

## Notes on the Laugh it off decisions

### Background

The trouble started with a T-shirt made and sold by the [Laugh-it-off](#) company, which parodied a well-known trademark. Here is the T-shirt:



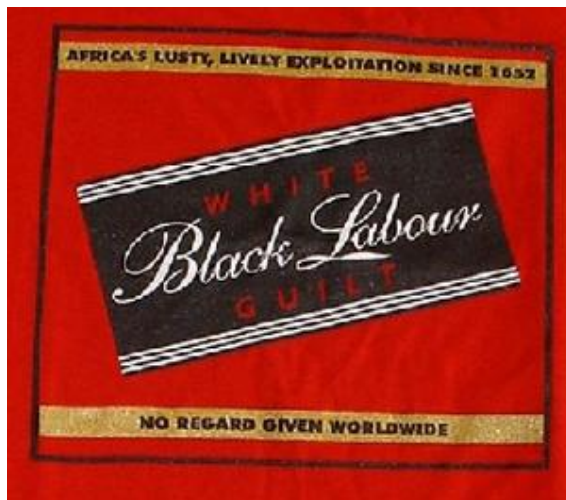
Here is the SCA's description of the SAB trademark:

The label . . . on the neck contains the words 'Carling' and 'enjoyed by men around the world', all in black uppercase type on a red background between two golden lines. The sticker for the body of the bottle is much larger and is oblong. The background is red. There are also two gold lines, the upper one containing the phrase 'America's lusty, lively beer' and the lower one 'Brewed in South Africa', all in black upper case. In a parallelogram with a black background the words 'Carling Black Label Beer' appear 'Carling' and 'beer' in red typeface and 'Black Label' in white script. [SCA para 3]



Here is the SCA's description of the parody T-shirt:

It employs the general lay-out and colours of the registered mark. However, the message is different. The words 'Black Label' were replaced with 'Black Labour' and 'Carling Beer' with 'White Guilt'. The laudatory part on the label was replaced by 'Africa's lusty, lively exploitation since 1652' and 'No regard given worldwide'. [SCA para 5]

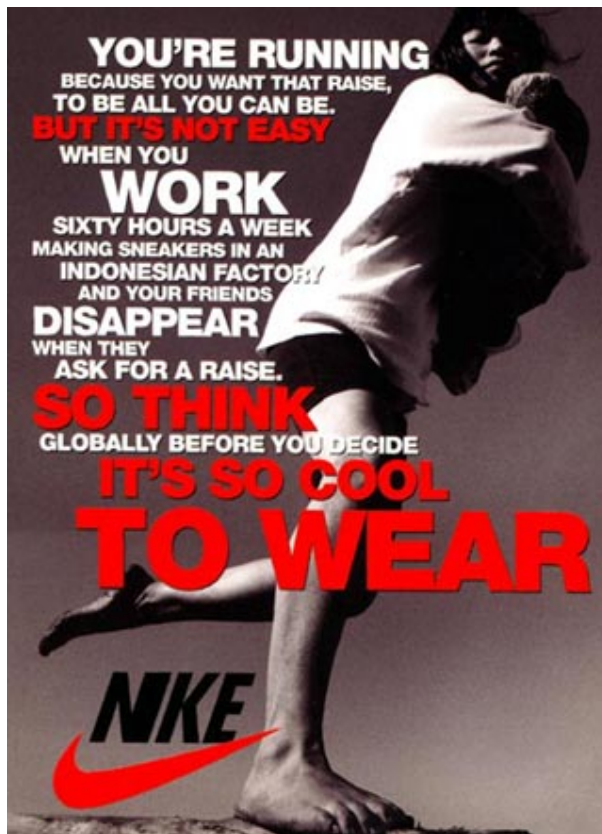


Do you get the joke? The parody is best understood by comparing the t-shirt (and another like it, also by Laugh it off) with parodies that are directed, targeted at denigrating the brand. So compare this



<Source [www.lio.co.za](http://www.lio.co.za)>

With this:



Source <http://adbusters.org/spoofads/fashion/nike/>

Or,



Compared to:



The difference is between two kinds of parody. As Sachs J outlines in his concurring judgment ([79]), 'target parodies' seek to comment on the parodied object (ie, the trade mark) itself or its creator or owner, while 'weapon parodies' involve the use of the object to comment on something quite different. In US law, the weapon parody merits less free speech protection than target parody; in other word free speech protection applies if the infringed material is the target of the parodic work.

