

CHAPTER 5

SOUTH AFRICA

1. INTRODUCTION

South African law comprises two parallel systems of protection for trade mark rights. Firstly, the common law, and, secondly, various statutory enactments. The two systems have in common the aim of protecting trade mark rights, both in relation to registered and unregistered marks. In the common law context, one or more parties may lay claim to a specific trade mark, and a mechanism must thus be found to resolve such conflicts. Similarly, in the statutory sphere, there may be various persons that rely on statutory provisions to exert rights to a mark. There may, however, also be cases where both common law and statutory protection are relevant. In situations where there is a party that is clearly the senior holder of rights, the two systems will operate to supplement and enhance the scope and nature of protection available to that party. However, there can be instances where two or more parties have established rights in terms of either the common law or a statute, and it would then be necessary for the priority of rights to be considered carefully, in order to determine which party should prevail, and to what extent. The rules and principles that apply internally, as well as *inter se*, will now be discussed. Although the application and relevance of common law user rights will primarily be dealt with in the context of trade mark legislation, other legislation may, of course, also be relevant.¹

1 For instance, both the Companies Act 61 of 1973 and the Close Corporations Act 69 of 1984 contain provisions, section 45(2) and 20(2) respectively, that enable a person to object to a registered name that is undesirable or calculated to cause damage. For a full discussion of the application of these tests, compare Cilliers "Similar Company Names: A Comparative Analysis and Suggested Approach" 1998 *THR-HR* 582 and 1999 *THR-HR* 57. In practice, such objections are often based on common law rights derived from the extensive use of a particular name. Cilliers 1999 *THR-HR* 67 considers one of the purposes of the objection proceedings to be the protection of the right of exclusivity of use which flows from having duly registered a name first. The registration of a company or close corporation name does, however, not provide a right to use that name, and the use thereof can be enjoined on the basis of passing off. This would be the position based on general principles, but section 20(5) of the Close Corporations Act specifically confirms this approach:

"No provision of the Act shall be construed as affecting the rights of any person at common law to bring an action against any corporation for passing off any business, goods or services as those of another person."

2. THE RELEVANCE OF PRIOR USE IN A COMMON LAW CONTEXT

2.1 Nature of right being protected

2.1.1. The right to goodwill

The protection of rights derived from the use of a mark is an issue dealt with by the law of unlawful competition. This raises the question as to wherein the unlawfulness of competition through the unauthorised utilisation of another's trade mark lies? The prevailing view is that unlawful competition is at hand where there is an infringement of a trader's goodwill, or his right to attract custom.² The Afrikaans term "reg op werfkrag" is probably more apposite. Goodwill is seen by Van Heerden and Neethling³ as the force or power of an undertaking to attract or draw customers, in other words its "werfkrag". The term "drawing power" has also been used in this context.⁴ The right to goodwill is seen as a subjective right,⁵ with the goodwill as the object of the right.

2.1.2 The right to the undertaking

Domanski⁶ adopts a different approach, and raises a number of objections against the views of Van Heerden and Neethling.⁷ He is of the view that "werfkrag" may not be the object in all instances of unlawful competition. He argues⁸ that the writers admit that not every business will succeed in acquiring "werfkrag", yet a business may suffer pecuniary loss through an act of unlawful competition. Furthermore, "werfkrag" in his view never acquires any independent existence outside the context of the business. Domanski states⁹ that the weakest feature of the writers' view is their approach that "werfkrag" exists as soon as the undertaking is capable of functioning as such, and that there need not be any relationships with clients as such.

2 Van Heerden and Neethling Unlawful Competition (1995) Butterworths, Durban 117; Webster and Page South African Law of Trade Marks (1997) LexisNexis Butterworths, Durban 15-5.

3 Unlawful Competition preface page (v).

4 Moroko Swallows Football Club Ltd v The Birds Football Club 1987 (2) SA 511 (W).

5 Unlawful Competition 96.

6 "The Nature of the Right Infringed in Cases of Unlawful Competition in South Africa" 1993 SA Merc LJ 127.

7 As set out in their work Die Reg Aangaande Onregmatige Mededinging (1983) Butterworths, Durban.

8 1993 SA Merc LJ 133.

9 1993 SA Merc LJ 135.

As an alternative, he suggests¹⁰ that the undertaking as a whole, which includes “werfkrag” as one of its components, should be preferred to “werfkrag” as the legal object that is infringed by acts of unlawful competition. He sees, in particular, the right to the undertaking as a bundle or conglomerate of disparate rights, bound together in a cohesive organisation.¹¹ Such rights would include real rights, personal rights, immaterial property rights, and possibly other subjective rights. The unitary right to the undertaking thus objectified is itself an immaterial property right.¹² The writer does, however, concede the following:¹³

“The ‘werfkrag’ formulation of Van Heerden and Neethling has gained a strong foothold in our law, and it would be difficult at this stage to persuade our courts to forsake it.”

The response of Van Heerden and Neethling is, amongst others, the following:¹⁴

“The main objection against Domanski’s reasoning is that he fails to distinguish between the *juridical soundness of the concept of a subjective right to the undertaking*, and the limitations that should be placed on *its protection against unlawful competition* if the undertaking is capable of functioning as an independent legal object. Since he presents no theoretically acceptable basis in regard to the former – in fact, as has been said, Domanski completely ignores the ‘apparently devastating criticism and condemnation’ in this connection – our conclusion that the undertaking cannot be the legal object of an immaterial property right remains unrefuted.”

It is submitted that the view of Van Heerden and Neethling should be preferred, in particular as their approach is in line with that of the case law.

10 1993 SA Merc LJ 137.

11 1993 SA Merc LJ 138.

12 1993 SA Merc LJ 141.

13 1993 SA Merc LJ 143.

14 *Unlawful Competition* 90 – 91

2.1.3 The right to a distinctive mark

In the context of what may, arguably, be described as the recognition of a common law trade mark, Van Heerden and Neethling¹⁵ discuss the issue of the infringement of the right to a distinctive mark. The object of the latter is the distinguishing value of the mark.¹⁶ The nature of this right is described by the learned authors as follows:-¹⁷

“Although distinctive marks can exist independently of the undertaking as well as of its goodwill, the intimate relation between goodwill and distinctive marks cannot be denied, nor the fact that unlike the independent components of the undertaking, distinctive marks have no autonomy outside the context of the undertaking and can only continue existing after the undertaking as economic unit has ceased to exist, in cohesion with the goodwill. It is accordingly probably more correct to describe the *distinctive mark as accessory property* and the *right thereto as an accessory right*. However, the accessory nature of the right to the distinctive mark does not detract from the fact that it should be recognized beside the right to goodwill. There can be no doubt that the right to the distinctive mark is *an immaterial property right*: its object is an incorporeal creation of the human mind which can exist separately from the personality of its creator – it can be transferred (alienable) and does not cease to exist with the holder of the right.”

It is necessary to have regard to the views of Van Heerden and Neethling¹⁸ in more detail. The writers' views can be summarised as follows: They indicate that the primary function of a distinctive mark is to distinguish an entrepreneur's own product from similar products.¹⁹ A distinctive mark is an important factor in the establishment of goodwill. Because of the trade mark's function to individualise and distinguish the product concerned, the mark has distinguishing value. The question that must be answered in this regard is whether the distinctive mark can be the object of an independent subjective right, and in particular, a right which can exist in addition to the right to goodwill. The object of such a right is said not to relate to the mark as such, but to the

15 Unlawful Competition 75 note 181.

16 Unlawful Competition 108.

17 Unlawful Competition 110.

18 Unlawful Competition 106.

19 Unlawful Competition 107.

distinguishing value which the mark has insofar as the owner's products or business are concerned. To qualify for protection as the object of an autonomous right, a distinctive mark must be able to exist independently from the goodwill, as well as the other independent components of the business.

The authors argue that this is the position for a number of reasons.²⁰ It is said, firstly, that the distinctive mark can exist independently of the undertaking. This is established by the fact that distinctive marks are often assigned in the course of conducting trading activities. In particular, a distinctive mark does not necessarily lose its value when the business as such ceases to exist.

The second aspect is that the distinctive mark can exist independently of the goodwill of the business. In this regard it can be stated that a distinctive mark could continue to have value even after some time has passed after the business as an economic unit has ceased to exist. It is said that when an entrepreneur assigns a distinctive mark to a third party, he necessarily also transfers the goodwill or part of it which he has created. A distinctive mark is, therefore, an important factor in the formation of goodwill and it could in fact be the only basis on which the goodwill rests. The authors also point out that it is a fact that the individualisation of an undertaking is a prerequisite for the creation of goodwill.²¹

The acceptance of a right to a distinctive mark, besides the right to goodwill, is seen as a constructive approach if a right to a distinctive mark is viewed, not only negatively, but also positively, from the standpoint of the holder's entitlements or powers of use and enjoyment in regard to the mark.²² By way of example, reference is made to the fact that an entrepreneur who uses a particular trade mark in relation to specific goods, can license a third party to use the mark in connection with a different product, without impacting negatively on the owner's goodwill. It is also said that it would seem artificial to state that where an entrepreneur advertises his undertaking by way of his distinctive mark, the entrepreneur is merely exercising his right to the goodwill of his undertaking.

20 Unlawful Competition 109.

21 Ibid.

22 Unlawful Competition 110

In this context it is also necessary to have regard to the following view of Gardiner.²³

“In modern law trade marks are distinguishing signs of various kinds which are capable of graphical representation. It is my thesis that recognition must be afforded to an independent right to the trade mark (distinguishing sign). In order to take on commercial significance and reflect the range of values characteristic of the right which includes distinction (the value of the sign as a means of distinguishing), advertising value and goodwill related values (such as providing the substrate for and means of generating and symbolising goodwill), the trade mark must be associated with an enterprise. In this sense the right to a trade mark is accessory. The contents of the trade mark right are the entitlements of the holder which are determined by the matrix of functions which the holder is positively entitled to have the mark perform.”

The crucial question is, of course, when does the right to a distinctive mark come into existence? If the nature of the mark is in itself decisive, it would follow that if a mark is distinctive, the right would exist the moment that the mark was selected. On the other hand, if the right to a distinctive mark is accessory to the right to goodwill, it would seem that that right would come into existence when the right to goodwill does. The latter is stated by Van Heerden and Neethling²⁴ to occur when the individual components of the undertaking become capable of functioning as an undertaking. Gardiner²⁵ states that for a subjective right of property to vest in a trade mark at common law, three elements are required. The claimant must adopt the mark, it must be distinctive, and, importantly, it must be used. It thus appears that the legal position would be that even if a right to a distinctive mark is advanced, the requirement of use is still applicable.

2.1.4 The right to a trade secret

This right could also be relevant. Insofar as writers are concerned, it is of relevance to have regard to the views of Knobel.²⁶ Knobel supports the case for the recognition of a subjective right to the trade secret, being an intellectual property right. This would, of course, imply that even outside the context of, for instance, passing-off, protection might

23 The legal nature of the right to a trade mark in South African Law LLD-thesis Unisa (1995) 538.

24 Unlawful Competition 100.

25 The legal nature of the right to a trade mark in South African Law 566.

be available to a trade secret. The important question would, of course, be whether, for instance, knowledge about the name of a proposed trade mark would constitute confidential information. This appears to be the position according to Knobel. His views can be summarised as follows. Information about a (potentially) distinctive mark can, in certain circumstances, be a trade secret.²⁷ If, for instance, a label is designed for use on a product to be launched, information concerning the appearance of the label, and the product in connection with which it is to be used, may well constitute trade secrets.

As soon as a product is released on the market with the label, the trade secret comes to an end. It may be argued that before the label is used to distinguish the relevant product from similar ones - which can only happen once the product is launched and the mentioned trade secret has, therefore, been terminated – no right to the distinctive mark has come into existence. Seemingly, there can be no statutory protection in South African law before registration as, for instance, a trade mark. An as yet unregistered and unused distinctive mark could be protected from misappropriation by the common law action for unlawful competition.

Knobel specifically states that trade secret misappropriation, whilst it usually takes place in the context of trade competition, can also occur outside such a context.²⁸ He also indicates that it is not necessary to prove the infringement of the right to goodwill to establish the wrongfulness of such misappropriation, proof of infringement of the right to the trade secret is sufficient. He also states that in novel or borderline situations the courts can rely on the boni mores to solve particularly difficult questions of wrongfulness.²⁹ In applying the boni mores criteria, careful balancing of the conflicting interests of the parties involved must be performed. He also states that considerations of legal policy play an important role in this process.

It is to be noted that Knobel emphasises that the trade secret relates to a distinctive mark. A non-distinctive mark is thus excluded from protection. The question arises whether the right to a trade secret could not also feature in such a situation. Having

26 The Right to the Trade Secret unpublished LLD-thesis Unisa (1996).

27 The Right to the Trade Secret 226.

28 The Right to the Trade Secret 239.

29 The Right to the Trade Secret 241

regard to the elements of a trade secret,³⁰ it appears that in principle, protection may be possible. The decisive issue here seems to be whether the information is of economic value. In terms of case law, it was, for instance, stated in Kemp, Sacs & Nell Real Estate (Edms) Bpk v Soll³¹ that:³²

“Dit kan nie op die stukke wat voor my geplaas is bepaal word of die inligting in die dokumente vervat uit ‘n mededingingsoogpunt van waarde was vir die partye nie.”

It is possible to envisage situations where information about a proposed mark may be of value, even if the mark is not of a distinctive nature. For instance, where information is obtained about a new product the market leader intends to place on the market. In terms of competition in the market, such information may be of great value to competitors. It is thus submitted that there should not be a rigid requirement that a non-distinctive mark cannot receive protection, but that the elements of a trade secret should be satisfied.³³ This would follow if the right to a trade secret is truly seen to be an independent subjective right.

In **summary**, in cases of prior use, the right to goodwill has been accepted on a regular basis by our courts. The right to the undertaking has been proposed, but has been criticised. The right to a distinctive mark can also be relevant. It was noted that writers are in support of the recognition of the right to a distinctive mark, and the time may be opportune for the courts to give credence to the views expressed, and to the reality of commerce in this regard. Lastly, it was noted that some writers have argued that even unused trade marks could be protected on the basis of a subjective right to a trade secret.

30 These are stated to be, according to Knobel The Right to the Trade Secret 283 to be the existence of information; that has commercial applicability; that is secret; in relation to which it is the will of the owner to keep it secret; that has economic value; and that is concrete, or has the potential to be concrete.

31 1986 (1) SA 673 (O).

32 Page 692 G (own emphasis).

33 See also the discussion of sabotage marketing *infra* at 2 5 3

2.2 Basis of protection

2.2.1 Recognition

Unlawful competition is prevented on an Aquilian basis. In the important decision of Schultz v Butt³⁴ it was said that unlawfulness, leading to Aquilian liability, may fall into an established category, but it is not limited to unlawfulness of that kind.³⁵ Writers also support the concept of a general basis of liability.³⁶

2.2.2 Criteria

In relation to the determination of the requirement of unlawfulness, it can be briefly stated that in earlier cases³⁷ regard was had to the issues of fairness and honesty. In Elida Gibbs (Pty) Limited v Colgate Palmolive (Pty) Limited (1)³⁸ reference was made to the decision in Dunn & Bradstreet (Pty) Limited v SA Merchants Combined Credit Bureau (Cape) (Pty) Limited³⁹ where it was said that fairness and honesty are somewhat vague and elastic terms but nevertheless relevant criteria. Dealing with these concepts, the court stated⁴⁰ that whilst conduct which is unfair or dishonest might also be unlawful, it does not necessarily follow that unlawful competition must be either dishonest or

34 1986 (3) SA 667 (A).

