



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Case No: 59/10

In the matter between:

PUMA AG RUDOLF DASSLER SPORT

Appellant

and

RAMPAR TRADING (PTY) LTD

First Respondent

**THE COMMISSIONER OF SOUTH AFRICAN
REVENUE SERVICES**

Second Respondent

MAGISTRATE H C NIEUWOUDT NO

Third Respondent

Neutral citation: *Puma v Rampar Trading* (59/10) [2010] ZASCA 140 (19 November 2010)

Coram: Harms DP, Heher, Snyders and Tshiqi JJA and R Pillay AJA

Heard: 03 November 2010

Delivered: 19 November 2010

Summary: Counterfeit Goods Act 37 of 1997 – definition of ‘counterfeiting’ – definition of ‘protected goods’.

ORDER

On appeal from: Kwa-Zulu Natal High Court (Durban) (Koen J sitting as court of first instance):

‘The appeal is upheld with costs and the order of the court below substituted with an order dismissing the application with costs.’

HARMS DP (HEHER, SNYDERS AND TSHIQI JJA AND R PILLAY AJA concurring)

HARMS DP:

[1] The interpretation of the Counterfeit Goods Act 37 of 1997 remains contentious but since no visible steps have been taken to solve the problems it remains our duty to interpret it as best we can.¹

[2] The appellant, Puma AG Rudolf Dassler Sport (Puma for short), is a German company with an international reputation in the field of sportswear, including sport shoes. It has, in addition to its Puma word and leaping puma device trade marks, a number of other device trade marks referred to generically, as the form strip device. These are registered in class 25, usually in respect of clothing, footwear and headgear.

[3] The basic form strip device can, in very general terms, be described as a tapering curved stripe running from the upper left to the lower right. If applied to the side of a shoe it conventionally runs from the upper portion of the heel to meet the sole at the middle of the shoe. Two form strip marks (one of which is in issue in this appeal) formed the subject matter of a recent trade mark infringement judgment of this court in *Puma AG Rudolf Dassler Sport v Global Warming (Pty) Ltd* 2010 (2) SA 600 (SCA).

[4] The respondent, Rampar Trading (Pty) Ltd, is the owner of a chain of retail

¹ For an earlier discussion see *AM Moolla Group Ltd v The Gap Inc* 2005 (2) SA 412 (SCA).

shoe stores known as Dodo's. It sells generally known branded shoes but also a budget line under its name mark and a device mark consisting of a stylised letter D. The Dodo name has been known for about a century in relation to shoe stores and shoes although the respondent's relationship with the original business is somewhat tenuous.

[5] During September 2009, inspectors appointed under the Act detained a consignment of shoes imported by Rampar on suspicion that the shoes were counterfeit. The shoes, of which there were four types, bear some or other stripe device on the side of the shoe which, according to Puma, infringed one or other of its form strip marks and were indeed counterfeit. They also bear a Dodo trade mark. Rampar's main contention was that stripe devices were only decorative and did not perform a trademark function

[6] Acting on the suspicion (enforced by an affidavit on behalf of Puma) that the goods were counterfeit the police applied for and obtained a search and seizure warrant in terms of s 6 of the Act, and an inspector seized the goods on 28 October 2009, and removed them to a counterfeit depot.

[7] Rampar filed an application in the Durban High Court seeking, first, the setting aside of the warrant and the subsequent search and seizure. This was soon abandoned. It also sought an order under s 7(4) of the Act, namely a declaration that the goods were not counterfeit and for a consequent order that the goods be returned.² This was the case before the court below and, with its leave, the case before us.

[8] The application turned in this regard primarily on two issues. The first, to which I shall refer as the cloning issue, can best be described with reference to a simplified example. A trade mark is registered in class 25 in relation to clothing, shoes and headgear. The rights owner uses the trade mark on shoes only but the alleged counterfeiter uses the identical mark on headgear or on a completely different type of shoe. One can also conceive of a situation where the rights holder has not used the trade mark at all. In these cases the infringer (because it will be

² Section 7(4)(a): 'Any person prejudiced by a seizure of goods in terms of section 4(1), may at any time apply to the court on notice of motion for a determination that the seized goods are not counterfeit goods and for an order that they be returned to him or her.'

trade mark infringement), although using the identical trade mark, did not clone goods bearing a trade mark of the rights holder. Rampar argued that unless trademarked goods have been cloned they cannot be 'counterfeit' within the meaning of the Act and that cloning of the mark itself and used on goods covered by the mark is not enough. What this would have meant in the context of counterfeiting of money notes is that one cannot make a counterfeit R300 note because the Reserve Bank does not produce one.

