2 All SA 162 (GJ)

- [49] In *Interflora Inc Plc v Marks and Spencer Plc*⁴² it was held that Marks and Spencer's advertisements did not enable the reasonably well-informed and reasonably attentive internet user to ascertain, or enabled them only to ascertain with difficulty, whether the goods and services advertised originated from Interflora or from Marks and Spencer. In the result, it was found that the use of the keyword "interflora" by Marks and Spencer did adversely affect the function of the trade mark.
- [50] The particular facts of this case must be highlighted. Interflora operated a well-known flower delivery service using a number of independent florists. Marks and Spencer operated its own internet delivery flower service. The court held that in such circumstances there was a likelihood of confusion in that it was possible that a significant number of consumers may be led to believe that there was a connection between the flower delivery service offered by Marks and Spencer and that offered by Interflora. The finding was made on the specific facts of that case and taking into consideration how the advertisement was presented.
- [51] Insofar as the applicant relied extensively on *Cosmetic Warriors* this, too, is misplaced. The court in that matter dealt with several complaints by Lush (which was owned by Cosmetic Warriors) that its trade mark "lush" was being used by Amazon in its Google text. The first complaint involved visual use which, in view of the finding that the alleged visual use in this matter constitutes a new cause of action, is not relevant. The second cause of action related to the use of "lush" as a keyword where no reference was made to "lush" in the advertisements but a consumer was directed to advertisements of products equivalent or similar to "lush". The second complaint is on all fours with the facts of this case.
- [52] In respect of this complaint the court found that internet users were accustomed to having to filter their searches. Consumers were familiar with sponsored ads and are used to seeing them from competing suppliers. The court quoted the 2004 case of *Reed*⁴³ where the following was said:
- "... As anyone who uses internet searches knows, in addition to the results of a search under a particular name or phrase, one often gets unasked for 'banner' advertisements. Most of the time they are nothing but an irritation and are ignored. But you can, if you wish, 'click-through', ie click on the banner and be taken to the advertiser's site. ... The web-using member of the public knows that all sorts of banners appear when he or she does a search and they are or may be triggered by something in the search. He or she also knows that searches produce fuzzy results - results with much rubbish thrown in. The idea that a search under the name Reed would make anyone think there was a trade connection between a totaljobs banner making no reference to the word 'Reed' and Reed Employment is fanciful. No likelihood of confusion was established."
- [53] The court in *Cosmetic Warriors* with reference to keyword advertising, in distinguishing it from *Interflora v Marks and Spencer*, held that:

"46. Moreover, the evidence establishes that Lush are brand conscious and have made great efforts to build up a reputation in the Lush name. In

Page 176 of [2015] 2 All SA 162 (GJ)

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 *Interflora v Marks & Spencer* [2013] FSR 33 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."
- [54] It is common cause that foreign courts have distinguished between visual use of another's trade mark in one's own advertisement and the use of another's trade mark as a keyword to trigger one's own advertisement. What must be emphasised is that in all the foreign authorities on which the applicant relies, there has been statutory registration of the relevant trade mark. Significantly, the applicant has elected to

bring this action in the absence thereof.

- [55] The respondent's use of keyword advertising, even where it had a registered trade mark over the keyword, would only be prohibited where it causes confusion. In this matter, a consumer who searches for "ClearVu" is confronted with a multiplicity of suppliers. No reasonable consumer could possibly be under the impression that all of them relate directly to the applicant. The reaction to these may well be irritation, or indifference, but it is highly unlikely that the reasonably observant consumer would be confused and deceived into thinking they were all the advertisements of the applicant. To reiterate the sentiments expressed in foreign jurisdictions, AdWords are a familiar feature of the internet and consumers are used to distinguishing them from natural search results.
- [56] This is particularly so where the keyword of the applicant is used to trigger the advertisement of the respondent but the advertisement and sponsored link make no reference, or use of, the applicant's trade mark. In such circumstances, there can be no confusion that the respondent's link relates to the respondent's M-Secure product, not to "ClearVu".
- [57] The applicant, accordingly, has failed to establish one of the fundamental pre-requisites for passing off, that of confusion and deception. In the light of this finding, it is unnecessary to deal with whether the applicant has established reputation. The applicant's case on passing off falls to be dismissed on the grounds that it has not shown the likelihood of confusion by the reasonably savvy internet user.