35 Page 678 H - J.

36 Loubser 2000 Acta Juridica 168 184 – 185, for instance, states:

“It is suggested that the cases referred to above illustrate the need and provide authority for the general recognition of Aquilian liability for unlawful misappropriation in the course of trade of another’s asset of appreciable commercial value, such as a name or label, advertising image, fictional character, or the personal image of a celebrity. The recognition of a delict involving such misappropriation accords with all the accepted principles of Aquilian liability. Such recognition would make it unnecessary to argue for the protection of a new kind of subjective right to interests such as ‘character merchandising’ or ‘advertising image’ or a ‘right to publicity’. Reference to a subjective right or ‘property’ in respect of those interests in effect means that the person making such a claim has acquired commercial value – goodwill – in the form of a reputation in respect of a name or mark, and that potential economic loss justifies protection against passing off or misappropriation generally.”

37 See for instance Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd 1972 (3) SA 152 (C).

38 1988 (2) SA 350 (WLD).

39 1968 (1) SA 209 (C).

40 Page 354 F-H

unfair. A related decision is that in Union Wine Limited v E Snell & Company Limited⁴¹ where the court came to the conclusion that in the absence of dishonesty, unfairness per se cannot serve as a criteria for unlawfulness.⁴²

Other criteria⁴³ that have found acceptance include the boni mores, in particular in the decision of Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd.⁴⁴ It was also approved in the leading case of Schultz v Butt.⁴⁵ The application of the competition principle has also been proposed.⁴⁶ With regard to the evaluation of the boni mores, a caveat was, however, expressed in Lorimar Productions Inc v Sterling Clothing Manufacturers (Pty) Limited,⁴⁷ where the court stated⁴⁸ that a court should merely mirror the general sense of justice of the community as manifested in public opinion, and should be cautious of being used “as a spear head of the *avant-garde* of law reform.” The appropriate forum was said to be parliament. Writers have also expressed reservations.⁴⁹

41 1990 (2) SA 189 (C).

42 Page 203 F.

43 Compare also the following statement of Loubser 2000 Acta Juridica 186:

“Obviously the misappropriation of a commercially valuable name, idea, design or other creative product will not always be unlawful. The general principles for determining unlawfulness will apply; and factors such as the freedom to imitate ideas or designs in the public domain, or the freedom to exploit an established market for a particular type of product established by a competitor, the manner of copying, the distinctiveness of the name or product copied, the extent of the imitation and of the alleged offender’s own contribution to the product, the possibility of obtaining statutory protection for the product, fraud or dishonesty, a motive to harm rather than to compete, will be taken into account.”

44 1981 (2) SA 173 (T).

45 Note 34.

46 Van Heerden and Neethling Unlawful Competition 128. Compare further the views of Van Heerden “Die Mededingingsprinsiep en die Boni Mores as Onregmatigheidsnorme by Onregmatige Mededinging” in Neethling (ed) Unlawful Competition (1990) Unisa Pretoria 6.

47 1981 (3) SA 1129 (T).

48 Page 1155 C-E.

49 Boberg “The Role of Fault in Determining the Lawfulness of Competition” in Neethling (ed) Unlawful Competition 20 40 for instance states (own emphasis) the following:

“If, then, the tenor of our judgments is to approach the “new delict” of unfair competition cautiously and with circumspection – as I believe it is – to impose liability on the basis of mere negligence would, I suggest, be an unwarranted extension of the concept. For useful as it undoubtedly is to curb “the ingenuity of parasitical entrepreneurs and trade pirates” – to quote Van Dijkhorst J in the Atlas Organic Fertilisers case – the notion of a non-specific form of unlawful competition, delineated in each case, essentially, by judicial discretion, dwells at the very heart of the tension between freedom to trade as one pleases and respect for the rights of others. While that flexibility gives our courts the freedom they need to proscribe trade practices that offend against the community’s sense of fairness and honesty, the considerations of public policy that play a part in the determination of wrongfulness demand that constraints be placed on its unbridled application. As always, freedom entails responsibility.”

2.2.3 Criticism by courts

It bears mentioning that in deciding cases in which reliance is placed on the general delict of unlawful competition, the courts have on occasion stated certain reservations and qualifications. In Payen Components SA Limited v Bovic CC⁵⁰ the court stated the following:⁵¹

“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) Limited v National Brands Limited⁵² the court referred⁵³ to the Payen case⁵⁴ 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.

In **summary**, the courts have firmly recognised the existence of a general delict of unlawful competition. Some writers have suggested that liability in terms of the delict should be limited by requiring the existence of dolus. Other writers have in turn stressed the importance of the existence of such a general cause of action for certain circumstances. Potential economic loss has been proposed as a ground of justification

50 1995 (4) SA 441 (A).

51 Page 453 F - H.

52 2001 (3) SA 884 (SCA).

53 Page 886 J - 887 A.

54 Note 50

for liability on the basis of, amongst others, misappropriation. However, particularly in recent decisions, it has been stated that this rubric should not be used as a ground for relief on a “last resort” basis.

2.3 Requirements for protection

The most authoritative definition of passing off was given in the case of Capital Estate and General Agencies (Pty) Limited v Holiday Inns Inc.:⁵⁵

“The wrong known as passing off consists in a representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another, and, in order to determine whether a representation amounts to a passing-off, one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the business of the one is, or is connected with, that of another.”

In Premier Trading Company (Pty) Ltd v Sporttopia (Pty) Ltd⁵⁶ the Supreme Court of Appeal (SCA) reviewed earlier decisions, and then stated⁵⁷ the minimum requirements to be the existence of a reputation and deception, or at least confusion, caused by the conduct of the defendant, which would influence members of the public to purchase the goods. In regard to the important element of a reputation, it was said in SC Johnson & Son Inc. v Klensan (Pty) Limited t/a Markrite⁵⁸ that the mere fact of large-scale advertising, or even of substantial sales does not in itself prove the existence of a reputation.⁵⁹ In Reckitt and Coleman SA (Pty) Limited v SC Johnson & Son (SA) (Pty) Limited⁶⁰ it was said that a court can make an inference from the facts, if no direct evidence is available.⁶¹ A similar view was expressed in the decision of GPS Restaurante BK v Cantina Tequila (Mexican Connection) CC⁶² where it was stated,⁶³

55 1977 (2) SA 916 (A) 929 C.

56 2000 (3) SA 259 (SCA).

57 Page 267 D - F.

58 1982 (4) SA 579 (T).

59 Page 584 E.

60 1995 (1) SA 725 (T).

61 Page 732 E.

62 [1997] 1 All SA 603.

63 Page 609 A

with reference to John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd,⁶⁴ that the existence of a reputation can be inferred from the evidence of sales or of advertising.

In **summary**, the courts have emphasized the elements of passing off to be, primarily, a representation that a business or product is that of another, or is associated therewith. A representation will amount to passing off if there is a reasonable likelihood that members of the public may be confused into believing that the business of the one is, or is connected with, that of another. With regard to the establishment of a reputation, it has been held that the mere fact of extensive advertising or sales does not establish this, but in other cases it was stated that the existence of a reputation can be inferred from such factors.

2.4 Use by foreign plaintiffs

The interaction between reputation and goodwill in the above context has been considered in a number of decisions, and this aspect is dealt with below.

2.4.1 Decisions in favour of local respondent

The South African party in Slenderella Systems Incorporated of America v Hawkins⁶⁵ successfully relied on the absence of trading activities. A carried on business in a number of countries whilst using the trade mark Slenderella. The name has, amongst others, been advertised extensively in publications circulating in South Africa, for a period of ten years prior to the matter.⁶⁶ Several applications were also received by A for the franchising of its business operations in South Africa. B commenced use of the same mark. The court held that A wholly failed to establish that it has any right of property in South Africa and the fact that it carried on business in other jurisdictions and that magazines containing their advertisements were circulated in South Africa, cannot by themselves confer on it any such right.⁶⁷

64 1977 (3) SA 144 (T).

65 1959 (1) 519 (W).

66 Page 519 H.

67 On page 522 D – E (own emphasis) the following was said:

“There are other examples in this country of local trades conducting businesses or trades under the name used by much better known and older overseas firms. Some of such businesses may have even been started in South Africa under such names only because it

A similar approach as in the above case was followed in the well-known decision in Tie Rack plc v Tie Rack Stores (Pty) Limited.⁶⁸ A conducted business in England and a number of foreign countries, however, it did not conduct business in South Africa. A used the trade mark Tie Rack along with a distinctive logo. B conducted business in South Africa under a similar trade mark. A sought relief on the basis of passing off, unlawful competition and copyright infringement. A relied on spill-over advertising, and affidavits were also filed by South African citizens who were acquainted with A's business. The court accepted that the inference must be drawn, at least as a probability, that a deliberate attempt was made to copy A's business name, its get up and its image.⁶⁹ It, however, stated that this is not what the enquiry is in terms of a passing-off action. Copying was said not to be the same as passing off, with reference to the decision of the House of Lords in Erven Warnink BV v J Townend and Sons (Hull) Ltd.⁷⁰ The court then had particular regard to the requirement of the existence of goodwill. The court stated that the essential question of fact is and remains whether an assailment of goodwill has been established.⁷¹ The court then came to the conclusion⁷² that A simply did not have any goodwill, no attractive force in this country.

The court accordingly rejected the claim for relief on the basis of passing off, but granted relief on the ground of copyright infringement.

It is of interest to have regard to a comment made by the court in McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Limited⁷³ on the issue of protection of overseas plaintiffs. The then Appellate Division said that it was clear that South African (and English) courts have in fact not protected the owners of foreign trade marks who did not have a goodwill in the country. It was stated that, to this extent, the

was known that an overseas firm was about to start business in its own name in South Africa. With the morality of such conduct the Court cannot be concerned, it must enquire whether a right of property belonging to the overseas firm in this jurisdiction has been infringed."

68 1989 (4) SA 427 (T).

69 Page 441 H.

70 [1980] RPC 31.

71 Page 443 E.

72 Page 445 C.

73 1997 (1) SA 1 (A)

common law of passing off has not been sufficient to constitute compliance with article 6bis of the Paris Convention.⁷⁴

2.4.2 Views of writers

It was stated by some commentators that it cannot be disputed that the above position runs counter to one's feeling for morality and natural justice.⁷⁵ The situation was nevertheless seen to be justifiable.⁷⁶

“Every component of the attractive power of an undertaking must, from its very nature, have this in common: that it is dependent for its existence on the undertaking and consequently can only exist where the undertaking exists. Whilst a symbol can possess an attractive force in this country as a result of its use in relation to a business elsewhere, that attractive force can only exist as the property of that business in this country when it had been localised by virtue of trading here. Whilst this situation does lead to inequitable results, there are, as in most legal and moral problems, two sides to the question. The laws of a country are there primarily for the protection of its citizens and not for the benefit of foreigners who have no stake in the country and whose own countries may not extend a similar protection to *peregrini*. There is a great deal to be said, in my view, for requiring a *peregrinus* to participate actively in the economic life of a country to some extent before he can claim, as of right, the protection of its courts.”

In contrast, Van Heerden and Neethling⁷⁷ consider the position to be unacceptable, as the overseas trader has a definite interest in the integrity of his goodwill, and suggest that that interest should be protectable by law. The authors are critical of the courts'

74 Page 19 D.

75 Page “The Territorial Limitations of Repute in Passing Off, and the Applicability of Unlawful Competition to Situations Created by International Trading” in Neethling (ed) Unlawful Competition 41-53.

76 Page in Neethling (ed) Unlawful Competition 54-55.

77 Unlawful Competition 181 – 182

approach that goodwill has no independent existence apart from the undertaking to which it is attached, and propose that the legal position should be the following:⁷⁸

“The *peregrinus* should therefore acquire a so-called ‘right of property’ – primarily the right to the distinctive mark and secondarily the right to goodwill – in South Africa. Seen in this light, the passing off of a *peregrinus*’s trade mark or trade name...should therefore not only evoke moral indignation, but should also be branded unlawful according to the competition principle (*boni mores*), provided of course, that there is a likelihood of confusion of the public. Naturally, such protection implies the recognition of the *peregrinus*’s right to the distinctive mark.”

2.4.3 Decisions in favour of the overseas plaintiff

Protection was granted to the foreign plaintiff in Haggar Company v SA Tailors Craft (Pty) Limited.⁷⁹ B, a South African company, adopted A, an American company’s trade mark, and also copied its get-up. Insofar as the reputation of A was concerned, A produced evidence of the sales of 2 200 pairs of slacks over a three year period. B countered that that figure only represents 0.5 percent of the South African market. The court, per Mostert J, nevertheless held in favour of A, and, interestingly, stated that even if the reputation was caused by the unlawful act of B, that fact made the reputation no less part of the property of A.⁸⁰

2.4.4 The current position

The current position regarding the issue is contained in the case of Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd.⁸¹ The decision of the Supreme Court of Appeal in the above decision brought about a change in the legal position. The approach of the court was the following. Firstly, the SCA considered the view of the court *a quo*.⁸² The latter held that the ordinary rules of jurisdiction apply and that the plaintiff must thus establish that his goodwill extends to the jurisdiction of the court. The

78 Unlawful Competition 182.

79 1985 (4) SA 569 (T).

80 Page 581.

81 1998 (3) SA 938 (SCA).

82 On page 946 B

existence of a goodwill “generated by sales,” within the jurisdiction of the court must be proven. The SCA indicated that the latter view combined two divergent issues, namely the elements of passing off, and the requirements for jurisdiction.⁸³ It was stated that the only component of the goodwill of a business that can be damaged by means of passing off is its reputation.⁸⁴ It was also stated that it is incorrect to equate goodwill with reputation.⁸⁵ The court mentioned that the fact that, under certain circumstances, the locality of a business might be a component of goodwill, does not mean that goodwill can only exist where the business is located.⁸⁶ Decisions to the contrary were held not to be good law anymore.⁸⁷

The court then set out the legal position as follows:⁸⁸

“The correct question can be distilled from the judgments on passing-off of this Court mentioned earlier ... In general terms, it appears to me to be whether the plaintiff has, in a practical and business sense, a sufficient reputation amongst a substantial number of persons who are either clients or potential clients of his business. As far as the ‘location’ of reputation is concerned, it must subsist where the misrepresentation complained of causes actual or potential damage to the drawing power of the plaintiff’s business. Otherwise the misrepresentation would be made in the air and be without any consequences.”

2.4.5 Interplay with statutory position

The position in relation to this specific aspect is not unlike that prevailing in terms of section 35 of the Trade Marks Act 194 of 1993, which provides protection although a person does not carry on business or has any goodwill in this country.⁸⁹ There is accordingly considerable harmony in this regard between the statutory and common

83 Page 946 I.

84 Page 947 J.

85 Page 948 B.

86 Page 949F.

87 Page 949 I.

88 Page 950 A - C.

89 Section 35(1).

law. This appears further when regard is had to the McDonald's decision,⁹⁰ wherein the SCA stated the following:⁹¹

“The Legislature intended to extend the protection of a passing-off action to foreign businessmen who did not have a business or enjoy a goodwill inside this country, provided their marks were well known in the Republic. It seems logical to accept that the degree of knowledge of the marks that is required would be similar to that protected in the existing law of passing-off.”

There are, of course, differences to bear in mind, such as the requirement that use must be in relation to the same or similar goods or services, which applies to the infringement of well-known marks,⁹² but not to passing off. Leaving that aside, however, the court's view, to a large extent, places the protection provided by section 35 on the same footing as that available by way of passing off. A reputation that is sufficient for passing off is thus seemingly sufficient for section 35 as well, and to this extent the tests are similar. Notionally, passing off, of course, relates primarily to marks that are (merely) distinctive (or have acquired secondary meaning) and not necessarily perceived to be, on some basis, to be (also) “well-known”.

It is interesting, insofar as this aspect is concerned, to have regard to the following statement by Ahmad⁹³ about the position in Germany:

“If the mark is inherently distinctive, public recognition of between 20% and 30% is usually required. If an unregistered trademark is not inherently distinctive, public recognition of more than 50% of the public may be required. The necessary degree of recognition is generally thought to be less than that required for a trademark to qualify as a ‘well-known trademark’ within the meaning of Article 6*bis* of the Paris Convention.”