[9] The court below agreed with this submission of Rampar's counsel and granted an order in terms of s 7(4)(a) without finding it necessary to deal with the second issue namely whether the shoes were counterfeit within the meaning of the definition of 'counterfeiting' in s 1 of the Act. This depends on whether the shoes bore a sufficiently identical trade mark to that of the registered mark. It should be noted that one of the four types has been released from detention by the inspectorate on this ground and that leaves for consideration the other three.

THE FIRST ISSUE: IS CLONING REQUIRED?

[10] The background to the Act was dealt with in *AM Moolla* where it was pointed out that the Act had its genesis in the Trips agreement.³ Although South Africa is party to Trips by virtue of its membership of the World Trade Organisation, the provisions of Trips do not form part of our municipal law. This means that although one would tend to interpret consequent legislation to conform to the provisions of Trips, the legislation on a proper interpretation may nevertheless not comply with the Trips obligations or, on the other hand, have stricter requirements.⁴

[11] The object of the Act is to prevent dealing in counterfeit goods. This object is obtained by prohibiting a number of acts in relation to counterfeit goods, such as (in very general terms) possession, manufacture, sale, exhibition, distribution, importation or export of such goods for commercial as distinct from private or personal purposes (s 2(1)). A person who performs a prohibited act will be guilty of an offence if at the time of the act or conduct, the person knew or had reason to suspect that the goods to which the act or conduct relates, were counterfeit goods; or failed to take all reasonable steps in order to avoid any such dealing from being

³ Agreement on Trade-Related Aspects of Intellectual Property Rights.

⁴ Compare *Gallo Africa v Sting Music* (40/10) [2010] ZASCA 96 para 18.

performed or engaged in with reference to the counterfeit goods (s 2(2)).

[12] The prohibition is directed to the protection of those ‘intellectual property rights’ (‘IPRs’) defined in s 1(1) of the Act. These are copyright (in relation to which the term ‘counterfeiting’ is inappropriate – it should have been ‘piracy’), trade marks registered in terms of the Trade Marks Act 194 of 1993, unregistered well-known foreign marks that are entitled to local protection by virtue of art 6bis of the Paris Convention,⁵ and certain marks protected by s 15 of the Merchandise Marks Act 17 of 1941. For present purposes we are concerned with registered trade marks only.

[13] ‘Counterfeiting’ is defined in s 1(1) in a somewhat opaque manner but one thing is clear: it is not the same as copyright or trade mark infringement – it requires more. This follows from the proviso to this definition, namely that ‘the relevant act of counterfeiting must also have infringed the intellectual property right in question’. And it follows from the fact that the Act did not refer back to or reproduce the definitions of infringement in the IPR statutes. This appears to be logical because ‘to counterfeit’ ordinarily means to make an imitation of something in order to deceive or to make a copy of something.

[14] The elements of counterfeiting under para (a) of the definition are in logical order:⁶

- (i) manufacturing, producing or making of any goods
- (ii) in the Republic or elsewhere
- (iii) without the authority of the owner of any IPR
- (iv) subsisting in the Republic
- (v) in respect of protected goods
- (vi) whereby they are imitated

⁵ Paris Convention for the Protection of Industrial Property.

⁶ Section 1: ‘Counterfeiting (a) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, the manufacturing, producing or making, whether in the Republic or elsewhere, of any goods whereby those protected goods are imitated in such manner and to such a degree that those other goods are substantially identical copies of the protected goods.’

(vii) in such manner and to such a degree that they are substantially identical copies of the protected goods.

[15] Counterfeiting under para (b), in turn, means:⁷

(i) manufacturing, producing or making, or applying to goods

(ii) in the Republic or elsewhere

(iii) without the authority of the owner of any IPR

(iv) subsisting in the Republic

(v) in respect of protected goods

(vi) the subject matter of that IPR, or a colourable imitation

(vii) so that the 'infringing' goods are calculated to be confused with or to be taken as being the protected goods of the IPR owner.

[16] The first question is whether paras (a) and (b) are intended to cover both copyright piracy and trademark counterfeiting. (Para (c), which deals with counterfeiting of goods protected under the Merchandise Marks Act can be discounted for present purposes.) The authors of *Webster and Page*⁸ believe quite reasonably that they do. I have to disagree because in my judgment para (a) was intended to deal with piracy while para (b) was intended to deal with trademark counterfeiting. Although both (a) and (b) refer in general terms to 'any' IPR, there are other indications that each is limited to either the one or the other. The words 'substantially identical copies' in para (a) are phrased in copyright terms while the concepts in para (b), 'colourable imitation' and 'calculated to be confused', are cast in traditional trademark terminology. Another indication is the reference to 'applying' to goods in para (b), something that in spite of the definition of 'apply to', cannot refer to copyright but clearly does apply to trade marks. Also, para (b) covers the use

⁷ Section 1: 'Counterfeiting (b) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, manufacturing, producing or making, or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence.'