Page 177 of [2015] 2 All SA 162 (GJ)

Joinder

- [58] Together with the replying affidavit, the applicant brought an application for the joinder of Timotheus Meintjes ("Meintjes"), the deponent to the answering affidavit. This was in response to the respondent's allegation in the answering affidavit that the applicants have cited a company that does not exist and that the entity that should have been cited is Roloti Beleggings (Pty) Ltd. Meintjes describes himself in the answering affidavit as the managing director of Roloti Beleggings (Pty) Ltd trading as M-Systems Group and says that they have always intended to change the name to M-Systems Group.
- [59] The applicants argue that the advertisements in question show the respondent's business to be operated by "M-Systems Group"; the applicant's demand, sent via its attorneys of record, was addressed to "M-Systems Group (Pty) Ltd"; and the response thereto was from "Timo Meintjes - M-Systems Group (Pty) Ltd". These, says the applicant, are consistent with the face of the respondent on its internet website, and with the resolution put forward by the respondent where Meintjes is referred to as "Managing Director of M-Systems Group". They are inconsistent with the claim by Meintjes that the respondent is not M-Systems Group (Pty) Ltd, but Roloti Beleggings (Pty) Ltd.
- [60] For the above reasons and so that any interdict that may be granted is observed and respected, the applicant seeks to join Timotheus Meintjes. The respondent, in order that the matter may be adjudicated upon, has suggested that Roloti Beleggings (Pty) Ltd be joined as a second respondent. In view of the respondent's proposal the joinder of Meintjes is unnecessary. To allay any fears that the applicant may have, Roloti Beleggings (Pty) Ltd will be joined as the second respondent in these proceedings.
- [61] Finally, I turn to the argument that an interim interdict pending registration of the "ClearVu" trade mark should be granted in the alternative. This was not sought in the notice of motion and no case has been made out in the founding affidavit for interim relief, particularly in respect of balance of convenience. More importantly, registration is not a foregone conclusion and what is couched as interim relief could, to all intents and purposes, be final relief. If, and when, the applicant registers "ClearVu" as its trade mark, then it can consider its options at that stage and seek whatever relief it deems appropriate.
- [62] In conclusion, the applicant has neither made out a case that "leaning on" is a competent cause of action nor has it proven the pre-requisites for passing off. The application must fail.

In the result, I make the following order:

1. Roloti Beleggings (Pty) Ltd is joined as the second respondent in these proceedings.
2. The applicant's case is dismissed with costs.

For the applicants:

O Salmon instructed by *Rademeyer Attorneys*

For the respondent:

GD Marriott instructed by *Adams & Adams*

Footnotes

- 1 *Transvaal Racing Club v Jockey Club of South Africa* [1958 \(3\) SA 599](#) (W) at 604A-E.
- 2 *AM Moolla Group Ltd and others v The Gap Inc and others* [2005 \(6\) SA 568](#) (SCA) para [31] [also reported at [\[2005\] 4 All SA 245](#) (SCA) - Ed].
- 3 *Poseidon Ships Agencies (Pty) Ltd v African Coaling and Exporting Co (Durban) (Pty) Ltd* [1980 \(1\) SA 313](#) (D) at 316.
- 4 *Cosmetic Warriors Ltd & Lush Ltd v Amazon.co.uk. Ltd and another* [2014] EWHC 181 (Ch); *Intercity Group (NZ) Ltd v Naked Bus NZ Limited* [2014] NZHC 124.
- 5 *Milne NO v Fabric House (Pty) Ltd* [1957 \(3\) SA 63](#) (N) at 65A [also reported at [\[1957\] 3 All SA 214](#) (N) - Ed].
- 6 *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [1984 \(3\) SA 623](#) (A) [also reported at [\[1984\] 2 All SA 366](#) (A) - Ed].

7 The Constitution of the Republic of South Africa, 1996.

8 *Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd and another* [1991 \(2\) SA 455](#) (W); *Premier Trading Co (Pty) Ltd and another v Sporttopia (Pty) Ltd* [2000 \(3\) SA 259](#) (SCA) [also reported at [\[1999\] JOL 4947](#) (SCA) - Ed].

9 Van Heerden-Neethling, *Unlawful Competition* (2ed) 2008.

10 Van Heerden-Neethling, *Unlawful Competition* (2ed) 2008 at 195.

11 Van Heerden-Neethling, *Unlawful Competition* (2ed) 2008 at 197 para 1.2.2.

12 Van Heerden-Neethling, *Unlawful Competition* (2ed) 2008 at 198.

13 Van Heerden-Neethling, *Unlawful Competition* (2ed) 2008 at 198-200.

14 Van Heerden-Neethling, *Unlawful Competition* (2ed) 2008 at 200.

15 *Phumelela Gaming and Leisure Ltd v Gründlingh and others* [2007 \(6\) SA 350](#) (CC) para [38] [also reported at [2006 \(8\) BCLR 883](#) (CC) - Ed].