SAB, owners of the Black Label trademark did not get the joke and sued for trademark infringement.

The relevant statutory provision is s 34(1)(c) of the Trade Marks Act (known as the 'anti-dilution' provision):

**34. Infringement of registered trade mark.—**

(1) The rights acquired by registration of a trade mark shall be infringed by . . .

(c) the unauthorised use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception.

In [Bata Ltd v Face Fashions CC 2001 \(1\) SA 844 \(SCA\)](#) the SCA held that s 34(1)(c) requires the plaintiff to establish:

- (a) use by the defendant of a mark similar or identical to the plaintiff's registered mark.
- (b) that the use is
  - (i) unauthorised
  - (ii) used in the course of trade
  - (iii) would be likely to take unfair advantage of or be detrimental to, the distinctive character of the plaintiff's trade mark
- (c) that the plaintiff's trade mark is well known in the Republic.

Note the restriction imposed by 'used in the course of trade'. To parody or denigrate a trade mark is not dilution unless the parody is done for commercial purposes. This clearly is intended to protect freedom of expression. You can, as in the Nike ad parody above, use a trade mark for purposes of making negative comment on it, as long as you don't make money out of doing so. But here, Laugh it Off was in the business of selling its t-shirts.

What then is dilution? The anti-dilution provisions aim at protecting the economic value of a trade mark, its reputation and its 'selling power'. (See the SCA decision at para 13) There are two possibilities: dilution by blurring or tarnishing. Blurring is when the mark becomes associated in the mind of the consumer with other products and accordingly loses its distinctiveness -- Ferrari underpants, or Ferrari insect spray. Tarnishing is when the mark is used in such a way as to give it a negative or unfavourable association in the mind of the consumer -- Enjoy Cocaine. Sometimes dilution does both. The image below is of a chew toy intended for dogs:



### **The CPD decision**

In the CPD *Cleaver J* held that there was no dispute that all parts of the *Bata* test were satisfied with the exception of (b)(iii) -- unfair advantage and detriment.

SAB's argument, essentially accepted by the court, was that the T-shirt diluted its mark by tarnishing it. See para 13 of the CPD decision. SAB argued that the implicit message of the parody was:

13.1 That the applicant [SAB] has, in the past, exploited and continues deliberately to exploit black labour and is guilty of racial discrimination. The underlying message is likely to be racially inflammatory.

13.2 The words used conjure up South Africa's racist past by falsely attributing to the applicant the "Lusty" and "lively exploitation of Black Labour since 1652".

Laugh it off's defence was based on the freedom of expression right in the Constitution.

See para 16: 'Mr *Hodes* submitted that the mark used by the respondent amounted to nothing more than social commentary in the form of lampooning or satire which the respondent was entitled to make by virtue of the provisions of the Constitution which guarantee freedom of speech.'