In **summary**, our courts originally followed the approach that a foreign plaintiff has to prove the existence of actual goodwill, in the sense of trade being conducted in South Africa, as a prerequisite to obtaining protection. This approach was rejected in the

90 Note 73.

91 Page 21 C – D (own emphasis).

92 Section 35(3).

Caterham case,⁹⁴ and the position currently is that it is only necessary to prove, in this context, that a reputation exists in the country.

2.5 Acquisition of rights

Insofar as the practical aspects of the above are concerned, it is of importance that the reputation must exist at the time that the respondent commences use.⁹⁵ Bearing this in mind, consideration can now be given to the approach of the courts in general, and then to the issue of descriptive marks in particular.

2.5.1 Intention to use

That the mere intention to commence use of a mark is not sufficient to provide a party with rights, appears from the decision in Pick-'N-Pay Stores Ltd v Pick-'N-Pay Superette (Pvt) Ltd.⁹⁶ A, a well known South African chain of supermarkets, planned to open stores in the then Rhodesia. B used the trade mark Pick-N-Pay in relation to a supermarket in Rhodesia. Having regard to the decision in Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd.,⁹⁷ where protection was granted notwithstanding the fact that the product concerned was not yet on the market, the court made the following statement:⁹⁸

“Mr. *Tett* submitted that by analogy it could be said in this case that in view of applicant’s plans to trade in Rhodesia the fact that it had not yet entered the Rhodesian market was not a bar to relief. I agree with Mr. *Whitaker*, however, that the facts in this case are completely distinguishable from the facts in the *Oude Meester* case. There would be a closer analogy if in the *Oude Meester* case the applicant has merely conceived of the idea of a new name and had not

93 Trademark World July/August 2003 23 24 (own emphasis).

94 Note 81.

95 Caterham-decision, page 950 I, see note 81 above.

96 1973 (3) SA 564 (R).

97 1972 (3) SA 152 (C).

98 Page 571 F-G (own emphasis)

taken any steps in regard to the printing of labels or any steps preparatory to publicity. In such circumstances, had the respondent got in first, and not clandestinely, it seems to me unlikely that the applicant would have had the right to relief.”

2.5.2 Promotional use

In South Africa, the decision in Arjo Wiggins Ltd v Idem (Pty) Ltd⁹⁹ established that promotional use of the mark concerned does not amount to trade mark use. The relevant principle was formulated as follows:¹⁰⁰

“[I]t must follow that use of a trade mark on goods other than with the object of promoting trade in those goods cannot constitute *bona fide* use for statutory purposes, even if that use promotes trade in other goods.”

It is submitted however that in a common law context, this pronouncement is not applicable. Accordingly, the only question would be whether the requirements for obtaining protection, in particular on the basis of passing off, have been met. In other words, it must be established that a reputation exists, and that there is a likelihood of confusion. Use on diverse goods or services could thus provide protection. In the case of Capital Estate Agencies (Pty) Ltd v Holiday Inns Inc.¹⁰¹ it was pointed out that a common field of activity is not necessary. The existence of a reputation remains a question of fact.

2.5.3 Sabotage marketing

In a number of decisions a rival launched a marketing campaign to sabotage that planned by a competitor. These decisions are now reviewed.

99 2002 (1) SA 591 (SCA).

100 Page 600 D – E.

101 Note 55

2.5.3.1 General approach

A label of a competitor was obtained prior to the launching of the product in Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd.¹⁰² In this matter A decided to market a wine under a particular label. An extensive advertising campaign was planned for the 31st of January 1972, but on the 19th of January 1972 B commenced marketing of a product which was said to bear a remarkable resemblance to the label of A. B argued that the product had, at the relevant time, not yet been marketed and that the label concerned had accordingly acquired no reputation.¹⁰³ The court stated that the answer to this contention was that one should enquire as to the nature of the relief that A sought to sustain, namely whether he was asking for damages or whether he was seeking to protect a product which he was about to market. The court then made the following statement which is of relevance:¹⁰⁴

“Let us assume in respondent’s favour that it did not obtain possession of the label on the Selected Paarl Perlè bottle in an unlawful or improper manner but that the label was copied only after the bottle was on the shelves of the bottle store. If respondent had then proceeded to market Paarl Perlè under this label it would have been guilty of “passing off its product as that of the applicant’s.” No man is allowed to pass off his goods as those of another and if he does so he commits a delictual wrong which the Courts will restrain ... Can respondent be in a better position when as a result of its own wrong in appropriating applicant’s confidential and secret design its wine appears on the market a week before applicant’s is due to appear? If we are to have regard to the equitable principle that a man cannot take advantage of his own wrong to the detriment of another... respondent cannot be in a better position than if he had delayed and obtained possession of the label lawfully.”

The conduct of B was held to amount to passing off.¹⁰⁵ The court also considered that B competed unlawfully by taking information which it knew to be secret and confidential.¹⁰⁶

102 1972 (3) SA 152 (C).

103 Page 159 H.

104 Page 160 B – E.

105 Page 160 F.

106 Page 162 A. In the well-known decision of Dunn & Bradstreet (Pty) Limited v SA Merchants Combined Credit Bureau (Cape) (Pty) Limited (note 39) it was stated by the court (221 C) that where a trader has, by the exercise of his skill and labour, compiled information which he distributed to his

The view has however been expressed, by Van Heerden and Neethling,¹⁰⁷ that it was not correct to have ruled that passing off was involved:

“It is, however, doubtful whether this is a case of passing off in its traditional sense. As a matter of fact, the applicant could not acquire a right to the label as distinctive mark before his wine was marketed, since the label did not have any distinguishing value at that stage. The label would only have individuated the wine – in other words, enabled customers to distinguish the wine from other wines – when it was placed on the market. Accordingly, the respondent could not have created the misrepresentation that his wine was the wine of the applicant; passing off his wine as that of the applicant was therefore out of the question.”

It is of value here to again have regard to the views of Knobel.¹⁰⁸ Knobel is of the view that information about a (potentially) distinctive mark can in certain circumstances be a trade secret. If, for instance, a label is designed for use on a new product to be launched, information concerning the appearance of the label, and the product in connection with which it is to be used, could constitute trade secrets. He states that it may be argued that before the label is used to distinguish the relevant product no right to the distinctive or advertising mark has come into existence. However, an as yet unregistered and unused distinctive mark could possibly be protected from misappropriation by the common law action for unlawful competition.

The decision in Carling National Breweries Incorporated v National Brewing Company¹⁰⁹ involved the pre-emption of a marketing campaign of a competitor. In this decision of the Transvaal Provincial Division, a beer named Colt 45 was intended for marketing in South Africa. Marketing materials were prepared, strategic studies were done, and a short trial run was conducted. About a week prior to the launching of the beer by the appellants, the respondent advertised its intention to market a product to be called Stallion 54. Advertisements were placed in various newspapers and the product was

clients upon a confidential basis (that is upon the basis that information should not be disclosed to others), a rival trader who is not a client but in some manner obtains this information, and well knowing its nature and the basis upon which it was distributed, uses it in his competing business and thereby injure the first trading business, commits a wrongful act against the latter and will be liable for damages. It was also said that what is involved is the filching of the products of another's skill and labour (221 G).

107 Unlawful Competition 172.

108 The Right to the Trade Secret. See paragraph 2.1.4 supra.

available at certain liquor stores. The Colt 45 product was not yet available. The court, having dismissed the trade mark infringement action, remarked as follows:¹¹⁰

“I am equally of the view that the Court *a quo* rightly non-suited the appellants on their claim based on unfair competition. By the time the respondents placed their product on the South African market, the appellants had, save for a very small trial run, not yet come onto the market. How the fact that a competitor has entered the market which another is as yet only contemplating to do can be labeled unfair competition surpasses my understanding.”

The product concerned was also not yet on the market in Pepsico Inc v United Tobacco Co Ltd.¹¹¹ A was the owner of the trade mark Ruffles used in relation to potato chips. A introduced its product to the major retailers by way of advertisements and thereafter by advice and information to them in preparation for the marketing of the products. Factory equipment was purchased, which was used to make samples for testing for quality specifications. Thereafter the introduction of suitable packaging took place, as well as the development of an advertising strategy and sales merchandising which related to equipment for the presentation and sale of the product in retail outlets.¹¹² The court indicated¹¹³ that these activities, in themselves, would not have been an introduction into the market, having regard to the Carling¹¹⁴ and the My Kinda Bones Ltd v Dr. Peppers Stove Co. Ltd¹¹⁵ decisions. It was indicated that presentations, however, took place in addition to the activities mentioned above. That included consumer promotions and an evaluation of the product and its packaging in order to ensure that it complied with marketing and legal requirements. Representatives of all major distributors and retailers were also taken to the United States for a briefing on the manner of marketing of the product.¹¹⁶ B adopted the approach that it had entered the market prior to A's launch, that there was no reputation amongst end-users, and that, consequently, there was no passing off. The court stated the following:¹¹⁷

109 Patent Journal December 1979 page 126.

110 Page 128.

111 1988 (2) SA 334 (WLD).

112 Page 343 H - I.

113 Page 343 I.

114 Note 109.

115 [1984] FSR 289.

116 Page 344 F.

“The question then is: has there been a launch to the trade, and were the applicants trading as such? And consequently, could there have been a passing off? In my view, the applicants have successfully proved the requisites for passing off, in that the trade had been approached, advised, demonstrated to, and arrangements made for the wholesale selling of the product. Samples had been provided; the marketing get-up of the packaging had been prepared and demonstrated. The form of marketing was not only demonstrated to all the major retailers who comprised between 30 and 40 percent of the snack food industry suppliers to the public, but arrangements had been made to take leading marketers from most of the larger retail suppliers overseas to increase their marketing knowledge and know-how for the specific purpose of the launch to the public, of the product concerned.”

The court also made the following relevant statement:¹¹⁸

“As was stated in the *Aristoc* decision, trade is a wide word, and a connection with goods in the course of trade means an association with the goods in the course of their production and preparation for the market. Here, in my view, there has been such an association with the goods by the retailers to whom they were presented. The fact that the product had not gone through to the final consumer is, in my view, not a *sine qua non* for the purpose of entering the trade. In the event, the supplier ... is the retailer. It is not the man in the street or the little boy who buys the packet of chips at the corner café. That is another section of the market, and no doubt a very substantial, if not the greater part, of the market. However, the fact that it has not been launched and provided to the corner café does not derogate from the fact that the Ruffles chip, presented in the form in which it is to be finally launched...has, in my view, entered the market. There had been discussion, arrangement for marketing; it has acquired through demonstration the same reputation which it enjoyed overseas. That reputation has become associated with the product in the preparation by all the parties concerned for the market, within the territorial area of the Republic of South Africa. The reference to the *Carling* case, in my view – and after consideration of the facts therein set out – makes it quite clear that that case is

on the facts distinguishable from the facts in the present case. There, there had been no such preparation of the market and the retail market to whom the producer was going to sell. Here the position is clearly different”.

2.5.3.2 The role of motive

In Kellogg Company v Bokomo Co-operative Limited¹¹⁹ it was alleged that there was a deliberate attempt to prejudice a competitor’s marketing efforts. This matter related to an allegation that A brought forward the launch date of its product so as to interfere with B’s marketing plans. In this matter the view adopted by B was the following.¹²⁰ It submitted that A’s launch has been on a very limited scale, that it had no product on which to use its trade mark, and urgently purchased a cereal biscuit from a large chain store, and that the pack design of this product was made in a number of days. It was also said that the only difference between A’s conduct and that of the respondent in the Pepsico case¹²¹ is that the respondent in the current instance alleged that it had plans to launch its product for a long time, which was a distinction not of any significance, and that A’s conduct accordingly offended against the boni mores.¹²² A adopted a different approach.¹²³ It was stated that it had decided to introduce line extensions to its brand and that the line extension plans faltered because of manufacturing difficulties and unavailability of technology. It also stated that it commenced the construction of a manufacturing plant at a cost of more than 60 million rand and that it intended to import products merely until its own manufacturing facility was ready. Having regard to all the factors the court ruled in favour of A, and stated the following:¹²⁴

“I am, on the facts at my disposal, satisfied that the respondent, by having brought forward the launch date of Nu-bix, was actuated by the advancement of its own economic interests which, generally speaking, is a legitimate motive for acting and not to the detriment of the applicants.”

118 Page 346 D – I (own emphasis).

119 1997 (2) SA 725 (C).

120 Page 737 B – D.

121 Note 111.

122 Page 737 F.

123 Page 738 B – F.

124 Page 739 F (own emphasis)

Interference with a marketing campaign was not necessarily seen as unlawful in Carling National Breweries Incorporated v National Brewing Company.¹²⁵ In this decision it was stated that:¹²⁶

“One realises that in this field, as no doubt in many others, competition amongst rival traders is very keen and that there must inevitably be manoeuvres, sometimes skillfully conducted, to steal a march on a competitor, but that is part of the game, and a practice which in general can only redound to the public benefit. It is part and parcel of our free trade policy. A Court will only interfere if a rival uses methods which are manifestly unfair, and it does so with a weather eye on the public benefit. As long as the rivalry between competing traders is fair, and not to the detriment of the general public interests, a Court should, in my view, leave the competitors to fend for themselves. Should a competitor, through his diligence and foresight, steal a march on a rival competitor, he should not, merely because of that, be censured by a court of law. The legal forum should not be converted into a market forum.”

This statement is, as a general pronouncement, with respect, open to criticism. When regard is had to the extensive preparations and considerable cost involved in the process of launching a new product it is, arguably, against the boni mores to disrupt same. Usually the name will be changed somewhat, but the underlying motive is to strip the competitor of the benefit of the “novelty” value of the intended new product. The relevance of motive in determining unlawfulness is, of course, well established.¹²⁷

On the other hand, in Pepsico Inc v United Tobacco Co Ltd¹²⁸ the motive of the defendant was considered to be relevant. In this case, after considering the chronology of events, the court answered the question whether the actions of the respondent amounted to unlawful competition as follows:¹²⁹

“In my view, fairness and honesty applied to their actions, manifest those traits by their lack of application by the respondent. With the knowledge that the

125 Note 109.

126 Page 128.

127 See Van Heerden and Neethling Unlawful Competition 136.

128 Note 111.

129 Page 349 G – J (own emphasis)

product was to be launched, they scurried off and prepared a launching on a small scale with the express intention of preventing the applicant from carrying out its prepared introduction and final launch in October of its product. Here the first party who expressed a concrete intention in material form to use the mark, and who acted in taking steps to prepare for the market, actually approached its customers to demonstrate the mark and the product, are the applicants. Once the respondent became aware of this prior use of the mark, which had, in my view, acquired a reputation by its demonstration, it was sharp practice constituting unlawful competition to attempt to pre-empt the applicant's launch..."

2.5.3.3 Summary

In summary, the courts have been prepared to grant protection, albeit that the relevant product has not been actually available on the market, particularly in cases where the factual circumstances constitute an attempt at sabotage marketing. In the Stellenbosch Wine Trust case,¹³⁰ this was done on the basis of passing off, and the unlawful obtainment of information on the relevant product label. The lack of a market presence was also held not to exclude protection in the Pepsico decision.¹³¹ In contrast, in the Carling decision,¹³² the absence of a presence on the market was fatal to the applicant's case.

In relation to the motive and the possible unlawfulness of the pre-emption of a competitor's marketing campaign, it was held in the Kellogg case¹³³ that where the respondent, by having brought forward the launch date of its product, was motivated by the advancement of its own economic interests, its actions would not be unlawful. In the Carling case¹³⁴ it was said that "manoeuvres" may be employed "to steal a march" on a competitor, and such actions were seen to be acceptable in our economic structure, as long as the rivalry remained fair, and was not to the detriment of the public interest. On the other hand, in the Pepsico-case,¹³⁵ it was held relevant that the respondent, with the

130 Note 102.

131 Note 111.

132 Note 109.

133 Note 119.

134 Note 109.

135 Note 111

knowledge that the product was to be launched, quickly launched their product with the express intention of thwarting the applicant's marketing campaign. It should also be noted that in some instances, such as in the Pepsico-case,¹³⁶ the courts have recognised that there can be liability in terms of passing off, or of the broader delict of unlawful competition, or both.

