Wim Alberts

Passing off relating to business interiors?

What are the bases for protecting the interior of business premises?

Introduction

It is well established that in passing-off proceedings the comparison to be made, for the purposes of determining confusion, is between the whole get-up of the applicant and that of the respondent (Stellenbosch Farmers’ Winery Ltd v Stellenvale Winery (Pty) Ltd 1957 (4) SA 234 (C) at 240). In such proceedings, like those relating to services, there will often be a particular word that forms the main subject of the enquiry. In some instances a specific logo or drawing would also be involved, such as SANLAM. However, in the case of goods, it is often the use of several (visual) elements that will feature. These may, again, include a particular word, logo, or picture, but also the colour, shape, appurtenance, or the size of a product that are juxtaposed in a distinctive manner. The emphasis is on appearance, according to Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd & others 1992 (2) SA 489 (A) at 495, a decision that dealt with the shape of the well-known WEBER braai. There does not appear to be much controversy regarding this test. But can these principles be applied to the interior of business premises? This question is discussed below.

The Spur case

In the South African decision in Spur Steak Ranches Ltd & others v Saddles Steak Ranch, Claremont, & another 1996 (3) SA 706 (C), the applicants relied on unlawful competition. They alleged that they had used a particular layout and décor in their restaurants for more than three decades. Nineteen key features were identified. These included Spanish plaster on the walls, décor panels with Western motifs (including eagles), and totem poles. The court formulated the relevant question as follows (at 721):

‘The question which now arises is what is the distinctive design and layout which Spur claims as its own? Nowhere in the founding papers is it defined. There is certainly a claim that it exists but that is seriously disputed and it is the task of the court to decide whether the claimed unique trade dress has been shown to exist and, if so, what it comprises.’

In regard to the similarity of Saddles’ use, Selikowitz J held (ibid):

‘I have sought in vain for a description of this
use and a definition or precise statement of the geometry, texture, detail and colour to which reference is made. It seems to me that such a definition is the touchstone of the Spur's claimed unique trade dress.'

The court referred to the fact that the various features referred to were not found in all Spur restaurants. It then concluded that the uniqueness claimed was not proved. The court also mentioned that as a matter of practicality, it would have been difficult to make an order prohibiting the use of features 'substantially similar to Spur Steak Ranches (at 724).

The Jimmy Nicks case

In the British decision in Jimmy Nicks Property Company Ltd's Application (accessible at <http://www.ipo.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o28498.pdf>), the following mark (as described on page 2 line 21) was applied for:

'The trade mark for which the protection is sought is the interior of a building for use as a bar and/or restaurant, and/or night-club, and/or entertainment space having an interior providing the appearance of the interior of a football/soccer stadium with a central area featuring a floor giving the appearance of a football/soccer pitch with goals at either end, an area bordering the central area representative of a spectator viewing area, an entrance into the central area provided by a tunnel with dugouts/coach seating on either side of the tunnel with sound effects of a football/soccer match with at least one servery in the interior having the appearance of a football/soccer ball.'

The application was refused on three interrelated grounds. In the first instance, it was held that the representation in words alone was not able to define the mark with sufficient precision so that infringement rights could be determined (page 4 line 6). Secondly, it was decided that the relative proportions of the various features of the mark could not be understood from the description on the application (page 4 line 20). Thirdly, persons viewing the description on the Register were likely to interpret it differently and have entirely different conceptions on the composition of the individual elements and overall appearance conveyed by the mark (page 4 line 37).

The Two Pesos case

A different approach from the above two cases was followed in the American decision in Taco Cabana Intern., Inc v Two Pesos, Inc 932 F 2d 1113 (CA5 (Tex), 1991). In that case, a restaurant with the following interior featured (see at 1117):

'...the presence of an interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.'

The application for relief was based on section 43(a) of the Lanham Act of 1946, the primary federal legislation dealing with trade marks, which protects trade dress. The evidence included the following view of a well-known restaurateur (at 1117n1):

'[They] are 'shaped the same.' They look the same. When you're inside they feel the same. They have the same project.'