The court accepted that the Constitution required 'careful balancing' of s 34(1)(c) against s 16 of the Constitution. This might require recognition of social commentary with a diluting effect on a trade mark but in this case the Laugh it off T-shirt went beyond the bounds of any possible exception (para 18):

Mr Hodes submitted that the use by the respondent of the applicant's marks was justified because it was an expression of the respondent's right to freedom of artistic activity, but I have come to the conclusion that such use exceeds the limits of freedom of speech and expression afforded to the applicant by the Constitution and that in the weighing up process, I must favour the applicant. The dividing line between the freedom of speech and the statutory protection afforded the applicant is a thin one, but is nonetheless one which has been transgressed by the respondent. My conclusions are based on the following:

18.1 The respondent is deliberately exploiting the applicant's marks for commercial gain.

18.2 It cannot sell its products without using the marks.

18.3 Its lampooning or parodying of the applicant's marks is not a "harmless clean pun which merely parodies or pokes fun" at the respondent's marks. It goes further than that by introducing the race factor, something which our Constitution and our new democracy are at pains to avoid. While the respondent's use of the marks may not amount to hate speech as contemplated in section 16(2)(c) of the Constitution, it can, I believe, be said to border on hate speech.



## The SCA decision

On appeal the issues were whether in fact the T-shirt diluted the SAB trademark through tarnishment. If it was found that it did, did this finding infringe s 16 of the Constitution?

There was no direct constitutional challenge to s 34(1)(c) -- see para 7.

According to the SCA trade marks were property, albeit of an intangible kind or incorporeal kind. Intellectual property did not have special constitutional protection and accordingly could be challenged constitutionally. Even if constitutionally valid (as was assumed here) their enforcement must be constitutionally justifiable. (para 11)

So the question was whether enforcement of the anti-dilution provisions of the Act against Laugh it off in this case would be constitutionally valid. This entailed interpreting and applying s 34(1)(c) (particularly the question whether the defendant's use was likely to take 'unfair advantage of, or be detrimental to' the plaintiff's trade mark) in the light of the Constitution so as not to unduly restrict freedom of expression. (para 21) This requires balancing ('weighing up' is the SCA's metaphor) of the defendant's freedom of expression against the plaintiff's property rights and its freedom of trade, occupation and profession.

The court noted that s 34(1)(c) was already striking this balance: it protected only well known marks, prevented use by others only 'in the course of trade' in relation to goods and services. Moreover, dilution consists only of taking 'unfair advantage', something like misappropriation. (para 22)

Was the T shirt a contravention of s 34? Yes, according to the SCA since its meaning was essentially as follows: 'the message conveyed is that since time immemorial SAB has exploited and is still exploiting black labour and that it has or should have feeling of guilt and that SAB worldwide could not care less'. (para 25, read with para 26)

Is such a message substantially detrimental to the reputation of the mark? Yes, it is. (para 28) Is it unfair advantage? It would be unless it was justified by the right of freedom of expression. In answering this, the SCA put much weight on the quite limited reach of s 34. It does not entirely forbid free speech about trademarks, merely prevent prevents harm-causing speech 'in the course of trade'. So, in Canadian cases, trade unions have been allowed to caricature and denigrate their employers' brands because they are not doing so 'in the course of trade'. In addition, nothing prevents the defendant from putting out his message in any way other than by using the trademark:

The appellant may declaim the message about black labour and white guilt from rooftops, pulpits and political platforms; and it may place the same words (without appropriating the registered mark's repute) on T-shirts, and sell them. In other words, its freedom of expression is hardly affected. A Canadian court has held that freedom of expression is not at all affected if the appellant is able to say what it wants to say in another manner. (para 30)

So, there would be not be much of a freedom of expression infringement in interdicting Laugh it off from continue to sell its shirts. Did it make a difference that this was a parody? Parody is a form of imitation that is usually but not always critical of the original.

See <http://en.wikipedia.org/wiki/Parody> for definitions and examples.

The basis of this argument lies in the US Supreme Court decision in *Luther Campbell aka Luke Skyywalker, et al, Petitioners, v Acuff-Rose Music, Inc* 510 US 569 (1994) that a parody of a song can be a fair use of it even if done in for commercial reasons and therefore a permissible infringement of copyright.