2.5.4 Descriptive marks¹³⁷

2.5.4.1 Acquisition of a reputation

The Sea Harvest Corporation (Pty) Limited v Irvin & Johnson Limited¹³⁸ matter related to the use of the words "prime cut" in relation to fish products. Reliance was not placed on passing-off, but on unlawful competition.¹³⁹ In motivation of this viewpoint, A relied on the following.¹⁴⁰ It indicated that it was the first South African producer of frozen fish to use the words "prime cut." It has also spent a substantial amount of money promoting the sale of its products. Furthermore, its marketing campaign had been very successful, and B's conduct would result in loss to A. It also indicated that there were various other phrases that B could use, but it chose to use the words "prime cut," because B wished to share in A's success without having to invest financially. Accordingly, it was submitted that B's conduct amounted to a deliberate misappropriation of a business asset of A.

In response,¹⁴¹ B argued that the common law does not recognise intellectual property and that rights of property and ideas will be protected only when they were statutory creations such as patents, trade marks or copyrighted works. As A's claims were based on the actio legis Aquiliae, it had to establish wrongful conduct and damage resulting therefrom. As it was conceded that B's conduct did not amount to passing off, there was

136 Note 111.

137 For a discussion of the issue of laudatory marks in a statutory context, compare Kelbrick "Laudatory Trade marks: Being First is not Always Good Enough" 2003 SA MercLJ 295.

138 1985 (2) SA 355 (C).

139 Page 358 H.

140 Page 359 A – D.

141 Page 359 D-G

no damage suffered by A. The court indicated that it was prepared to accept that a slogan or catchword could be protected on the basis of unlawful competition even if the conduct did not amount to passing off.¹⁴² The following statement was then made:¹⁴³

“A long line of decisions in passing-off and trade mark cases has established that where descriptive words, as opposed to invented or fancy words, are used in a trade name or trade mark, the Courts will not easily find that such words have become distinctive of the business or products of the person using them, and will not give what amounts to a monopoly in such words to one trader at the expense of others...In my view these principles would apply also to a case where it is claimed that a competitor is competing unlawfully in relation to an advertising slogan adopted by the applicant. If a trader cannot claim a monopoly in descriptive words as part of the name of his business or of his product, equally he cannot claim a monopoly for those words if used as part of an advertising campaign.”

In Barclays Bank (DC & O) v Volkskas Beperk¹⁴⁴ A had used the trade mark National Bank of South Africa or, in the Afrikaans format, Nasionale Bank van Suid Afrika Beperk, for many years. B commenced use of the name Suid Afrikaanse Nasionale Handelsbank. The court stated¹⁴⁵ that even if a word is descriptive, it can become distinctive through a long period of use.

In the important decision of the then Appellate Division in Burnkloof Caterers (Pty) Limited v Horseshoe Caterers (Greenpoint) (Pty) Limited¹⁴⁶ the court, inter alia, stated¹⁴⁷ that a trader who uses a descriptive word must accept the risk of confusion arising from the adoption of such a mark by another trader.

In Van Der Watt v Humansdorp Marketing CC¹⁴⁸ the issue was the protection of the name “The Market Humansdorp.” With reference to, inter alia, the Burnkloof decision,¹⁴⁹

142 Page 359 I.

143 Page 360 B – E.

144 1951 (4) SA 630 (T).

145 Page 634 G.

146 1976 (2) SA 930 (A)

147 Page 938 G.

148 1993 (4) SA 779 (SECLD).

149 Note 146

the court held that A used simple descriptive words to describe a business and that she had not shown that the words had acquired a secondary meaning. Accordingly, she could not claim a monopoly in the use of the words “Humansdorp” and “Market.”¹⁵⁰

In Policansky Bros Ltd v L & H Policansky¹⁵¹ it was said¹⁵² that by virtue of the fact that a person cannot readily get a monopoly for the use of his family name in connection with goods, it follows that it is more difficult for a family name to acquire secondary meaning than it is for a descriptive or fancy word.

In **summary**, it was emphasised by the courts that they will not lightly find that marks of a descriptive nature have become distinctive. It was accepted, however, that a descriptive word could become distinctive through use. It was also held that if a trader decides to adopt a descriptive mark, he would have to reconcile himself with the risk that a third party might adopt the same mark. The important implication of the above principles is that even if a plaintiff has use prior to that of the respondent, the latter will not ipso facto be liable for passing off. This would be the position because, if the mark is descriptive, it would be unlikely that it would have built up a reputation at the date that the respondent commenced use of the mark. The existence of a reputation at that date is a sine qua non for liability.¹⁵³

2.5.4.2 The role of motive

Following on from the above, it is clear that particular problems are experienced when there is prior use of a mark, but it is of a descriptive nature, as this would normally exclude protection on the basis of passing off. This raises the question whether reliance can be placed on the general ground of unlawful competition. The approach of the courts is reviewed briefly below.

It must be indicated, firstly, that even the “intentional” adoption of a descriptive mark does not, according to some decisions, attract liability. In Sea Harvest Corporation (Pty) Limited v Irvin & Johnson Limited,¹⁵⁴ where reliance was not placed on passing off, but

150 Page 785 F.

151 1935 AD 89.

152 Page 108.

153 Caterham case, note 81, page 950 I.

154 Note 138

on unlawful competition, the court made the following comment in regard to whether the use of a descriptive word can be unlawful in view of the intention of the respondent:¹⁵⁵

“[W]hile that may sometimes be a factor to take into account, it is not sufficient to render respondent’s conduct “unlawful competition” in this particular case. Our law recognizes the freedom to trade competitively, and competition more often than not involves a deliberate intention to benefit oneself at the expense of a rival business.”

A different approach was followed in Appalsamy v Appalsamy.¹⁵⁶ Here A was involved in the business of manufacturing and repairing geysers under the name City Geysers. B commenced use after A of the name City Geysers Manufacturers. It was indicated that the courts have drawn a distinction between names which are purely descriptive of the business, and fancy names. It was also said that although the ultimate test is a factual one, it appears from the cases that if the name involved is purely descriptive of the business or goods concerned, a court will be reluctant to interfere in the absence of proof that the word has acquired a secondary meaning.¹⁵⁷ With regard to the relevance of the respondent’s motive, the following statement was made:¹⁵⁸

“The enquiry is thus narrowed into a consideration as to whether the applicant, in the absence of proof that the descriptive words have acquired a secondary meaning, has nevertheless shown a passing off. One of the relevant considerations in this regard is the nature of the respondent’s conduct and more particularly the reasons for adopting the name City Geyser Manufacturers. If, in choosing this name, the respondents were actuated by an intention to deceive, the Court will not be astute to find that they have failed or will fail in the object ... It is undoubtedly a circumstance which must arouse a strong suspicion that the respondents, so soon after having left the applicant’s business, should have selected two of the applicant’s names for their business, particularly when the first word “City” is used in that position in the name of both businesses. But the respondents have denied their bad faith both in the correspondence and in the affidavits. While their conduct, *prima facie* suggests bad faith I do not think that

155 Page 361 D - E (own emphasis).

156 1977 (3) SA 1082 (D & CLD).

157 Page 1086 A.

it would be proper to hold, in the absence of *viva voce* evidence, that the applicant has proved that they acted *mala fide*...”

In regard to the question whether an ulterior motive could provide the basis for protection of a non-distinctive mark, it is important to bear in mind the decision in Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd.¹⁵⁹ Here the court took into consideration the fact that the respondent’s actions had as their sole or dominant purpose the infliction of harm for its own sake. In this decision protection was granted, although the shape of the product concerned, a sofa, was not of a distinctive nature. It is submitted that an analogy can be made with the position of a descriptive mark.

It is of value in this regard to consider the views of Van Heerden and Neethling who deal with situations where the lawfulness of the conduct of the second user of a descriptive mark is revoked. This would be where the second user’s purpose is to pass off his goods as that of the first user. This will, prima facie, be in conflict with the competition principle.¹⁶⁰ They describe another instance as follows:¹⁶¹

“[T]his occurs where the second user’s *exclusive* aim is to injure the first user by his conduct. Because of the obvious absence of a legitimate interest on the part of the perpetrator in utilising the descriptive words – and here, as has been argued earlier...his *improper motive* is a strong indication of his lack of interest and therefore the *unreasonableness* of his act – his infringement of the first user’s distinctive mark is branded unlawful.”

Mention can again be made here of the Pepsico-case,¹⁶² which made specific reference to the fact that the actions concerned were undertaken with the express intention of preventing the one party's introduction of its product.

It is submitted that a distinction should be made between, on the one hand, actions such as the sabotaging of a marketing campaign relating to a distinctive, or potentially

158 Page 1086 F – H (own emphasis).

159 1991 (2) SA 455 (W).

160 Unlawful Competition 174 note 149.

161 Ibid. The reference to “distinctive” mark in the last sentence should probably be to a descriptive mark.

162 Note 111

distinctive mark, where liability can rest either on passing off or unlawful competition, or both, and on the other hand, such actions relating to a descriptive mark. In the latter instance, passing off as a ground for liability would be excluded. The appropriate basis for relief would then be unlawful competition. In such an instance the right to a distinctive mark would, of course, not feature. However, a business making use of a descriptive mark may also have a right to its goodwill, and sabotage marketing could impact on the latter, without necessarily involving the right to a distinctive mark.

Decisions such as that in Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd¹⁶³ could be seen to support this approach.

In **summary**, marks of a descriptive nature do not, in general, qualify for protection in terms of passing off. Case law has, however, recognized that through extensive use, rights may be obtained. It was also mentioned that the user of a descriptive mark must be aware of the risk involved in using a term which is likely to be used by rival traders. With regard to liability on the basis of an ulterior motive, it was suggested that such liability could be available on the basis of unlawful competition.

2.6 Geographical dimension

In some decisions the parties were active in different geographical areas, and a conflict ensued when attempts were made to expand the area of business operations. The following two decisions are relevant.

2.6.1 Distribution of goods

In Union Steam Bakery (Pty) Limited v Nichas¹⁶⁴ A and B carried on business as bakeries. A conducted business in the town of Middelburg under the name Union Bakery, later known as Union Steam Bakery. B conducted business in the town of Bethal some 80 kilometres away. For many years there was no conflict between the two parties, but at some stage B commenced delivery of his breads to firms in Middelburg. His bread had the imprint "Union." The court found¹⁶⁵ that confusion was likely.

163 Note 159.

164 1955 (1) SA 25 (T).

165 Page 27 F

The court indicated that it would have disposed of the matter on that basis but for the case of Saunders v Sun Life Assurance Company of Canada.¹⁶⁶ In that matter the defendants had been incorporated in Canada for a number of years and wished to extend their activities to England by opening an office in London, whilst using a name that includes the word “sun.” An English company had, however, been using the name Sun Life Assurance Society. An injunction was refused and it was held that in the absence of fraud or dishonesty, the use by the Canadian company of its own corporate name, without addition, abbreviation or other modification, involved no mis-statement of fact and could not be restrained by an injunction.

The court in the Union Steam Bakery case¹⁶⁷ distinguished the Sun case¹⁶⁸ from the matter under discussion. The court said that the Canadian company’s title consisted of two main and possibly equal elements, namely Sun and Canada, and it was said by the court that it would not countenance the use of any abbreviated title which omitted the word Canada. Moreover, an undertaking was given that all literature and publicity would give equal prominence to the word Canada and to the word Sun. In addition, mention was made of the fact that the consumers concerned were of a sophisticated nature.¹⁶⁹ The court in the Union Steam Bakery¹⁷⁰ case however doubted whether the decision in the Sun case¹⁷¹ would be regarded as good law nowadays and made the following remarks:¹⁷²

“If the decision in the *Sun* case was still authoritative, then a trade competitor wishing to enter the same field as an existing concern, under a name likely to deceive, would of course be debarred if he entered that field directly as a new business. But if he first established himself in a different area, he could thereafter enter the competitive field under a name likely to cause confusion to the detriment of the established concern.”

2.6.2 Rendering of services

166 1894 Ch D. 537.

167 Note 164.

168 Note 166.

169 Page 28 E.

170 Note 164.

171 Note 166.

172 Page 28 G – H

In GPS Restaurant BK v Cantina Tequila (Mexican Connection CC)¹⁷³ A used the trade mark Cantina Tequila in relation to a Mexican style restaurant in the Johannesburg suburb of Brixton. It appeared that B owned and carried on a Mexican style restaurant at the Victoria and Alfred Waterfront in Cape Town, which business has been established approximately 15 months after the date on which A commenced business. B decided to launch a Mexican style restaurant under the same trade mark in the Johannesburg suburb of Rosebank. The distance between the two restaurants were approximately 6,5 kilometres. A indicated that it drew customers from the whole of the Johannesburg area as well as further regions such as the North West and Free State provinces. B contended that it had a reputation in the trade mark not only at the Waterfront in Cape Town, but also in Johannesburg. In this regard it stated that holidaymakers from Gauteng frequent the restaurant at the Waterfront and on a few occasions reservations for the restaurant were made from Johannesburg. The court accepted¹⁷⁴ that a certain number of holidaymakers from Johannesburg do visit B's restaurant in Cape Town, and that to that extent it might enjoy a reputation amongst a limited number of people living in Johannesburg.

B contended that it has established its entitlement to rely on the defence of concurrent right. The court, however, indicated that in order to be successful in a defence of that nature, the facts will have to show that there is no likelihood of deception, in order to avoid the danger of elevating into a doctrine dignified by a term of art what is, in the sphere of passing off, merely a facet of misrepresentation.¹⁷⁵ The latter was said with reference to the decision in Habib Bank Limited v Habib Bank AG Zurich,¹⁷⁶ which was dealt with in detail before.¹⁷⁷ The court, in the Cantina Tequila decision,¹⁷⁸ accepted that B established a concurrent right in the sense that it has established a reputation and goodwill in relation to its operation in Cape Town. The court stated that B will only be allowed to trade under the name Cantina Tequila in Rosebank, if no passing off was likely to occur, in view of the fact that the court came to the conclusion that A had established a goodwill that is not confined to Brixton, but extends into the northern

173 Note 62.

174 Page 612 E.

175 Page 613 A – B.

176 [1982] RPC 24.

177 Chapter 3, paragraph 2.6.

178 Note 62

suburbs and at least includes Rosebank.¹⁷⁹ Having regard to all the circumstances, the court ruled in favour of A and restrained B from using the trade mark concerned in the area of Rosebank.

In **summary**, a reputation in an area would not, mero motu, allow a party to commence business in the other party's area of trade. If reliance is, indeed, placed on a reputation within the other party's territory, it would have to be of such an extent and nature that no confusion would be likely.

2.7 Concurrent use

The usual scenario in passing off cases is that A has used his mark for a number of years, and has established a reputation in relation thereto. B commences use of a confusingly similar trade mark. A then applies for an interdict, as its right to goodwill, or to a distinctive mark, is being prejudiced. These rights appear to be in essence of a negative nature, namely enabling A, the rights holder, to exclude others from the use of the mark concerned, in enforcement of those rights.

The situation may also occur that B does commence use after A, but establishes an own reputation in time. Against some third parties that commence use after B, B would in principle have grounds for the institution of a passing off action. However, can the existence of a reputation that is, for instance, of a quantum sufficient for B to act against C, per se, be a defence to a passing off action by A? In other words, is that quantum of use again sufficient? What is B's position vis-à-vis A?