16 *Moroka Swallows Football Club Ltd v The Birds Football Club and others* [1987 \(2\) SA 511](#) (W) at 531 [also reported at [\[1987\] 3 All SA 65](#) (W) - Ed]; *Union Wine Limited v E Snell and Co Ltd* [1990 \(2\) SA 189](#) (C) at 203; *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* [2001 \(3\) SA 884](#) (SCA) [also reported at [\[2001\] 4 All SA 235](#) (SCA) - Ed].

17 [1987 \(2\) SA 511](#) (W) at 531.

18 [1995 \(4\) SA 441](#) (A) at 453G [also reported at [\[1995\] 2 All SA 600](#) (A) - Ed].

19 Footnote omitted from original transcript - Ed.

20 Footnote omitted from original transcript - Ed.

21 *Union Wine Limited v E Snell and Co Ltd* [1990 \(2\) SA 189](#) (C) at 203.

22 *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* [2001 \(3\) SA 884](#) (SCA).

23 [2001 \(3\) SA 884](#) (SCA) at para [1].

24 [1991 \(2\) SA 720](#) (A) [also reported at [\[1991\] 2 All SA 177](#) (A) - Ed].

25 *Philip Morris Inc and another v Marlboro Shirt Co SA Ltd and another* [1991 \(2\) SA 720](#) (A) at 734.

26 *Verimark (Pty) Ltd v BMW Agbmw AG v Verimark* [2007 \(6\) SA 263](#) (SCA) paras [12] and [13]; *Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International and another* [2006 \(1\) SA 144](#) (CC) para [3] and paras [36]-[40] [also reported at [2005 \(8\) BCLR 743](#) (CC) - Ed]; *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* [2001 \(3\) SA 563](#) (SCA) para [11] [also reported at [\[2001\] JOL 8068](#) (SCA) - Ed].

27 [S 39\(2\)](#) of the Constitution.

28 *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and another* [1998 \(3\) SA 938](#) (SCA) [also reported at [\[1998\] 3 All SA 175](#) (SCA) - Ed]; *Online Lottery Services (Pty) Ltd and others v National Lottery Board and others* [2010 \(5\) SA 349](#) (SCA) [also reported at [\[2009\] 4 All SA 470](#) (SCA) - Ed]; *Adidas AG and another v Pepkor Retail Ltd* 2013 JDR 3 (WCC) [also reported at [\[2012\] 1 All SA 636](#) (WCC) - Ed].

29 *Intercity Group (NZ) Ltd v Nakedbus NZ Limited* [2014] NZHC 124.

30 *Intercity Group (NZ) Ltd v Nakedbus NZ Limited* [2014] NZHC 124, at para [85].

31 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR 1-2417.

32 *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 (Ch).

33 *Cosmetic Warriors Ltd & Lush Ltd v Amazon.co.uk Ltd and another* [2014] EWHC 181 (Ch).

34 Directive 89/104 art 5, [s 1\(a\)](#).

35 Directive 89/104 art 5, [s 1\(b\)](#).

36 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR 1-2417 at paras [51]-[52].

37 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR 1-2417 para [37], [84]; *Arsenal Football Club* [2002] ECR I - 10273 at para [54]; *L'Oreal SA v Bellure NV European Court of Justice* [2010] RPC 1 para [60].

38 *Interflora Inc v Marks & Spencer PLC* [2013] EWHC 1291 (Ch) at para [288].

39 *Intel Corporation Inc v CPM United Kingdom Ltd European case* para [34]; *Interflora Inc plc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online* [2013] EWHC 1291 (Ch) para [290].

40 *L'Oreal SA v Bellure NV European Court of Justice* [2010] RPC 1 paras [51]-[65]; *Interflora Inc plc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online European Court* 44, 45 80.

41 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR 1-2417 at para [68]; *Interflora Inc plc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online* [2013] EWHC 1291 (Ch).

42 *Interflora Inc plc, Interflora British Unit v Marks and Spencer plc, Flowers Direct Online* [2013] EWHC 1291 (Ch).

43 *Reed Executive Plc v Reed Business Information Ltd* [2004] RPC 40.