

# INTELLECTUAL PROPERTY MATTERS

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## Audi loses its Vorsprung

In *Audi AG (Audi) v Office for Harmonization in the Internal Market (OHIM)* (9 July 2008) the European Court of First Instance (CFI) upheld a decision confirming that the famous German automobile manufacturer could not register its trade mark VORSPRUNG DURCH TECHNIK (German for 'advancement through technology') in respect of certain goods and services.

Audi sought to register its Vorsprung mark in 1996 and had been using the slogan internationally since 1971. In 1997 Audi successfully argued that the slogan had acquired a secondary meaning for certain goods in Class 12 (relating to vehicles) of the Nice Classification and the mark was registered as a Community Trade Mark for those goods.

In January 2003 Audi sought to register VORSPRUNG DURCH TECHNIK as a Community Trade Mark for various goods and services, a number of which related to technology, over and above the registration in Class 12 for motor vehicles.

While a number of applications were accepted, Audi's applications in Classes 9, 14, 25, 28, 37, 38, 39, 40 and 42 were refused on the basis that:

- these goods and services relate to technology; and
- the slogan VORSPRUNG DURCH TECHNIK is not distinctive when used in relation to these goods and services.

Audi appealed to the CFI and argued that:

- Sufficient weight had not been given to the fact that the various goods and services covered by its applications had differing degrees of technicality, that these differences should have been taken into account and the goods and services at issue should have been examined individually.
- VORSPRUNG DURCH TECHNIK

was not, from a grammatical point of view, absolutely accurate and this would trigger a process of 'evaluation and reflection' from consumers. Audi claimed that the mark VORSPRUNG DURCH TECHNIK was fanciful and distinctive and therefore registrable in the disputed classes.



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In dismissing both these arguments, the CFI held that:

- the slogan VORSPRUNG DURCH TECHNIK conveys an objective message and that the relevant public would see the mark as a descriptive slogan; and
- that VORSPRUNG DURCH TECHNIK is undoubtedly a promotional slogan which would be easily understood by consumers.

While the CFI conceded that VORSPRUNG DURCH TECHNIK may have various meanings, it concluded that the phrase would not be perceived by consumers as an indication of origin of the goods or services, and could thus not be used as a trade mark.

Even though it had made use of the slogan for more than 35 years, it was still not sufficient for the Ingolstadt firm to register it for goods and services related to technology.

*Eben van Wyk and Rico Burnett*

## The curious case of Jenni Button

In the recent judgment of *Jenni Button v Jenni Button (Pty) Ltd & Others*, the Cape High Court (the Court) confirmed the established principles regarding the use of a personal name as a trade mark.

In 1997 Jenni Button (Pty) Ltd (the first Jenni Button), founded by the well-known South African fashion designer, Jenni Button (the actual Jenni Button), sold its business to Jenni Button (Pty) Ltd (the new Jenni Button).

The first Jenni Button had been using the trading style 'Jenni Button' and 'JB Inc' when it concluded the sale agreement with the new Jenni Button. In terms of the agreement, the new Jenni Button bought 'the business' of the first Jenni Button, which included, *inter alia*, the names 'Jenni Button' and 'JB Inc' and all goodwill relating thereto, and all trade marks and copyright in or relating to the names 'Jenni Button' and 'JB Inc' which, together, comprised a going concern. To give effect to the clause, the first Jenni Button agreed to change its name to 'Brutus Trading (Pty) Ltd.'

In terms of the agreement, the actual Jenni Button would resign as director of the first Jenni Button and would in return be appointed as an executive director in the new Jenni Button and receive an interest of at least 30% in the new Jenni Button.

After negotiations in respect of the terms and conditions upon which the actual Jenni Button would be appointed by the new Jenni Button broke down, she (the actual Jenni Button) resigned from the new Jenni Button without finality having been reached.

While the case dealt primarily with the actual Jenni Button's claim for specific performance of the agreement, an interesting

counter-application was also brought in which the new Jenni Button was seeking an order declaring that:

- It was the lawful owner of the 'Jenni Button' and 'JB Inc' trade names and the actual Jenni Button had no rights to the names in connection with the retail clothing trade; and
- the actual Jenni Button be interdicted and restrained from using the 'Jenni Button' and 'JB Inc' trade names or variations thereof for the purpose of conducting business within the retail clothing trade, including domain names and websites.

The Court considered the common law principles relating to passing off and identified two aspects of use by the actual Jenni Button that the new Jenni Button argued was unlawful, namely:

- Use of the 'Jenni Button' trade name in connection with goods designed, manufactured and sold by the actual Jenni Button's current business trading as 'Philosophy'; and
- use of the words 'Jenni Button' as part of a domain name used by the actual Jenni Button.

### Use of a personal name as a business

The actual Jenni Button argued that she was entitled to use her own name in the context of clothing designs and relied on Section 34(2) of the Trade Marks Act 194 of 1993.