Traditionally, there is no right under South African common law to use a mark.¹⁸⁰ Some writers opine that the essence of the "defence" that is said to exist in the situation under discussion is that the matter complained of is distinctive of the defendant and not of the plaintiff; that it is distinctive of neither; or that the goodwill adhering to it vests in both.¹⁸¹

179 Page 613 E.

180 Webster and Page South African Law of Trade Marks (1997) 15-83.

181 This is the view of Webster and Page South African Law of Trade Marks (1997) 15-58, with which Van Heerden and Neethling Unlawful Competition 185 seem to agree.

The doctrine of subjective rights may provide a more sound basis for an evaluation of the matter. This doctrine deals in particular with the relationship between a legal subject and a legal object. The general nature of the subject-object relationship is explained as follows by Van der Vyfer and Van Zyl:¹⁸²

“Gesien van die kant van die regsobjek het hierdie verhouding as inhoud dat die regsobjek *regtens bestem* is om die regsobjek tot behoeftebevrediging te dien, of anders gestel, *dat die regsobjek die regsobjek regtens toekom*, en wel ter uitsluiting van ander persone. Van die kant van die regsobjek gesien, het hierdie verhouding as inhoud dat die regsobjek die *bevoegdheid* (in die hierbo omskrewe sin) het om die regsobjek ter bevrediging van sy behoefte aan te wend; dit wil sê dit is vir die regsobjek *geoorloof* om sy regsobjek ter behoeftebevrediging aan te wend (selfs al is hy nie fisies daartoe in staat nie, byvoorbeeld omdat sy saak gesteel is). Dooyeweerd praat in hierdie verband van die **beskikkings- en genotsbevoegdheid** van ‘n regsobjek.”

More specifically, insofar as the position of the subject towards corporeal property rights is concerned, the authors state the following:¹⁸³

“‘n Saaklike reg is dus die juridiese aanspraak van ‘n regsobjek op ‘n saak ten opsigte van ander persone, wat in die eerste plek impliseer dat die regsobjek in ‘n regsverhouding met die saak staan, welke verhouding enersyds inhou dat die regsobjek bevoeg is om oor die saak te beskik en dit te geniet, en andersyds dat die saak regtens bestem is om hom tot behoeftebevrediging te dien; en wat ook impliseer dat die regsobjek in ‘n regsverhouding met derdes staan, welke verhouding hoofsaaklik inhou dat hy daarop aanspraak het dat hulle hulle sal weerhou van ‘n inbreuk op die saak.”

It is submitted that these views also apply to the position of a legal subject towards immaterial goods, or intellectual property. This conclusion would entail, firstly, that there exists, in the subject-subject relationship, the right to prevent others from infringing upon

182 Inleiding tot die Regswetenskap second edition (1982) Butterworths, Durban 415 – 416.

183 Inleiding tot die Regswetenskap 422

the subject-object relationship.¹⁸⁴ Secondly, and importantly, it can also be said that, flowing from the subject-object relationship, there is a positive right to use the mark.

In the concurrent use situation, there is clearly a conflict between the rights of the parties, and the question arises as to what criterion could be relied on to resolve the conflict. It is instructive in this context to have regard to the views of Knobel.¹⁸⁵ Dealing with the right to a trade secret, and in particular the situation where two parties originate the same secret, he states that in novel or borderline situations the courts can always fall back on the boni mores to solve particularly difficult questions of wrongfulness.¹⁸⁶ In applying the boni mores criterion, careful balancing of the conflicting interests of the parties involved must be performed. Considerations of legal policy play an important role in this process. Knobel also states the following:¹⁸⁷

“If somebody through independent research, development, or discovery obtains the same trade secret that is already held by another (the first owner), he or she is in principle free to enjoy and dispose of the secret as he or she wishes. If he or she uses or discloses the secret without the consent of the first owner, he or she commits no wrongful act. Because he or she used his or her own talents and energy in a reasonable manner to obtain the secret, his or her conduct is not condemned by the *boni mores*. Legal policy is equally in favour of the double inventor enjoying the fruits of his or her own labour, as it is in favour of the first owner doing so ... The most obvious way in which a second person can obtain a trade secret in a manner that will not be condemned by the *boni mores*, is by doing exactly what the first owner did – using his or her own talents, and investing his or her own energy, time and money to discover or invent a secret. This is thus an unusual situation where the law awards two (or more) legal subjects equally strong subjective rights to the same legal object. They can enforce these rights against others, but not against each other. It follows that in an action for trade secret infringement, it would be a complete defence for the defendant to show that he or she has by independent research; development or discovery obtained the secret. The defence renders his or her subsequent use of or disclosure of the secret lawful. The defendant is exercising his or her own

184 Van Heerden and Neethling Unlawful Competition 80.

185 The Right to the Trade Secret.

186 The Right to the Trade Secret 241.

subjective right, and the extent of the plaintiff's subjective right as against the defendant is accordingly limited thereby. Both plaintiff and defendant can enforce their rights against unreasonable interference by others. This position accommodates policy considerations favouring the general economic and scientific advancement of the community. Both the inventors are rewarded for their efforts, with other situations being created where the invention can never lawfully fall into the hands of others who may build thereupon.”

Applying this viewpoint to the current situation, it can be stated, firstly, that A and B would be exercising their respective subjective rights to the use of their legal objects. In this regard it is clearly more elegant to work with the right to a distinctive mark as the object concerned, instead of the right to goodwill. Secondly, the boni mores would be applicable as a guideline in difficult cases. The complex problem faced here is when A would no longer be able to institute passing off proceedings against B. In answering this question, the basis should be, as stated, the legal convictions of the community. After all, delictual liability is at issue. The question was raised above that B could be in a position to launch a passing off action against a third party, but it is not clear whether that fact would necessarily translate into a defence against A. It is submitted that the mere circumstance that B has a reputation sufficient to act against C, should not imply that he has a defence against A.

The parties' rights would have to be weighed up carefully, in order to determine when and under what circumstances the use of the concurrent user would no longer amount to unlawful competition. Clearly, the duration and extent of use would be relevant. As a minimum, in order to rely on the so-called defence of concurrent right, the mark concerned must have acquired a reputation or an own distinctive value.¹⁸⁸ In the English case of DaimlerChrysler AG v Javid Alavi (t/a Merc),¹⁸⁹ it was, for instance, stated that:¹⁹⁰

“I should just add that there must come a time after which the court would not interfere with a continued course of trading which might have involved passing off at its inception but no longer did so: logically, this point would come six years

187 The Right to the Trade Secret 242 (own underlining).

188 Van Heerden and Neethling Unlawful Competition 185.

189 [2001] RPC 813.

after it could safely be said that there was no deception and independent goodwill had been established in the market by the protagonist.”

In **summary**, it was noted that apart from the right to prevent others from using his mark, a trader also has the subjective right to use his mark. The situation of the concurrent use of a mark brings this aspect to the fore. The defence the traders will have against each other can be related to the general delictual norm of the boni mores, which would determine that the use of the mark concerned would, in such circumstances, not amount to unlawful competition.

2.8 Honesty of adoption

In relation to the honesty of the adoption of a mark, it is of value to consider the doctrine of “unclean hands”. The question is, of course, whether the lack of “honesty” in the adoption of a mark may be relied on by a respondent in a passing off action. In particular circumstances, the manner of adoption of a mark will clearly exclude protection. However, in the discussion that follows, the only question that is considered is whether the fact that a party that commences use is aware that the mark is that of another, disqualifies that party from obtaining relief.

2.8.1 Decisions

In the important decision in Zyp Products Company Limited v Ziman Bros Limited¹⁹¹ B used a label confusingly similar to that of A. Although passing off was found to exist, relief was refused on the basis that A made a false representation through the use of the words “New York” in relation to its products. The court held¹⁹² that the plaintiff in a passing off case is not entitled to protection if he himself by the get up of his goods makes a material false representation in relation to such goods.

190 Paragraph 67 (own emphasis).

191 1926 TPD 224.

192 Page 232

Non-compliance with regulatory legislation featured in the decision in Barclays Bank (DC & O) v Volkskas Beperk.¹⁹³ It was said¹⁹⁴ that there must be an element of dolus before protection shall be refused. In Volkskas Beperk v Barclays Bank (DC & O)¹⁹⁵ the court dealt, amongst others, with the contention that the name concerned was used without the consent of the Registrar of Banks.¹⁹⁶ In this regard it was considered¹⁹⁷ to be of importance that no mala fides could be established on the part of the plaintiff.

In Tullen Industries Ltd v A de Sousa Costa (Pty) Limited¹⁹⁸ the applicant used the symbol ® misrepresenting that the particular mark had been registered. The court, nevertheless, did grant relief and stated that relief can only be denied on proof of at least dishonesty.¹⁹⁹ The court reviewed earlier decisions, and commented on the approach adopted in the Zyp case²⁰⁰ by saying that the decision was erroneously based on case law derived from the English law of equity.²⁰¹

Whilst bearing in mind the approach currently followed in relation to well-known marks,²⁰² the approach of the then Appellate Division in the decision in Victoria's Secret Inc v Edgars Stores Limited²⁰³ is instructive. It was said there that, however well-known the mark Victoria's Secret may be in the United States, there was no evidence that it is well-known in South Africa.²⁰⁴ B, however, argued that A's claim to proprietorship of the trade mark was vitiated by its conduct in deliberately copying B's entire marketing programme and each and every aspect of their trading activities.²⁰⁵ The court then made the following statement:²⁰⁶

“Whatever a moralist might say, Edgars’ proposal to use in South Africa the trade mark VS in competition with VS Inc which owns and uses it extensively in

193 1951 (4) SA 630 (T).

194 Page 636 C.

195 1952 (3) SA 343 (A).

196 Page 349 A – B.

197 Page 349 C.

198 1976 (4) SA 218 (T).

199 Page 221 H.

200 Note 191.

201 Page 221 B.

202 Section 35 of the 1993 Act.

203 1994 (3) SA 739 (A).

204 Page 748 H.

205 Page 752 G.

206 Page 753 B - C.

the USA and which might come here cannot be described as fraud or as involved in any breach of the law.”

It is submitted that this statement has validity and application in relation to the aspect currently under discussion.

2.8.2 Views of writers

Van Heerden and Neethling²⁰⁷ state that in the case of the use of a misleading name the vesting of a right to the distinguishing value of a mark is denied, but then add the following:

“The application of this rule must, however, be treated with circumspection. It is, for example, clear that it cannot be applied in a situation such as the Zyp case...Even if the applicant removed the words “New York” from the labels, the labels would still have the same distinguishing function as before. The fact that the misleading words appeared on the label was a coincidence which had no significance at all. There was thus no reason for not recognising the applicant’s right to the distinctive mark. From this it follows that it must be determined in each case whether the misleading words...affect the *distinguishing value* of the distinctive mark involved. Only where this is actually the case, should protection against passing off be refused.”

It is submitted that this approach provides the answer to the question posed at the beginning of this discussion. This is, namely whether protection can be excluded in cases of the “dishonest” adoption of a mark, where a mark is adopted whilst being aware of the fact that the mark is being used by another. This fact in itself should not exclude protection. For one reason, it could amount to a negation of basic principles of liability, more specifically, the existence of a reputation that is related to a geographical area, and could provide unduly wide protection. The mere fact of knowledge of another’s use of the mark should not be decisive. The following statement of Van Heerden and Neethling²⁰⁸ seems to provide support for this view:

207 Unlawful Competition 184.

“However, a warning must be sounded that not so much the attitude or state of mind of the plaintiff, but rather the question as to a misrepresentation which affects the distinguishing function of the distinctive mark, should be decisive.”

2.9 The relative positions of the common law user and the proprietor of a registered trade mark

2.9.1 Is the existence of a trade mark registration a defence?

2.9.1.1 The relevant provision

In the consideration of the ability of the holder of common law rights to prevent the unlawful use of his trade mark, the relevance of the fact that the respondent has registered the mark concerned must be considered. In this regard section 33 of the Trade Marks Act 1993 determines the following:

“No person shall be entitled to institute any proceedings under section 34 in relation to a mark not registered under this Act: Provided that nothing in this Act shall affect the rights of any person, at common law, to bring any action against any other person.”

2.9.1.2 Application of provision

In Glenton & Mitchell v Ceylon Tea Company²⁰⁹ it was held, in relation to a predecessor of section 33, that:

"I think that that section merely incorporates in the Statute what has always been in the law. I do not think that any Trade Mark Act has ever interfered with passing-off actions. I think a passing-off action goes outside the register altogether."

The court then added the following :-

"A fraudulent mark ought not to have been on the register; and if a *prima facie* case is made out I do not see any reason why an interim interdict should not be granted."

This requirement was, however, not accepted in the later decision of Solmike (Pty) Ltd v West Street Trading Co (Pty) Ltd.²¹⁰

"If the fact that the defendant is the proprietor of a registered trademark is irrelevant to passing-off proceedings, the question of whether it is liable to expungement or not is equally irrelevant .. neither such rectification nor the right to obtain it is an element of the cause of action in passing-off."

Some decisions, however, suggest that the fact of registration could somehow have an impact.²¹¹ In this regard, the court in Kellogg Co and Another v Bokomo Co-Operative Limited²¹² held that:²¹³

"By virtue of the proviso to s 33 of the Trade Marks Act Act...I accept that - as in the case of passing-off - a registered trade mark is not an absolute defence to unlawful competition proceedings."

Other decisions also seem to hold that whilst a registration does not provide a defence, per se, it could have some, even if marginal, value. In Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC²¹⁴ the following was said:²¹⁵

"The fact that the first respondent is the proprietor of the trade mark does not in itself provide a defence to a passing off action."

The correct view appears to be that the fact of registration does not constitute even a

210 1981 (4) SA 706 (D & CLD) 712 A.

211 Section 2(2) of the British Trade Marks Act of 1994 has narrower wording, stating that "...nothing in this Act affects the relating to passing-off." That would not seem to make a practical difference.

212 Note 119.

213 Page 736 J (own emphasis).

214 1998 (3) SA 656 (C).

215 Page 666 H (own emphasis)

relative type of defence. Most commentators²¹⁶ on statutory trade mark law, however, do support the view adopted in the Glenton²¹⁷ and Solmike²¹⁸ decisions; in other words, that the wording of section 33 is to the effect that a trade mark registration is not a defence to passing off proceedings. However, writers on the common law interpret section 33 differently, namely to enact that the proprietor of a registered mark may, in addition to an infringement action, also rely on the remedy of passing off.²¹⁹

Having regard to the above, it seems fair to say that section 33 contains an important principle of substantive law, albeit in the guise of a procedural arrangement.

2.9.2 The right to use a mark

In conclusion, it is of interest to make some brief comments on the possibility of the existence of a right to use a mark, which is closely related to the aspects discussed above.

2.9.2.1 A statutory right to use

The previous Act did not contain a general provision²²⁰ conferring the right to use a registered mark.²²¹ It merely tabulated²²² when the rights acquired by the registration of a mark would be infringed, and the current Act has adopted the same approach.²²³ In

216 Webster and Page The South African Law of Trade Marks (1997) 12-6 and 12-78; Job “The Infringement of Trade Mark Rights” in Visser (ed) The New Law of Trade Marks and Designs (1995) Juta, Kenwyn 22 23.

217 Note 209.

218 Note 210.

219 Van Heerden and Neethling Unlawful Competition 197 (in relation to section 43 of the previous Act.)

220 There are two specific references, however. The first, in section 44(2), which deals with the instances when a trade mark will not be infringed, is to “the right to the use of a trade mark given by registration.” The second, in section 44(3), is to “the exercise of the right of the use” of a mark, when it is determined that a registered mark will not infringe another registered mark.

221 In contrast, the Designs, Trademarks and Copyright Act 9 of 1916, which was repealed by the 1963 Act, stated in section 123(1) that the registration of a person as the proprietor of a trade mark shall be prima facie evidence of the right of that person to the exclusive use of the mark in relation to the goods for which it was registered. In the United Kingdom, section 4(1) of the 1938 Trademarks Act also provided that registration shall be deemed to give the proprietor exclusive rights to the use of the mark in relation to which it is registered.