Other evidence that could be relevant in an unlawful competition case (though considered here under the heading of trade secrets) was the use of the applicant's architectural drawings by the respondent (at 1124). It was also held that functional elements can be combined to provide protection for the trade dress as a whole (at 1120). Of particular interest were the remedies granted (at 1125). A damages award was made for...
lost profits (and trade secret misappropriation), but none for loss of goodwill. The damages for infringement of the applicant’s trade dress were based, among other things, on the economic benefits that would normally be received by way of licensing. Corrective measures were also ordered. These measures included a direction to the respondent to make changes in the design of its restaurant, and, in order to dispel confusion among customers, a sign had to be put up for a year, to the effect that the respondent unfairly copied the applicant’s restaurant concept. The ruling was confirmed by the Supreme Court in Two Pesos, Inc v Taco Cabana, Inc 505 US 763 (1992). The court also confirmed that liability under section 43(a) requires a showing of the likelihood of confusion (at 769).

Which bases for protection of the interior of business premises can be advanced in South African law?

**Trade-mark registration**

It is clear that before the registrability of matter as regards distinctiveness can be evaluated, there must be certainty that it qualifies as a trade mark, as defined in the Trade Marks Act 194 of 1993. The Act defines the term ‘mark’ in section 2 to include any sign capable of being represented graphically. This concept includes a device, a name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour, or a container for goods. Also included is any combination of the preceding. The requirement that a mark must be capable of being represented graphically is intended to provide legal certainty regarding the scope of rights brought about by a particular mark’s registration. The public must know, from the register itself, exactly what the rights granted by the registration entail. In Cointreau et Cie SA v Pagan International 1991 (4) SA 706 (A), Corbett CJ held as follows (at 711 (emphasis added)):

‘Appellant’s counsel was not able to cite any authority for the proposition that the Court is entitled to look at an embodiment of the trade mark in order to supplement an inadequate representation of the mark in the register. I myself know of none and the proposition appears to me to run counter to principle. It is after all the mark as registered, i.e. as represented in the register, which delineates the proprietor’s monopoly and proclaims to the general public what the forbidden territory is.’

In Sieckmann v Deutsches Patent- und Markenamt [2003] RPC 685, a decision of the European Court of Justice (ECJ) dealing with the registration of smells, certain relevant principles were stated, one of them being that there must be a graphic representation of the mark, visually, by means of images, lines, or characters, so that the mark can be identified precisely (para 46). In Cadbury Ltd v Beacon Sweets & Chocolates (Pty) Ltd 2004 BIP 74 (RTM), where registration was made for a colour, Spoelstra J referred to the decision of the ECJ in Libertel Groep BV v Benelux-Merkenbureau [2004] FSR 465 and adopted the principles that ‘the graphic representation must be clear, precise, self-contained, easily accessible, intelligible, durable and objective’ (at 83). I submit that when the above requirements are considered, it would be difficult to define the interior of business premises so as to bring it within the ambit of the Act.

**Unlawful competition**

Another potential ground of protection is that of unlawful competition, as found in Schultz v Butt 1986 (3) SA 667 (A). It bears mentioning, though, that in deciding cases in which reliance is placed on the general delict of unlawful competition, our courts have occasionally expressed some reservations. Thus in Payen Components SA Ltd v Boris CC & others 1995 (4) SA 441 (A), Schutz JA held as follows (at 453):

‘First, much of Payen’s evidence is to be found in the interstices between copyright and passing off. In the case of copyright s 41(4) of the Act expressly provides that no copyright or right in the nature of copyright shall subsist
otherwise than by virtue of the Act or some other law. Turning to passing off, it has not been relied upon at all as such. In my opinion a Court should be wary of allowing the sharp outlines of these two established branches of the law of unlawful competition, evolved through long experience, to be fudged by allowing a vague penumbra around the outline. Unlawful competition should not be added as a ragbag and often forlorn final alternative to every trade mark, copyright, design or passing off action. In most such cases it is one of the established categories or nothing.’

In Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd 2001 (3) SA 884 (SCA) at 886–887, the court referred to the Payen case and stated that it dealt with 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 of the common law. Having regard to these pronouncements, an applicant could have some difficulty in overcoming the censure contained in these judicial statements, and in convincing the court that it is not simply a passing-off action in another guise that is before the court. It must be conceded, however, that there is a certain amount of unease about allowing a competitor to copy the appearance of another business’s interior. It may be that in some instances the boni mores (good morals; the convictions of the community) could be offended by such conduct; a conclusion that is very relevant in the process of determining unlawfulness.