⁸ *South African Law of Trade Marks* (4 ed) para 17.5.

of identical marks by the use of the phrase 'the subject matter of that IPR' and it is accordingly not necessary to rely on para (a) to prohibit the use of 'copies' of trade marks. Last, the definition of IPR distinguishes between the three rights, namely trade marks, copyright and merchandise marks, and it is reasonable to assume that the definition of counterfeiting would do the same, although it did not do so in the same sequence.

[17] The next issue concerns the meaning of 'protected goods'. It has two meanings. First, it means –

'(a) goods featuring, bearing, embodying or incorporating the subject matter of an intellectual property right with the authority of the owner of that intellectual property right, or goods to which that subject matter has been applied by that owner or with his or her authority.'

Applied to trade marks, protected goods are genuine goods that feature the registered trade mark. With reference to the other provisions of the Act it simply intends to protect cloning of goods incorporating the relevant IPR.

[18] The second meaning is –

'(b) any particular class or kind of goods which, in law, may feature, bear, embody or incorporate the subject matter of an intellectual property right only with the authority of the owner of that intellectual property right, or to which that subject matter may in law be applied, only by that owner or with his or her authority, but which has not yet been manufactured, produced or made, or to which that subject matter has not yet been applied, with the authority of or by that owner (whichever is applicable).'

[19] Shorn of verbiage para (b) covers any particular class or kind of goods which may bear a registered trade mark, but has not yet been produced or to which it has not yet been applied with the authority of or by the IP owner. In other words, the goods protected by para (b) are not actual goods but notional goods, ie, goods to which the owner could have applied the trade mark. It means that counterfeiting is possible without cloning and the fact that Puma may not have produced a shoe bearing the particular trade mark does not mean that Rampar's shoes could not be counterfeit.

[20] Confirmation of the fact that the Act contemplates counterfeiting of notional

goods is also to be found in s 3(2)(b), which deals with the information a complainant has to supply when laying a complaint. It concludes by requiring a specimen of the relevant protected goods where the IPR 'that subsists in respect of or has been applied to protected goods contemplated in paragraph (a) of the definition of "protected goods" in section 1(1)'. Significantly, it does not require a specimen in the case of para (b) because one would imagine there cannot be one.

[21] Counsel for Rampar submitted that in spite of the wide wording, para (b) should be read to conform with Trips which, it was suggested, does not require such protection. This, he said, is supported by a statement by the which was quoted with approval by this court in *Cadac v Weber-Stephen* [2010] ZASCA 105 where it was said that 'counterfeit cases involve an infringer attempting to reproduce – and substitute for – the goods (not just the trademark) of the trademark owner'. A study sponsored by the New Zealand government, for instance, states as follows in this regard:⁹

'The term "counterfeiting" is generally understood to mean the unauthorised manufacture and distribution of copies of such goods and works which are intended to appear to be so similar to the original as to be passed off as genuine examples. This includes use of famous brands on clothing not manufactured by or on behalf of the owner of the trade mark, and exact copies of CDs containing music or software, which are traded in a form intended to be indistinguishable to ordinary consumers from the genuine product.'

Counsel also relied on a statement in *Webster and Page*,¹⁰ submitting that the authors were of the view that para (b) was intended to protect only famous foreign marks that have not been registered and goods that have been produced elsewhere but not in South Africa.

[22] Whatever the general understanding of the term 'counterfeiting' or the motive behind the anti-counterfeiting Trips provisions, the limitation is not to be found in Trips or the clear wording of the Act.¹¹ The extract was quoted in *Cadac v Weber-*

⁹ AJ Park & Son for the Ministry of Commerce *Consultant's Report on Theft of Intellectual Property – Piracy and Counterfeiting* para B7 http://www.med.govt.nz/templates/MultipageDocumentPage_1830.aspx (accessed 10 November 2010).

¹⁰ Para 17.4

¹¹ Whether para (b) can apply to copyright piracy is not clear.

Stephen in another context to make a different point. As far as *Webster and Page* are concerned, I believe that counsel misread the learned authors.

THE SECOND ISSUE: ARE THE SHOES COUNTERFEIT?

[23] It follows that in my judgment the court below erred in requiring cloning. It is now necessary to consider the second question, namely whether the shoes were counterfeit. As mentioned above, the answer has to be sought in para (b) of the definition of counterfeiting. In view of the common cause facts the only remaining issue is whether the marks applied to Rampar's shoes are 'the subject matter' or 'a colourable imitation' of any of Puma's registered trade marks. To be 'the subject matter' means, as mentioned, that the Rampar mark must be identical to a Puma trade mark. An 'imitation', in turn, is by definition a copy, and the adjective 'colourable' reinforces the fact that the copy is counterfeit. In other words, the definition says no more than that a counterfeit must be counterfeit. That is why it must be 'calculated to be confused with' or 'taken as being' the registered mark and why it involves deliberate and fraudulent infringement of trademarks.¹²

[24] This test is not the same as the standard trade mark infringement test of 'likely to deceive or cause confusion'¹³ but counterfeiting, by its very nature, amounts *a fortiori* to trade mark infringement. Reference during argument to the test to be applied to determine the likelihood of deception and confusion, confusing similarity, to passing-off principles, imperfect recollection, momentary confusion, the prospective purchaser, that a substantial (ie, not negligible) number of people have to be confused, evidence about the public's perception and how Rampar intended to market the goods was, accordingly, singularly out of place and unhelpful.