222 In section 44(1).

223 See section 34(1) – (2). Section 9(1) of the British Act declares that the proprietor of a mark “has exclusive rights” in the trade mark which are infringed by use thereof without his consent. Article 5(1)

several judgments it has, however, been stated that registration gives the exclusive²²⁴ or absolute²²⁵ right to use the registered mark.²²⁶ The same view has been expressed by writers on the previous²²⁷ as well as the current Act.²²⁸ The question that is inevitably raised by the notion of a right to use, is the extent to which such a right can be maintained in the face of other registrations, or the holders of common law rights.²²⁹ In relation to the former, there appears to be scope for the acceptance of a right to use the mark. However, in view of provisions such as that of section 34(1)(c), which allows infringement actions for a wide range of goods or services, and in relation to which a registration in a particular class would not ipso facto be a defence, it is necessary to describe this right to be of a limited nature.

Turning to the position of common law users, it can be stated that as against a common law trade mark owner, the proprietor of a registered mark cannot rely on the fact of registration as a defence. Whilst it is conceded that no right is absolute, that is, it is always to be harmonised with the rights of others, it is then also true of registration - no unfettered right to use is brought about. Registration should, in order to be considered as conferring a general right to use, provide, if not a complete, at least a robust degree of immunity against actions by common law users, the obvious source of potential conflict. This is not the position. Accordingly, the view that registration creates a right to use is, as a general proposition, open to criticism, and it is probably more correct to say that registration provides a limited (positive) right to use the registered mark.²³⁰

of the European Directive of 21 December 1988 (89/104/EEC) is framed in a similar vein, stating that a registered mark confers on the proprietor "exclusive rights therein." In Inter Lotto (UK) Ltd v Camelot Group plc [2003] 3 All ER 191 it was confirmed that a registered mark does not entail the right to use, but only the right to exclude others from use (paragraph 35).

224 See for instance Shalom Investments (Pty) Ltd v Dan River Mills Inc. 1971 (1) SA 689 (A) 706 D; John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd 1977 (3) SA 144 (T) 150 B; Tri-ang Pedigree SA (Pty) Ltd v Prima Toys (Pty) Ltd 1985 (1) SA 448 (A) 465 F; Nino's Coffee Bar note 214 673 D - E.

225 The view expressed in Adidas Sportschuhfabriken K.G. v Harry Walt & Co. Ltd 1976 (1) SA 530 (T) 535 B.

226 In Federation Internationale de Football v Barlett 1994 (4) SA 722 (T) the court remarked that "Clearly those respondents entitled to make use of the Barlett trade marks are entitled to use the words "world cup" (740 D).

227 Webster and Page South African Law of Trade Marks (1986) 256; Gardiner The legal nature of the right to a trade mark in South African Law 266.

228 Webster and Page South African Law of Trade Marks (1997) 12-6; Van Heerden & Neethling Unlawful Competition 196.

229 There is yet another, public law dimension, namely the right to use one's mark as against the state, but this issue is not dealt with here. See Kur "The Right to Use One's Own Trade Mark: A Self-evident Issue or a New Concept in German, European, and International Trade Mark Law?" [1996] EIPR 198.

230 See Harms "The Role of the Judiciary in the Enforcement of Intellectual Property Rights: Intellectual Property Litigation under the Common Law System with Special Emphasis on the Experience in

It should not follow from the above, however, that the registered rights attendant upon the registration of a mark are only negative in nature. The provisions of the Act do enhance the position of the proprietor and allow, for instance, for the exploitation of the rights a proprietor enjoys.²³¹ This is an instance where the proprietor has rights of a positive nature.

2.9.2.2 A common law right to use

The conflict between concurrent users has been discussed above.²³² The common law user of a mark could also face a conflict between his perceived right to use his mark, and the negative or exclusionary right that the proprietor of a registered mark has. In the instance where, for example, such a proprietor institutes an infringement action, the user cannot rely, in the absence of prior²³³ or concurrent²³⁴ use, on the fact of use as such.²³⁵

South Africa" [2004] EIPR 483 484 note 32, who states that intellectual property rights are negative rights. In her discussion of the nature of intellectual property rights, Du Plessis "Immaterial Property Rights: Negative or Positive?" 1976 Codicillus 17 22 points out that whilst a negative aspect is inherent in an intellectual property right, it also does contain the positive component of providing the bearer with the power to utilise the object. The decision in Video Parktown North (Pty) Ltd v Paramount Pictures Corporation 1986 (2) SA 623 (T) contains a balanced perspective on the matter, drawing on the analogy with real property. The court stated (631G – 632 B, own emphasis) the following:

"In his commentary on the present legislation...*Copeling* again essays the same definition of copyright as being a "negative right"...It seems to me that when he who harbours an idea...brings it into being...a right of property in that idea immediately comes into existence. The proprietary interest in that object of knowledge is the ownership of it, and is called 'copyright'. It might just as well be called "ownership", but we have chosen to call it by another name, reserving "ownership" as the appellation for the proprietary interest in corporeal things, by way of semantic, but not, as I see it, legal, distinction. In this sense, copyright has sometimes been called "intellectual property", as indeed it is. Thus seen, it is no more "negative" in notion or effect than is property in a *res*. Ownership in a thing is not the right to prevent others from using it. That is merely an incident of ownership. It is the right, at common law at least, subject no doubt to frauds, abuse or the rights of others and possibly abuse of the proprietary interest itself, to do what one pleases with the thing to which it relates, to use it, consume it or exploit it. So, too, is it with copyright. The rights of action which the law vests in the owner of property, and consequently the holder of copyright, to prevent others from impinging on their lawful interests flow not so much from the thing or its ownership, or the idea of its copyright, but rather from the unlawful acts of others in seeking to make them, or some part of them, their own. Such conduct is actionable, for, as has been said before, where there is a right there is a remedy. Put otherwise, for every real right of property which by law is accorded to one of us in a corporeal or an incorporeal, just so are the others of us obliged in law by a corresponding duty to observe and respect it."

231 In particular by way of licensing – see section 38.

232 Paragraph 2.7 above.

233 See section 36(1)

2.10 Summary of section on the relevance of prior use in a common law context

The following aspects were discussed in this section.

2.10.1 Nature of right being protected

The view accepted by most cases and academic writers is that unlawful competition involves an infringement of a trader's right to goodwill.²³⁶ The right to goodwill is seen by leading writers as a subjective right, with the goodwill as the object of the right. The right to a distinctive mark can also feature in cases of unlawful competition involving rights derived from prior usage. This right is of an accessory nature, but has, to a large extent, an existence independent from the goodwill of a business. With regard to writers, Knobel²³⁷ supports the recognition of a subjective right to the trade secret.

2.10.2 Basis of protection

The basis of the common law protection against unlawful competition is the actio legis Aquilae.²³⁸ It is generally accepted that this action creates a general delict of unlawful competition.²³⁹ In determining unlawfulness, regard is had to fairness and honesty, but the criterion of the boni mores has also been recognized. In the important decision of Schultz v Butt,²⁴⁰ it was said that unlawfulness may fall into an established category, but liability is not limited to that type of unlawfulness.

Whilst the courts have accepted a general form of delictual liability, they have censured attempts to rely thereon simply as an alternative to other causes of action. In the Payen Components case²⁴¹ the court stated that unlawful competition should "not be added as a ragbag and often forlorn final alternative" to passing off actions. Also, in the Blue Lion

234 See section 14(1).

235 Both these two situations are discussed in paragraphs 3.1 and 3.3 *infra*.

236 Van Heerden and Neethling Unlawful Competition 117; Webster and Page South African Law of Trade Marks (1997) 15-5.

237 The Right to the Trade Secret.

238 Geary and Son (Pty) Ltd v Gove 1964 (1) SA 434 (A).

239 Webster and Page South African Law of Trade Marks (1997) 15-15.

240 Note 34.

241 Note 50

decision,²⁴² the court rejected the idea that the general action for unlawful competition creates an “ersatz passing off” with requirements less strict than those of the common law.

2.10.3 Requirements for protection

Passing off exists, according to the Capital Estate case,²⁴³ when there is a representation by one person that his business or merchandise is that of another person, or associated with another. There must also be a reasonable likelihood that members of the public may be confused into believing that the business of the one trader is that of the other, or is connected therewith.

242 Note 52.

243 Note 55.

2.10.4 Use by foreign plaintiffs

In the Slenderella case,²⁴⁴ advertisements in South Africa and applications for appointment as franchisees were held insufficient to constitute a right of property in the country. Similarly, in the Tie Rack decision,²⁴⁵ relief on the basis of passing off was refused, and it was held that the plaintiff had no goodwill in South Africa. In some decisions, such as that in the Haggar Company case,²⁴⁶ courts did rule in favour of the foreign plaintiff.

The position was changed by the Caterham decision.²⁴⁷ According to the court's approach, the only component of goodwill that can be damaged by means of passing off is a trader's reputation.²⁴⁸ The legal position now is that it is (only) enquired whether the plaintiff has a sufficient reputation amongst a substantial number of persons who are either clients or potential clients of his business.

2.10.5 Acquisition of rights

It was noted that the mere intention to use a mark does not provide rights. The promotional use of a mark should qualify for protection. A number of decisions dealt with what was termed sabotage marketing. In such circumstances, protection was given in some cases on the basis of passing off, although the products concerned were not yet available on the market. An example is the Stellenbosch Wine Trust case.²⁴⁹

Insofar as motive is concerned, the court in the Kellogg decision²⁵⁰ held it to be relevant that the respondent, by bringing forward the launch date of its product, was motivated by the advancement of its own economic interests, not with the intention to harm to the plaintiff. In the Carling decision²⁵¹ it was said that courts would only interfere if methods were employed that are "manifestly unfair." On the other hand, the existence of an

244 Note 65.

245 Note 68.

246 Note 79.

247 Note 81.

248 Page 947 J.

249 Note 102.

250 Note 119.

251 Note 125

express intention to interfere with a rival's marketing campaign was held to amount to unlawful competition in the Pepsico case.²⁵²

With regard to descriptive marks, it was confirmed that courts will not easily find that such words have become distinctive of the business or products concerned. It was also said that a trader who uses a descriptive word must in general accept the risk that a rival might commence use of that word.

The problematic issue of the motive of the respondent was also considered. It was submitted that protection on the basis of passing off would not be available in such cases, but liability may be based on the general delict of unlawful competition.

2.10.6 Geographical dimension

In the Union Steam Bakery case,²⁵³ a conflict ensued when attempts were made by one party to expand the area of its business operations to a geographical area where the other party had established a reputation over many years. In ruling in favour of the plaintiff, the court stated that it would be anomalous if a trader could first establish a business in a different area and then, on the basis thereof, commence trade in a territory where another party has already established a reputation. In the Cantina Tequila decision,²⁵⁴ a similar approach was adopted.

The position in regard to geographical disputes, both in relation to goods and services, thus appears to be that the courts consider the circumstances in a particular area, and the relevant rights that have been established there. If there is a likelihood of confusion, following the entry of a third party, the mere fact that the latter has conducted trade under the mark in another territory is not decisive.

2.10.7 Concurrent use

It was noted that in the normal situation, reliance is placed on the right to goodwill, being a subjective right. The right to a distinctive mark may also be involved. In such an

252 Note 111.

253 Note 164.

254 Note 62

instance, a right of a negative or exclusionary nature was exercised. In the situation where two plaintiffs intend launching passing off proceedings against each other, the “defence” of a concurrent right is at stake. The theoretical basis advanced for this proposition is usually described as being that the matter complained of is distinctive of the defendant and not of the plaintiff; or that it is distinctive of neither; or that the goodwill adhering to it vests in both.

It was suggested that the doctrine of subjective rights might provide a sounder basis for the treatment of the issue, and that there is, flowing from the subject-object relationship, a positive right to use the mark. It is a sine qua non, however, that the mark concerned must have acquired a reputation or an own distinctive value. The two users would thus be exercising their respective subjective rights to the use of their legal objects. In difficult cases, such as determining when a plaintiff has established a sufficient reputation so as to provide a right to use, the boni mores could be used as a guideline.

2.10.8 Honesty of adoption

The above issue was considered in the light of judicial pronouncements on the doctrine of “unclean hands.” In the early decision in the Zyp case,²⁵⁵ it was ruled that the plaintiff in a passing off case is not entitled to protection if he himself makes a material false representation.

In the Tullen Industries case,²⁵⁶ the Zyp decision²⁵⁷ was criticized as being based on the English law of equity, and it was stated that it did not accurately represent the state of our law. Writers, notably Van Heerden and Neethling²⁵⁸ adopt the view that in the case of the use of a misleading name the vesting of a right to the distinguishing value of a mark is denied, but they caution that this rule must be applied with circumspection.

255 Note 191.

256 Note 198.

257 Note 191.

258 *Unlawful Competition* 184

2.10.9 The relative positions of the common law user and the proprietor of a registered trade mark

The first question considered here was whether the existence of a trade mark registration is a defence to a passing off action. It was noted that section 33 of the Trade Marks Act provides that nothing in the Act affects the common law rights of any person to bring any action against any other person. Regard was had to various decisions that confirmed the principle that the existence of a trade mark registration does not constitute a defence to a passing off action.

The second aspect dealt with is the existence of a right to use a mark. In a statutory context, the Act does not state that there is an exclusive right to use a registered mark, but some decisions have held this to be the case. It was concluded that there is, vis-à-vis other registered proprietors, a limited right to use a mark. There is no right to use a registered mark as against a common law user.

3. THE RELEVANCE OF PRIOR USE IN A STATUTORY LAW CONTEXT

The basic set of rules of relevance are contained in the Trade Marks Act 194 of 1993. Reference will also be made, however, for comparative purposes, to the provisions of the Trade Marks Act 62 of 1963. Certain provisions of the latter Act are still relevant, inter alia, since the current Act determines in section 70(1) that the validity of the original entry of a mark shall be determined in accordance with the laws in force at the date of such entry.

The person that has used a mark obtains various rights, in particular, to oppose trade mark applications, to expunge registrations, to obtain registration on the basis of honest concurrent use, and to have a defence in infringement proceedings. These rights are dealt with in more detail below.²⁵⁹

²⁵⁹ The person who has used a mark may, of course, also have registered it. The proprietor of a registered mark can oppose an application for the registration of a trade mark in terms of section 17(1) of the previous Act and section 10(14) of the current Act, and expunge it in terms of section 33 and 24(1), respectively. According to section 10(14) of the current Act, the registration of a mark, to be used in respect of the same or similar goods or services, can be opposed. This section is not necessarily wider in import than section 17(1) of the previous Act. Rutherford "An Overview of the Trade Marks Act 194 of 1993 in Its International Context" in Visser (ed) The New Law of Trade Marks and Designs (1995). Luta Kenwyn 1 5 note 42 is for instance of the view that the scope of section

3.1 Opposition of applications

3.1.1 Opposition by applicants for registration

3.1.1.1 The Previous Act

3.1.1.1.1 Enabling provision

The previous Act did not specifically provide for an applicant to oppose an application merely on the basis of his application. Instead, section 17(3) created a procedure in terms of which a determination of the rights of applicants took place, and in this context the use of a mark prior to the filing date of the competing applicant, or prior to the date of first use of the latter, may be decisive.

3.1.1.1.2 Application of provision

(a) Priority in general

In the leading case in relation to section 17(3), Moorgate Tobacco Company Limited v Philip Morris Incorporated,²⁶⁰ three general principles were enumerated. Firstly, it was said that:²⁶¹

“Reading Sections 20(1) and 17(3) together I think that those “rights” must primarily if not wholly concern their respective rights to the proprietorship of the trade marks in question. That was common cause between counsel. Hence the determination to be made under Section 17(3) between the two competing applicants is mainly if not entirely whose claim to proprietorship is prior or superior.”