The SCA was not entirely convinced this was a parody, but even if it was, it would have made no difference. The parody would still have to be fair and not take unfair advantage of the trade mark. The appellant is using the reputation of Sabmark's well known trade mark, which has been established at considerable expense over a lengthy period of time, in the course of trade in relation to goods to the detriment of the repute of the mark without any justification. Such use and detriment is unfair and constitutes an infringement of the said provision. The appellant's reliance on the freedom of expression is misplaced. It did not exercise its freedom, it abused it.

### **The Constitutional Court decision**

An appeal on the Constitutional issues of the proper interpretation of s 34(1)(c) in the light of s 39 of the Constitution and the right to freedom of expression was brought. The decision in favour of Laugh it off is unanimous, the decision of the court is by Moseneke J. There is a concurring judgment by Sachs J (concurring also in Moseneke J's decision but going further than the majority decision by considering the parodic nature of the T-shirt itself).

See para 43: The requirements of s 34 must be seen 'through the prism of the Constitution and specifically that of the free expression guarantee'. The SCA recognized this in its interpretation of s 34 but adopted a two-stage approach to the merits of the infringement claim. The stages were as follows: did the T shirt tarnish the trade mark? Having found the answer was yes, the question was whether freedom of expression provided a defence or justification for the trade mark dilution. The answer was no.

This is not the correct approach. See para 44

[44] A finding of unfair use or likelihood of detriment to the repute of the marks hinges on whether the offending expression is protected under section 16(1) of the Constitution or not. If the expression is constitutionally protected, what is unfair or detrimental, or not, in the context of section 34(1)(c) must then be mediated against the competing claim for free expression. By determining the unfairness and detriment anteriorly, the SCA in effect precluded itself from properly taking into account the free expression guarantee claimed by the alleged infringer. . . . In this case the SCA was obliged to balance out the interests of the owner of the marks against the claim of free expression for the very purpose of determining what is unfair and materially harmful to the marks.

So, employing its substituted test, the Constitutional Court continued as follows:

[48] It is so that the anti-dilution prohibition under section 34(1)(c) seeks, in effect, to oust certain expressive conduct in relation to registered marks with repute. It thus limits the right to free expression embodied in at least section 16(1)(a) to (c) of the Constitution. We are however not seized with the adjudication of the constitutional validity of the section. We must assume without deciding that the limitation is reasonable and justifiable in an open and democratic society to which our Constitution is committed. That in turn impels us to a construction of section 34(1)(c) most compatible with the right to free expression. The anti-dilution provision must bear a meaning which is the least destructive of other entrenched rights and in this case free expression rights. The reach of the statutory prohibition must be curtailed to the least intrusive means necessary to achieve the purpose of the section. Courts must be astute not to convert the anti-dilution safeguard of renowned trade marks usually controlled by powerful financial interests into a monopoly adverse to other claims of expressive conduct of at least equal cogency and worth in our broader society.

[49] I agree with the SCA that properly read the section requires that an infringement of a trade mark may occur only if “unfair advantage” or “unfair detriment” is shown. Equally clear is that the detriment relied upon must not be flimsy or negligible. It must be substantial in the sense that it is likely to cause substantial harm to the uniqueness and repute of the marks. Therefore, on its terms the section has internal limitations. It sets fairness and materiality standards. The section does not limit use that takes fair advantage of the mark or that does not threaten substantial harm to the repute of the mark, or indeed that may lead to harm but in a fair manner. What is fair will have to be assessed case by case with due regard to the factual matrix and other context of the case. A court will have to weigh carefully the competing interests of the owner of the mark against the claim of free expression of a user without permission.

[50] The exercise calls for an evaluation of the importance of the purpose, nature, extent and impact of the limitation of free expression invoked against claims of unfair advantage or of likelihood of material detriment to a registered mark. In sum, in order to succeed the owner of the mark bears the onus to demonstrate likelihood of substantial harm or detriment which, seen within the context of the case, amounts to unfairness. What remains is to settle the content of the substantial detriment the section envisages.