Section 34(2)(a) provides that "*A registered trade mark is not infringed by any bona fide use by a person of his own name, the*

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*name of his place of business, the name of any of his predecessors in business, or the name of any such predecessors' place of business."*

The Court found that the actual Jenni Button could not rely on Section 34(2)(a) as she was not the proprietor of a registered trade mark, however, the following common law test was still applicable:

- The Court referred to the judgment in *Policansky Brothers Ltd v L & H Policansky 1935 AD 89*, which was affirmed in *Brian Boswell Circus v Brian Boswell-Wilkie Circus 1985 (4) SA 466 (A)* and held that a person enjoys a property right or quasi-property right to the use and enjoyment of his own family name in the conducting of business and sale of goods and that every person therefore has a *prima facie* right to honestly use their own name in conducting a business.
- The Court also confirmed the limitations referred to in *Policansky*, most notably that a person is precluded from trading under his/her own name where he/she has contracted not to do so. In considering the facts at hand, the court held that the actual Jenni Button had in fact disposed of her rights in favour of the first Jenni Button, who had sold the rights to the new Jenni Button in the sale agreement.
- The Court finally considered the requirement of *bona fide* use under Section 34(2)(a) and held that the use must be honest without the intention to deceive or to "...*make use of the goodwill which has been acquired by another person*" (as per Lawsa second edition, 2007).
- The Court accordingly held that "... *it is this very name ('Jenni Button')* that has been sold to the first respondent (the new Jenni Button) by her erstwhile business (the first Jenni Button). *I have no doubt that the continued use by the applicant of her own name in the course of her current business infringes the*

*right to the goodwill attaching to the 'Jenni Button' trade name which vests in the first respondent."*

- The court confirmed that, as long as the businesses operate in the same field, the actual Jenni Button was not entitled to make use of her own name in the course of her business. This did however only apply to South Africa as the new Jenni Button did not argue that the marks had established an international reputation at the stage when they acquired the rights thereto.

### Use of personal name as domain name

The actual Jenni Button had also been conducting her international business, Jenni Button International, via the domain name [www.jennibutton.com](http://www.jennibutton.com).

The Court found that, as it did with the use of the trade name, the actual Jenni Button could not be restrained from using her name insofar as the business is not South African. However, she was not entitled to represent that the business of Jenni Button International had any South African outlets or was conducting business in South Africa.

The Court examined the evidence on record and found that the actual Jenni Button had in fact represented to the South African public that she was operating in Cape Town under the 'Jenni Button trade name' at 'Philosophy' outlets and that the 'Philosophy' name was rendered "*totally subservient to the name 'Jenni Button'.*"

The Court therefore ordered that, apart from dismissing the main application, the actual Jenni Button was interdicted and restrained from in any way using the 'Jenni Button' trade name for the purposes of conducting business within the retail clothing trade in the Republic of South Africa.

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## SEAT in the driving seat

In a recent matter before the Court of First Instance (CFI) in Europe, Seat SA (pronounced Say-Yat) succeeded with an objection against an application for the registration of the MAGIC SEAT trade mark by its competitor, Honda Motor Europe Ltd (Honda). Seat SA recently made a brief appearance in the motor vehicle market in South Africa under the Volkswagen flag, but has since disappeared as fast as it had appeared.

Seat SA is the proprietor of the trade mark SEAT & Logo in Spain, which is registered for amongst others "*land vehicles, other components and spare parts for land vehicles*".

Honda filed an application for the registration of a Community Trade Mark MAGIC SEAT, for "*vehicle seats and vehicle seat mechanisms and parts and fittings and accessories for these*".

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In an objection before the Opposition Division of the Office for Harmonization in the Internal Market (OHIM), Seat SA argued that this mark was confusingly similar to its prior well-known SEAT & Logo trade mark registered in the same class. The Opposition Division of the OHIM upheld this objection.

Honda, accordingly, appealed this decision to the First Board of Appeal, highlighting amongst others, that purchasers of vehicle seats were sophisticated consumers and would therefore not be confused between the two trade marks. The First Board of Appeal dismissed the appeal based on the fact that:

- the goods covered by both marks were identical;
- Seat's mark had a high distinctive character in Spain on account of its repute; and
- importantly, that "*even if consumers did not confuse the two marks and noticed the differences between them, there was a risk that consumers might associate the marks and that they had a common commercial origin*".

The mere fact that there was a likelihood that consumers might associate the one mark with the other was therefore enough to prevent registration and it was not necessary for Seat SA to prove actual confusion between the two marks. According to the First Board of Appeal, the MAGIC SEAT trade mark could not be registered.

Honda was still not satisfied with this result and proceeded to appeal this ruling to the CFI, but this appeal was once again unsuccessful and the CFI upheld the decision of the First Board of Appeal.

In accordance with Article 8(1)(b) of the Community of the European Union Regulation No 40/94, upon opposition by the proprietor of an earlier trade mark, a trade mark applied for is not to be registered if:

- because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the marks, there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; and

- the likelihood of confusion includes the likelihood of association with the earlier trade mark.

Based on the overall visual, phonetical and conceptual similarities between the trade marks, the CFI concluded that the hypothetical consumer was likely to either believe that the goods in question came from Seat SA or was economically linked to Seat SA.

With regards to the visual comparison of the trade marks, the CFI noted that it is possible to determine whether there is any visual similarity between a word mark and a figurative mark. The CFI specifically held that "*it should be borne in mind that, according to settled case-law, where a trade mark is composed of verbal and figurative elements, the former are, in principle, more distinctive than the latter, because the average consumer will more readily refer to the goods in question by quoting their name than by describing the figurative element of the trade mark*".



With regards to the phonetical similarity, the CFI held that there was a real possibility that the relevant hypothetical Spanish consumer might not perceive the term 'seat'

in the MAGIC SEAT trade mark as an English word. There was a possibility that 'seat' might be pronounced as the Spanish two-syllable word (se-at), rather than the monosyllabic English word (seat). The CFI further held that the term 'magic' would be perceived as "*purely laudatory*" and would not add distinctive character to the trade mark.

The CFI also used the "*doctrine of imperfect recollection*" to come to a finding and noted that "*account should be taken of the fact that the average consumer only rarely has the chance to make a direct comparison between the different marks but must place his trust in the imperfect picture of them that he has kept in his mind*."

The CFI accordingly held that the First Board of Appeal did not commit an error of assessment in determining that there was a likelihood of confusion or association between the marks on the part of the relevant public and the MAGIC SEAT mark was therefore held to be unregistrable.

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