17(1) is even wider than similar goods or services. In this regard an applicant who has filed an application under the previous Act would, therefore, not have been prejudiced even if the current Act did apply to his application.

260 Determination of rights proceedings, judgment given by the Hearing Officer, the Honourable WG Trollip, on 21 May 1986.

261 Page 17 (own emphasis)

Secondly, it was said that:²⁶²

“In a situation in which competing applications for the registration of the same or similar marks are filed in the R.S.A. the general rule is that, all else being equal, the application prior in time of filing should prevail and be entitled to proceed to registration. In a ‘quarrel’ of that kind ‘blessed is he who gets his blow in first.’”

It was stated, thirdly, that:²⁶³

“The kind and extent of prior use in the R.S.A. of a disputed trade mark that is required of the opponent in order to defeat the applicant’s claim under Section 20(1) of our Act to the proprietorship thereof is this. The prior use must be of a mark as a ‘trade mark,’ as defined in Section 2 of our Act, and must be of such an extent that it has gained a reputation in the R.S.A. as indicating that the goods in relation to which it was used are those of the opponent.”

The case of Victoria’s Secret Inc v Edgars Stores Limited²⁶⁴ confirmed the first principle, namely that in determining which of two competing applications should prevail, the guiding principle is qui prior est tempore potior est iure.²⁶⁵ In Levi Strauss & Company v Coconut Trouser Manufacturers (Pty) Limited,²⁶⁶ the Supreme Court of Appeal confirmed the second principle, by stating²⁶⁷ that since, generally speaking, a claim to proprietorship in a registered mark arises by way of an application for registration (provided the applicant used or has the intention to use the mark), the date of the application for registration determines the date of the vesting of the right. Prior or existing use is only relevant to competing claims of proprietorship.

262 Page 15 (own emphasis).

263 Page 64 (own emphasis).

264 Note 203.

265 Page 752 D.

266 2001 (3) SA 1285 (SCA).

267 Page 1290 C - D

(b) The issue of proprietorship

The meaning of proprietorship was considered in the Moorgate Tobacco case.²⁶⁸ Here A filed an application with an earlier filing date than that of B. A was, however, a licensee of B. The Hearing Officer held that no breach of a confidential relationship occurred as a result of the fact that A filed an application prior to B.²⁶⁹ With regard to B's view that A's conduct under the circumstances constituted sharp practice or immoral conduct, the Hearing Officer referred²⁷⁰ to the decision in P. Lorillard Company v Rembrandt Tobacco Company (Overseas) Limited.²⁷¹ There the following was said:²⁷²

“The basis of the challenge on this ground is that the objector was to the knowledge of the applicant, the proprietor of such a trade mark in the United States of America and that the applicant improperly appropriated the mark. In the present state of the law a trade mark is a purely territorial concept and there is, generally speaking, nothing to prevent a person from asserting a proprietary right in a trade mark in relation to which no one else has in the same territory asserted a similar right.”

Insofar as the issue of proprietorship was concerned, the Hearing Officer referred to other relevant decisions, and then made the following important statement:²⁷³

“The effect of the relevant dicta in those decisions can be summarized thus. An applicant can rightly claim to be the common law proprietor of the trade mark if he has originated, acquired, or adopted it and has used it to the extent that it has gained the reputation as indicating that the goods in relation to which it is used are his...He can then claim to be registered as the statutory proprietor of the trade mark with all the benefits and rights conferred by our Act. But Section 20(1) is not confined to that kind of applicant. It also applies to one who has originated, acquired, or adopted the trade mark but has hitherto not used it at all, or to the requisite extent, provided he proposes to use it.”

268 Note 260.

269 Page 41.

270 Page 54.

271 1967 (4) SA 353 (T).

272 Page 356 G - H.

273 Page 58 (own emphasis)

The further decision of importance is that of the then Appellate Division in the Victoria's Secret case.²⁷⁴ In section 17 (3) proceedings, A had a filing date prior to that of B. B had used the trade mark Victoria's Secret on an extensive scale in the United States, and relied, inter alia, on advertisements appearing in magazines that were circulating in South Africa to prove that it had a reputation in the country. In regard to the issue of proprietorship, the court stated the following:²⁷⁵

“In terms of s 20(1) one can claim to be the proprietor of a trade mark if one has appropriated a mark for use in relation to goods or services for the purpose stated, and so used it. (I use the verb *appropriate* in its meaning of “to take for one’s own.” It is a compendious expression which comprehends the words favoured by Mr. Trollip in the *Moorgate* judgment, namely *originate, acquire* and *adopt*). Section 20(1) applied not only to a person claiming to be the proprietor of a trade mark *used by him*, but also to a person claiming to be the proprietor of the trade mark *proposed to be used by him*.”

After considering various relevant decisions, the court came to the conclusion that the facts of the case are not such as to call for a re-examination of the received wisdom in regard to territoriality.²⁷⁶ It was also stated that, however well-known the mark Victoria's Secret may be in the United States, there was no evidence that it is well-known in South Africa.²⁷⁷ B, however, argued that A's claim to proprietorship of the trade mark was vitiated by its conduct in deliberately copying B's entire marketing programme and each and every aspect of their trading activities.²⁷⁸ The court, however, found²⁷⁹ that whatever the moral position might be, its approach is that it is not contrary to our law. The court accordingly ruled in favour of A.

In Chanson Pere & Fils v JC Le Roux & Co Ltd²⁸⁰ the Registrar confirmed that a trade mark is a purely territorial concept and there is nothing to prevent a person from asserting a proprietary right in a trade mark in relation to which no one else in the same

274 Note 203.

275 Page 744 I - 745 A (own underlining).

276 Page 748 G.

277 Page 748 H.

278 Page 752 G.

279 Page 753 B - C.

280 1999 RIP 38 (RTM)

territory has asserted a similar right.²⁸¹ Reference was made to the views of Page,²⁸² that in order to defeat an application by a prior claim to proprietorship of the mark the objector must show that he had already overtly claimed a right to the mark, in relation to his goods or services in the territory where registration is sought. In this regard the Registrar stated that the acts which would constitute such overt assertion have not been defined, but it would seem that an act whereby a common law right to the mark is created, such as use within the territory or statutory rights acquired through, for instance, an application for registration, would suffice. However, it was clear that the mere use of the mark outside the territory is not enough.²⁸³

(c) Can wider issues be considered?

The question that arises here is whether the Registrar may consider issues other than the determination of rights in a strict sense. In the case of South African Breweries Limited v Die Bergkelder Eiendoms Beperk,²⁸⁴ the Registrar for instance indicated that it is appropriate to consider the registrability of the marks applied for. The following was said:²⁸⁵

“In considering this aspect of the matter, I am of opinion that the question of distinctiveness must be fully canvassed, and decided upon before an application should be considered under Section 17 (3).”

The Registrar explained the rationale as being that if one or both of the marks are inherently non-distinctive, the Registrar must refuse registration, or if he finds one mark distinctive, and the other non-distinctive, the distinctive mark could proceed to registration without the non-distinctive mark being a bar to such registration. In practice, the Registrar did often issue citations against a mark as being non-distinctive under section 10(1), as well as being subject to a section 17(3) determination.

281 Page 43 D.

282 Neethling (ed) Unlawful Competition 51 52.

283 Page 43 H.

284 Patent Journal November 1973 192.

285 Page 192

In the Moorgate Tobacco case²⁸⁶ the interesting question was raised as to the possibility of B relying on section 16(1) of the Act²⁸⁷ on the basis that the registration of A's mark would be likely to cause deception or confusion in the public mind. In regard to this contention, the Hearing Officer ruled that:²⁸⁸

“But the simple and obvious answer to that submission is that such relief cannot possibly be granted in proceedings under Section 17(3). It could only be considered and, if justified, be granted in opposition proceedings...[section 16(1)] deals with the registerability of a trade mark and not its proprietorship. It assumes that the applicant is entitled to claim proprietorship of the trade mark but disallows its registration because of its potentiality to deceive or cause confusion.”

The Hearing Officer then re-iterated that section 17(3) proceedings are primarily, if not wholly, concerned with issues relating to proprietorship and not the registrability of the disputed trade marks.²⁸⁹

In the Victoria's Secret case²⁹⁰ the overseas proprietor of a mark submitted that the local applicant's application would be likely to deceive or cause confusion, and that registration should be refused in terms of section 16(1).²⁹¹ The court did deal with this submission on the merits, finding, however, that the overseas applicant did not have a reputation in South Africa at the relevant stage. In other words, it was considered competent to have regard to section 16(1), which is an approach that differs, ostensibly, from that followed in the Moorgate Tobacco decision.²⁹²

In the Chanson Pere case²⁹³ the Registrar held that B had proven the existence of a substantial goodwill and reputation prior to A's filing date. Interestingly, it was contended that the Registrar was obliged to consider the registrability of the marks. In

286 Note 260.

287 The section determines that it is not lawful to register a mark which, amongst others, would be likely to deceive or cause confusion or would be contrary to law or morality or would be disentitled to protection in a court of law.

288 Page 67.

289 Page 68.

290 Note 203.

291 Page 754 I.

292 Note 260.

293 Note 280

this context reliance was placed on the provisions of section 16(1). In other words, contrary to what was stated in the Moorgate Tobacco case,²⁹⁴ it was considered competent to have regard to “registrability” issues in the course of section 17(3) proceedings. After considering the evidence, it was ruled that in view thereof, A’s application would be likely to cause deception and confusion in contravention of section 16(1). A’s application was refused on this ground.²⁹⁵

It, therefore, seems that recent cases have considered the issues of registrability and proprietorship both to have a bearing on the outcome of section 17(3) proceedings.

(d) Evidence of use after date of application

With regard to the issue of the admissibility of evidence of use after the filing date of an application, reference can again be made to the decision of the Registrar in the Chanson Pere case.²⁹⁶ Here A filed an application on the 15th of August 1989. B filed an application on the 5th of July 1990. At the hearing there was a dispute between the parties relating to the admissibility of certain evidence. This evidence related to sales and advertising of B’s products after the 15th of August 1989, the date on which A filed its application for registration. A submitted that such evidence is irrelevant as the rights of the parties are to be determined as at the date of the relevant applications and subsequent use should not be taken into account.²⁹⁷

B contended, however, that the Registrar was obliged to look at evidence of subsequent use in order to determine the registrability of the marks. The Registrar referred, inter alia, to the decision of The Registrar of Trade Marks v Wassenaar.²⁹⁸ In the latter decision it was held that it is the duty of the Registrar to consider all the evidence available at the time of the hearing in order to determine whether the trade mark is one which ought to be registered or not, including facts which only came into existence after the date of application. The Registrar then ruled that the evidence objected to may be accepted.²⁹⁹

294 Note 260.

295 Page 50 C.

296 Note 280.

297 Page 39 H.

298 1957 (4) SA 513 (A).

299 Page 40 H. It should be noted, however, that the Registrar actually considered evidence of use by B, prior to A’s filing date to be decisive (page 49 paragraph F – G). Strictly speaking therefore, it was

(e) Intention to use

The intention to use a trade mark application as a means of obtaining commercial leverage featured in the decision of the Registrar in Synchron Markings (Pty) Limited v Linx Printing Technologies PLC.³⁰⁰ Here A filed an application prior to B. A wrote to B on a number of occasions requesting to be appointed as B's agent in South Africa. The Registrar agreed with the statement by B that this bears testimony to the reputation and goodwill attached to the trade mark of B. With reference to the decision in Broadway Pen Corporation v Wechsler,³⁰¹ the Registrar followed the approach that the intention of A was to use B's mark in South Africa as a representative or on behalf of B, and to indicate that the goods were those of B and not its own goods. The Registrar then stated the following:³⁰²

“In view of the above statement by His Lordship, the letters from the first applicant to the second applicant requesting to be appointed as an agent of the second applicant and the adoption of the identical trade mark of the second applicant by the first applicant, I am convinced that the lodging of the trade mark by the first applicant was merely to protect them as the “single” proposed agent to use the goods of the second applicant. Therefore the first applicant did not establish proprietorship in the trade mark.”

The effect of a lack of intention to use a mark is to neutralise the advantage of an earlier filing date. This was, for instance, the case in Levi Strauss & Company v Coconut Trouser Manufacturers (Pty) Limited³⁰³ where A was substituted by B as the applicant. It was stated that A never had the intention to use the mark and never used it. Similarly, B had not used and had no intention of using the mark, at least not, the court found, at the time of A's application. Accordingly, it was held³⁰⁴ that the substitution could not have had any retrospective effect and B could not have been in a better position than A.

not evidence of use subsequent to an application that was involved. The principle accepted by the Registrar is, of course, still valid.

300 Synchron Markings (Pty) Limited v Linx Printing Technologies Plc Judgment of the Registrar of Trade Marks dated 30 January 1998.

301 1963 (4) SA 434 (T).

302 Page 5.

303 Note 266.

304 Page 1290 C.

The same principle was followed in the decision in Jay Sea Management (Pty) Ltd v Clearly Canadian Beverage Corporation.³⁰⁵

(f) Nature of burden of proof and the Registrar's discretion

In dealing with the evidential aspects of section 17(3) proceedings and the Registrar's discretion, the authors Webster and Page³⁰⁶ summarise the position as follows. They state that the general rule is that the prior application must prevail, but submit that an arbitrary rule based on an earlier filing date cannot be seen as an exercise of the Registrar's discretion. This will also prejudice the later applicant. If the prior application is preferred, the later applicant's rights are restricted to that of an objector, and he would then have to prove that the prior applicant is not entitled to registration. In contrast, as a rival applicant, he would only have to show that even if the prior applicant is entitled to registration under the Act, he was also so entitled, and that his own claim to registration was stronger. The example given is of a prior applicant that has no use of his mark, whilst, on the other hand, the later applicant has use which, although not sufficient to found an opposition in terms of section 16(1), would be sufficient to establish a claim to registration stronger than that of the applicant. If he was acting as an objector, he would not succeed.

It is stated by the authors that an applicant involved in section 17(3) proceedings can rely on use of a lesser quantum as would be required in a section 16(1) opposition. The quantum of use in the latter is the existence of a reputation.³⁰⁷ However, in the Moorgate Tobacco case,³⁰⁸ it was stated³⁰⁹ that in section 17(3) proceedings, use to an extent that a reputation has been acquired is (also) necessary. It appears that the view of the authors is thus that the Registrar's discretion would allow him to prefer the application of the later applicant even if the use prior to the earlier applicant's filing date does not amount to creating a reputation. Whether this approach is correct is not clear, but it is equitable. Under the new Act the position set out by the authors is now applicable in the context of certain opposition proceedings.³¹⁰

305 1997 BIP 136 (RTM).

306 South African Law of Trade Marks (1986) 127.

307 See paragraph 3.1.2.1 infra.

308 Note 260.

309 Page 58.

310 Section 10(16)

(g) Summary

In summary of the position under section 17(3), the general approach was that the applicant with the earlier filing date would prevail, unless the later applicant has used his mark to such an extent that he has established a reputation. Some decisions have held that distinctiveness can also be considered in section 17(3) proceedings. There are, however, divergent views as to whether registrability issues can be considered. It was confirmed in recent case law that evidence of user after a filing date would be relevant. Insofar as the intention to use is concerned, it was noted that the intention of obtaining commercial leverage would disqualify an applicant, and the same would apply to an applicant that did not have the intention to use the mark. With regard to the burden of proof, it was noted that writers have adopted the view that a lesser amount than would apply in opposition proceedings, based on prior use, would suffice.

3.1.1.2 The current Act

The current Act not only grants the right to oppose an application to proprietors of registered marks, but also to applicants for registration.