The interpretation of the Constitutional Court puts all emphasis on the notion of ‘fairness’ (s 34 considers something to be dilution only if it takes ‘unfair advantage’ and results in ‘unfair detriment’ to the trade mark owner). To ensure that the anti-dilution provisions impose the least restriction on freedom of speech requires a robust understanding of this concept of fairness and requires the plaintiff (the trade mark owner) to show likelihood of substantial harm or detriment which is, in the context of the case, unfair. (So, harm on its own is insufficient).

This substitutes for the *Bata* test above and is obviously a great deal more favourable to the trade mark diluter than the *Bata* test.

Was there detriment? Detriment means 'material harm in the commercial sense' (para 51) and there must be evidence of the probability of it occurring (para 54). This evidence was missing:

The SCA and the High Court appear to have approached the likelihood of detriment on the footing that the message on the T-shirts would probably create in the minds of consumers a particularly unwholesome, unsavoury and degrading association difficult to detach from the reputation of the respondent's marks. But the difficulty is that ordinarily probability is a matter of inference to be made from facts consistent with the inference. No such facts have been pleaded. (para 54)

. . . There is indeed much to be said for the contention that, in a claim based on tarnishment of a trade mark, the probability of material detriment to the mark envisaged in the section must be restricted to economic and trade harm. In essence the protection is against detriment to the repute of the mark; and not against the dignity but the selling magnetism of the mark. In an open democracy valuable expressive acts in public ought not to be lightly trampled upon by marginal detriment or harm unrelated to the commercial value that vests in the mark itself. (para 56)

SAB had nothing to show on this test. Indeed, its contentions were based on the (rejected) notion of injury to the dignity of the brand rather than commercial harm as a result of this.

### **Sachs J's concurring judgment**

The holding that SAB had failed to show detriment as a result of Laugh it Off's activities decides the case. It does so narrowly though and the majority decision does not say anything binding about the defence of fair use and the contention that the T-shirts were parodic.

Parody was dealt with in detail in the additional concurring judgment of Sachs J, who felt that 'more needs to be said' and who would have upheld Laugh it Off's appeal 'on more substantial grounds'. These would have entailed recognising parody not as a stand-alone defence to a claim of trade mark infringement, but rather as 'an element in the overall analysis' of whether the trade mark has been infringed ([81]). What is therefore required is a balancing analysis, trying to strike a balance between trade mark protection on the one hand and freedom of expression on the other.

The question to be asked is whether, looking at the facts as a whole, and analysing them in their specific context, an independent observer who is sensitive to both the free speech values of the Constitution and the property protection objectives of trademark law, would say that the harm done by the parody to the property interests of the trademark owner outweighs the free speech interests involved. [82]

In this balancing exercise the fact that the parody may have a commercial element to it is simply a factor to be weighed, but is not decisive of the question whether a trade mark has been unfairly treated ([84]). Of more significance, Sachs J says, 'is whether the activity is primarily communicative in character or primarily commercial' ([85]). The balancing exercise is summed up as follows ([102]):

The balancing exercise in the present matter is therefore easily done. On the detriment side there is virtually no harm, if any at all, to the marketability of Carling Black Label beer. This is a case where the communication was far more significant than the trade. The trade was incidental to the communication. The objective of the enterprise, as clearly understood by all those involved, was to get a message across. The sale of the T-shirts was necessary for sustainability. This was not a commercial activity masquerading as a free speech one. To say that the message could have been conveyed by means other than the use of the trademark is to miss the point of the parody. The message lies precisely in the dislocated use of the trademark. The challenge is to the power of branding in general, as exemplified by the particular trademark. It is not to the particular beer as such. It should be stressed that the question is not whether the parody succeeds in hitting the mark. What matters is that it was part of a genuine attempt to critique the status quo in our society. The scales come down unequivocally on the side of Laugh it Off. In the felicitous phrase of an American judge, the evidence shows that in the present matter the parody was a take-off, not a rip-off, and the interdict should accordingly not have been granted.