Although, arguably, there may be some concerns about the copying of the interior of a business, the legal position at the moment is that, in effect, distinctiveness is required

The Spur case may be seen to allow for the protection of the interior of premises in principle. Yet at the same time it is authority for the view that distinctiveness is required even for an action based on unlawful competition. And if the likelihood of confusion is also necessary, one would actually be back to the remedy of passing off.

Passing off

In terms of traditional principles of passing off, an applicant must prove a reputation and the likelihood of confusion. In proving the existence of a reputation in relation to a trade mark used on goods, for example, turnover achieved through sales of the product, and advertising exposure and expenditure are major factors. In the case of the interior of a business it would have to be proved that a reputation has been built up through, for example, the number of visitors to the premises. However, even if a reputation can be established, that would not necessarily imply that the owner of the business premises would have a remedy. This is because of the nature of the comparison made in passing-off cases: it necessary to compare not only the marks themselves, but also any distinctive material used with them.

The implication of the above principles is that a particular business’s interior may be distinctive and have a reputation, but that the name of the business on the outside could also be distinctive. So, when a customer enters the particular business’s premises, he will be aware of the identity of the establishment that he is visiting. So it would be difficult to prove the likelihood of confusion. After all, an order in passing-off proceedings will only relate to trading undertaken without taking adequate steps to distinguish a business or goods; there is no absolute prohibition on the use of a mark (Webster & Page South African Law of Trade Marks 4 ed by CE Webster & GE Morley (1997) 15-52(1)). So it would seem that the adoption of a distinctive name on the outside of the premises would suffice to address any concerns about confusion flowing from similarities regarding the inside of the businesses. The American decision in the
Two Pesos case would thus probably not be easily accepted in South Africa. To adopt this ruling would require a narrow focus on the issue of confusion, where only the respective interiors are compared and the names of the businesses are then disregarded.

Further comments

It becomes apparent that what one is really trying to protect when the adoption of a similar business interior is at issue, is the concept involved. Its protection is a difficult undertaking in intellectual property law, not least in the fields of trade-mark infringement, unlawful competition and passing off. As stated earlier, there is a feeling of potential injustice, for instance, when the trade dress of a competitor is slavishly copied. This problem may be solved by way of contractual stipulations in some instances, notably in a franchising context. Protection is often provided for the franchisor’s trade dress in, for example, the following terms:

'Trade dress includes, without limitation, the get-up of any goods, labels, packaging and materials, as well as the particular form of design and décor of premises from which the franchised business is conducted and any dress, uniforms or attire worn by any of the employees of the franchisor or the franchisee, from time to time.'

It can also be determined that:

'At the termination of this agreement for any reason whatsoever, the franchisee shall, if it remains in occupation of the premises, forthwith change the appearance of the premises both inside and outside, at its own cost, to the extent reasonably directed by the franchisor, to prevent the premises being mistaken in appearance by members of the public for a franchised business or having any link with a franchised business.'

Contractual provisions such as these are in line with general principles of unlawful competition, which protects the various factors constituting goodwill (see HJO van Heerden & J Neethling Unlawful Competition (1995) 96). It is clear that a dispute about the interpretation of the above clauses can arise. However, it does provide some protection for a franchisor. A business, outside the franchising context, whose interior or trade dress is being copied by a competitor, could of course still lack a remedy.

Conclusion

It seems that although, arguably, there may be some concerns about the copying of the interior of a business, the legal position at the moment is that, in effect, distinctiveness is required. This assessment seems to take place in the context of an overall assessment of the two businesses. This would imply that one cannot look at the interiors alone, but would probably have to consider the names of the businesses as well. However, a finding of distinctiveness, along with a determination of the likelihood of confusion, based upon a comparison only of the two interiors, could produce a different result. This will require, at this stage, unconventional thinking.

Wim Alberts: Bowman Gilfillan, Sandton (e-mail: w.alberts@bowman.co.za)