[25] My main problem with the manner in which Puma's case was presented was that it took a bundle of related (some associated) trade marks, referred to them as its form strip mark (in the singular), and then argued that the marks on the Rampar shoes were counterfeit. The heads of argument relied on five marks in relation to three shoes. During argument the number came down to two and when it transpired that one of them had not been registered at the time of seizure, Puma was left with

¹² *Cadac v Weber-Stephen* [2010] ZASCA para 6.

¹³ Trade Marks Act s 34(1). Trade mark infringement and not counterfeiting was the issue in *Puma v Global Warming*.

one, called its 'split' form strip which is registered under no 2004/14412.

[26] This trade mark consists of the basic form strip device of a tapering curved stripe running from the upper left to the lower right, but splits into two with an inverted V, widening towards the lower more substantial part. If applied to the side of a shoe it would run (but not necessarily so) from the upper portion of the heel to meet the sole at the middle of the shoe.

[27] There can be little doubt that the white Rampar shoe (C) has a copy of the split form strip device on its inner and outer sides. The strip is in blue and the split is white. This device however has additionally two white stripes that run more or less parallel with the strip form thereby framing it. But these stripes make no impression against the white background of the shoe. Rampar sought to distinguish this reproduction of the Puma mark by relying on the presence of a prancing dragon and the Dodo device mark on the heel and the name Dodo Sport on the inside of the shoe. It also said that the mark would have been perceived as decorative and not as a trade mark. I disagree on both counts. The dragon and the Dodo marks are at best subsidiary and they do not touch the essence of the split form strip. One also cannot use a trade mark and then argue that it was used as ornamentation. It could be different if one is dealing with changes to the mark, for instance, if the registered mark consists of three stripes it would be a question of fact whether the use of two or four stripes would be perceived as decorative or as trade mark use but one could not, I would think, use the same argument in relation to the use of three stripes. On the other hand, I could not understand Puma's reliance on the presence of the dragon, which was said to be similar to the prancing horse on the Ferrari mark and which Puma is licensed to use, to establish counterfeiting. It was probably based on a confusion of counterfeiting with passing off.

[28] Shoe B is virtually identical to the one just mentioned but differs, importantly, in colour. It is a black shoe. It also contains the split form device, which is now in black. The V of the split is in white and the outer parallel stripes are in white. In other words, the Rampar shoe contains a counterfeit split form framed in contrasting white. In my judgment the addition of the frame does not change the result. Rampar took the registered mark and in spite of the presence of the frame the mark on the shoe is still 'calculated to be confused with' or 'taken as being' that of Puma.

[29] The third shoe (A) also incorporates the split form but in addition has an inverted form strip made of a different material at the heel but which appears to be part of the construction of the shoe. It, too, in my assessment, is counterfeit because even with the inverted strip the shoe is still 'calculated to be confused with' or 'taken as being' that of Puma especially since the inverted device is identical to Puma's 'traditional' strip form.

CONCLUSION

[30] It follows that the court below had erred and that the appeal must be upheld. The following order is made:

'The appeal is upheld with costs and the order of the court below substituted with an order dismissing the application with costs.'

L T C HARMS
DEPUTY PRESIDENT

APPEARANCES

APPELLANT/S

I Joubert

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RESPONDENT/S:

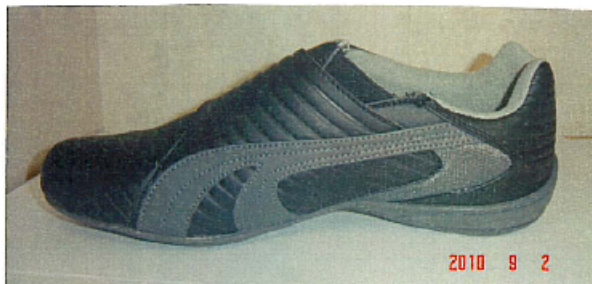
G Marriott

Instructed by D M Kisch Inc Sandton

C/o Barkers Attorneys Durban

Rossouws Attorneys Bloemfontein

5.1. 2004/ 14412 PUMA SPLIT FORM STRIP device²⁷:



A



B



C