3.1.1.2.1 Section 10(15)

The above section states that the following mark is not registrable:

“...subject to the provisions of section 14 and paragraph (16), a mark which is identical to a mark which is the subject of an earlier application by a different person, or so similar thereto that the use thereof in relation to goods or services in respect of which it is sought to be registered and which are the same as or similar to the goods or services in respect of which the earlier application is made, would be likely to deceive or cause confusion, unless the person making the earlier application consents to the registration of such mark;”

Section 10(15), on the face of it, is primarily concerned with conflicting applications. This provision typically envisages a situation where a later application, filed by B, is

opposed by A, a person having an earlier application date. The question that arises is what the position will be where there is use by B from a date that precedes the filing date of A, or his date of first use, if any? This scenario is not dealt with by the Act. The interpretation of the principle of priority in the given scenario, to relate to a strict first-to-file race, would imply that A would (nevertheless) be able to successfully oppose the later application by B. However, viewing the matter from the perspective of a broad import of the concept of priority, having the meaning of earlier rights, B should be able to defend an opposition by A.

The above view would be in line with decisions rendered under section 17(3) of the previous Act, in particular that in the Victoria's Secret case,³¹¹ which held that in determining which of competing applications should prevail, the guiding principle is qui prior est tempore potior est iure.³¹² The application of this principle thus does provide a satisfactory outcome, and decisions under the previous Act could offer guidance, notwithstanding the fact that they would now be applied in the context of opposition proceedings. If the opposition is resisted, what would the burden of proof relate to? If decisions such as the Moorgate Tobacco case³¹³ are followed, the use would have to be of such an extent as to have established a reputation. If the less stringent approach followed by section 10(16) in relation to an opponent is applied to a section 10(15) applicant, a lesser amount of use would suffice.

3.1.1.2.2 Section 10(16)

It is determined by section 10(16) that the following mark cannot be registered:

“...a mark which is the subject of an earlier application as contemplated in paragraph (15), if the registration of that mark is contrary to existing rights of the person making the later application for registration as contemplated in that paragraph;”

311 Note 203.

312 Page 752 D.

313 Note 260

In this situation B, the later applicant, is enabled to oppose an earlier application by A, and would carry the burden of proof.³¹⁴ The basis on which the prima facie superiority of the earlier application can be trumped is the concept “existing rights.” The view has been expressed³¹⁵ that the phrase “existing rights” merely means that the later applicant must establish a better title to the mark, or a superior right to registration. It is possible to postulate a situation where B opposes A’s application on the basis of a contractual stipulation, but section 10(12) already covers such a situation, and would beg the question as to the rationale behind section 10(16). It has been suggested³¹⁶ that “existing rights” could include use of a mark to an extent that would not be sufficient for an opposition under section 10(12), but which, nevertheless, establishes that registration would be contrary to the rights thus built up.

This approach would, in effect, imply that the legislature allows a lesser quantum of use than would be necessary for an opposition in terms of section 10(12), on account of the filing of an application. An opposition on the basis of prior use is normaliter interpreted to relate to use of such a degree that a reputation has been established.³¹⁷ The proposed opponent with some prior use can, from a practical point of view, thus manipulate the system to an extent and oppose on a different evidential basis. The goalposts can be moved simply by filing an application. It goes without saying that the filing of an application is a much less involved, costly, or time consuming act than the introduction of a product onto the market.

In the scenario envisaged by section 10(16), the mere fact of an earlier filing date is not necessarily decisive. The earlier use of the opponent, even to a modest extent, can tip the scale. It would seem to follow that use on a small scale may be seen to provide the user with some rights. How should this principle be applied in a situation where there is more extensive use by a later user? This question may be answered by having regard to the following set of facts. A commences use of a mark on the 1st of July 2001. B, independently, commences use on the 1st of August 2001 on an extensive scale, and has a reputation on the 1st of February 2003, when he files an application. A files an application a week later, on the 8th of February 2003. In principle, B can oppose A’s

314 Webster “The Registration of Trade Marks” in Visser (ed) The New Law of Trade Marks and Designs 9 17.

315 Ibid.

316 By Webster and Page South African Law of Trade Marks (1997) 6-39.

317 See paragrah 3 1 2 1 *infra*

application on the basis of section 10(15), but A may be able to prove prior use, depending on the quantum of his use on the 1st of August 2001. On the other hand, A could, again depending on the quantum of his use, oppose B's application in terms of section 10(16). In this instance the decisive date for determining the merits of A's opposition to B's application appears to be the 1st of August 2001, not the 1st of February 2003.

Taking the issue further, from a hypothetical perspective, if the Registrar somehow refuses B's application in terms of section 10(16), B would, despite his extensive use, be unable to rely on section 14(1),³¹⁸ as the latter does not refer to section 10(16). B's alternative option is to oppose A's application. In this instance, and leaving aside the question of the merits of B's opposition, he could be doing himself a disservice. B should probably, paradoxically, not oppose A's application, but rather let it proceed to registration as soon as possible, and then rely on section 14(1), read with section 10(14).³¹⁹ If the above situation is reversed, and A files an application a week before B, B would, however, have been able to rely on section 14(1). Having regard to this example, it appears that even a small amount, or short period of use, can, through the procedural mechanism involved, favour the first user, as against a later but substantial user.

In **summary**, section 10(15), whilst dealing ostensibly only with competing applications, does seem to allow for priority rights based on prior use to be recognized. Section 10(16) allows an opposition in instances where the level of use is less than that required for an opposition only on the basis of use, and it was observed that, through the filing of an application, the burden of proof can be affected.

318 This section deals with honest concurrent use.

319 This section deals with an opposition based on a registered trade mark

3.1.2 Opposition by the user of a mark

3.1.2.1 The previous Act

3.1.2.1.1 Enabling provision

Section 16(1) of the Act governed the position.³²⁰

3.1.2.1.2 Application of provision

(a) Quantum of use

One of the crucial issues when dealing with prior use as a ground of opposition is the quantum of use that is required. In this regard consideration must be given to the following two important and related decisions.

The court in Oils International (Pty) Limited v WM Penn Oils Limited³²¹ dealt with section 140 of the Patents, Designs, Trade Marks and Copyright Act 9 of 1916, which is comparable to section 16(1). The facts in this matter³²² were that A filed an application for Lifesaver, for brake fluid on the 14th of August 1962. B decided, in September 1961, to use the trade mark Lifesaver. Preparations were then made for the production, packing, marking and marketing of the product. In June 1962 the manufacturing of the product was commenced, and the first order was said to be supplied in July 1962. In July 1962 application was also made to the South African Bureau of Standards for approval of the name Lifesaver. On the 31st of July 1962 B sold and delivered 24 gallons of Lifesaver brake fluid. On the 10th of August 1962 an order was placed by B for 7994 containers of Lifesaver brake fluid. B adopted the following approach:³²³

“Mr. *Hoexter*, who appeared for the objector, [B] while conceding that the relevant date to consider in relation to possible deception under sec. 140 was

320 See note 287.

321 1965 (3) SA 64 (T).

322 The discussion of the facts is based on the sequence set out in the decision on appeal, namely WM Penn Oils Limited v Oils International (Pty) Limited 1966 (1) SA 311 (A) 315 H – 316 E. It bears mentioning that several aspects of this evidence were questioned by the latter court (see, for example, the comments at page 316 G).

323 Page 69 F (own emphasis)

the date of the application, said that it was not necessary that the objector's activities should have created a reputation by that date. It was sufficient if acts effected by that date were such that they would fructify into a reputation later, so that there would then be confusion with applicant's goods if registration were allowed."

The court then made the following interesting remark:³²⁴

"Although that contention goes further, in favour of the objector, and any decided case to which we were referred, or of which I am aware, there seems to me to be logic in it."

The court did, however, not find it necessary to express a view thereon, as the evidence did not establish that any actions by B before the date of the application could have "fructified" into a trade reputation among a substantial number of persons.³²⁵

In the prior proceedings, the Registrar, having regard to the provisions of the Act protecting prior rights, held that if registration were allowed there would, if B could assert rights of prior use, be use by different parties of an identical mark for identical goods, and, consequently, held that the application should fail.³²⁶ The court indicated³²⁷ that there was no continuous use, or any use at all, and, secondly, that the purpose of the section concerned is to provide for cases where registration is allowed, notwithstanding prior use by a person other than the applicant.

The court next dealt with the issue as to whether B could be said to be the proprietor of the mark. The court indicated that the word "proprietor" did not give rise to any difficulty when the mark which is applied for is one which has been used on an extensive basis.³²⁸ In such a case the mark will normally have become a valuable item of intangible property, of which the applicant can properly claim to be the owner. However, in the case of a mark which has never been used, the concept of ownership becomes

324 Page 69 F.

325 Page 69 F – G.

326 Page 70 A.

327 Page 70 A – D.

328 Page 70 F

more difficult, as no goodwill has yet become attached to it.³²⁹ The court then had regard to the views of the Registrar, and also the issue whether he was exercising his discretion. The Registrar had held the following:³³⁰

“It seems to me that if I were to have before me two applications for registration of identical marks for identical goods and neither party had used or advertised the marks in any way, so that the issue to be determined rests merely on the applications lodged, I should say that the party whose application first reached me would be preferred. In this respect therefore some right does attach to the lodgment of the application. It fixes a date from which a proprietor claims to be the owner of the mark. Further than this it does not go... If, therefore, someone else has used this mark before the date of the application or has adopted it by some action on his part, as has been found in the instant case, it seems to me obvious that the prior user, who acquires a right of property in the trade mark, is to be preferred to a person who has merely lodged a later application which fixes the date from which the applicant claims to be the proprietor.”

The court stated that it appeared that the Registrar had misdirected himself in holding that there had been prior use by B in terms of which it acquired a right of property in the mark. The court stated that there was no use which had created for B any reputation or goodwill, and insofar as the mere selection of a mark, the resolve to use it, and the conduct of B proposing to do so, may have given B quasi-proprietary rights, the Registrar appears to have overlooked the fact that A also selected the mark, made some preparations to use it, and took the important step of applying for registration.³³¹

In the case on appeal, WM Penn Oils Limited v Oils International (Pty) Limited,³³² the court confirmed the decision of the court a quo, namely that the use of the trade mark had been “so very slight” that no right of property therein had arisen.³³³

329 Page 70 G.

330 Page 71 H – 72 A.

331 Page 72 D – E.

332 1966 (1) SA 311 (A).

333 Page 318 B.

(b) Is the test for passing off relevant?

In Cavalla Limited v International Tobacco Company of South Africa Limited³³⁴ it was argued that the Registrar had, in permitting the registration of a mark, misdirected himself by being concerned with various elements which are peculiar to a passing off action and which were not applicable in an opposition context.³³⁵ The Registrar said the following:³³⁶

“Mr. *Pollak* has argued that because the word ‘Cavalla’ is not registered as a trade mark the owner can lay no claim to any rights in the word itself and that all he can claim is protection against such use of the word as would found the basis for a passing-off action. In other words his rights reside not in the word itself but in the ‘get-up’ incorporating the word.”

This view was rejected by the court:³³⁷

“It seems to me that this approach, which is wrong, affected the Registrar’s ultimate conclusion. The real question in this case is not to be found in the above quotation and it is a very simple question. The question is whether the applicant for the trade mark...would satisfy the Registrar and can now satisfy the Court that there is no reasonable possibility of members of the public being deceived if the two marks are used on the same goods by different proprietors.”

In the Victoria’s Secret case,³³⁸ it was argued on behalf of the overseas proprietor of the mark, in relation to the local applicant, that:³³⁹

“Their conduct in counterfeiting my company’s goods and imitating their trading practices...is unfair and offends against the *boni mores* and general sense of justice of the community.”

334 1953 (1) SA 461 (T).

335 Page 466 A.

336 Page 466 B

337 Page 466 C-D

338 Note 203.

339 Page 753 A

The court, however, found that those factors might be relevant in passing off proceedings, but in the current instance did not vitiate the local applicant's right or title to proprietorship of the mark.³⁴⁰

(c) The meaning of “disentitled to protection in a court of law”

Section 16(1) deals with a mark being disentitled to protection in a court of law. Section 11 of the British Trade Marks Act of 1938 dealt with disentanglement to protection in a “court of justice.” It is, however, clear that these concepts are closely related. In this regard it is thus of value to have regard to the Bali case³⁴¹ where Lord Upjohn clarified the meaning of the phrase “disentitled to protection in a court of justice.” It was indicated³⁴² that the emphasis is upon the question whether the owner of the mark can institute action against a third party, and would not be disentitled from succeeding for any of the reasons given, not whether anyone would succeed against him.

As indicated in the discussion on English law,³⁴³ the matter must also be considered from the perspective of the opponent. In other words, the fact that the applicant can succeed in an action against a third party, would not in itself be a defence.

3.1.2.2 The current Act

3.1.2.2.1 Relevant provision

Section 10(12) of the Act provides that the following mark shall not be registered:

“...a mark which is inherently deceptive or the use of which would be likely to deceive or cause confusion, be contrary to law, be *contra bonos mores*, or be likely to give offence to any class of persons;”

For the sake of comprehensiveness reference must also be made to sections 10(6) and 10(17), which both deal with marks that are well-known, and which presupposes prior

340 Page 753 B.

341 [1969] RPC 472.

342 Page 495 line 41.

343 Paragraph 3.1.2.1.4 (d)

use in some country. Also of relevance is section 10(16) which, as discussed above,³⁴⁴ could entail establishing a lesser degree of user, (simply) if an application has been filed.

3.1.2.2.2 Commentary

When the above wording is compared to that of section 16(1) of the previous Act, it is clear that there is a considerable measure of similarity. Importantly, reference is again made to the likelihood of confusion, which raises the question whether the requirements for an opposition in terms of section 10(12) and passing off are the same. Furthermore, the question of the scope of comparison needs to be reviewed. These issues are discussed below.

The general legal position has been stated to be that it is not necessary to prove a passing off case in order to rely on section 10(12), as the requirements are not that stringent.³⁴⁵ This raises the question as to the exact distinctions that can be drawn between the two situations. One difference that can be noted is the fact that in passing off proceedings the plaintiff will bear the onus, whilst in an opposition it will be on the applicant for registration. Also, the opponent will, of course, not have to establish the requirements for obtaining an interdict, in particular a threatened infringement of the trader's right to goodwill. Furthermore, it is not necessary to prove that a misrepresentation has been made.

With regard to English law, section 5(4)(a) of the 1994 Trade Marks Act now contains a specific reference to passing off.³⁴⁶ It is interesting, however, to note the approach of Kerly,³⁴⁷ who is of the view that the test in terms of the new Act is similar to that followed in terms of section 11 of the 1938 Act.

In view of the similarity in wording of section 10(12) and section 11 of the 1938 Act, decisions under the latter are of value. In the leading case of Smith Hayden & Co Ltd's Application³⁴⁸ the court stated³⁴⁹ that the test is whether, having regard to the reputation

344 Paragraph 3.1.1.2.2.

345 Webster and Page South African Law of Trade Marks (1997) 6-15.

346 Paragraph 3.1.2.1.2.

347 Law of Trade Marks (2001) 258 note 17.

348 T19461 RPC 97

acquired by the trade mark, the court is satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will not be reasonably likely to cause deception or confusion amongst a substantial number of persons. According to the decision in Bali Trade Mark,³⁵⁰ it would be more appropriate to refer to user.³⁵¹ In L' Amy³⁵² use was again given importance, and in the later decision of Celine S.A. Trade Mark³⁵³ it was confirmed that it is the opponent's use which matters basically. If he provides evidence of reputation, he can rely on that as well, but it is the use that is essential,³⁵⁴ or, seen from another perspective, sufficient.

In the South African context, it would appear that the existence of a reputation is required, as per the Oils International (Pty) Limited v WM Penn Oils Limited³⁵⁵ decision. The English position, in terms of the Bali decision,³⁵⁶ namely that (mere) use could be sufficient, is thus not necessarily applicable. It has been suggested³⁵⁷ that the situation where there is a reputation established through advertisements, could fall within the scope of section 10(12). Insofar as reputation is required, there is thus similarity with passing off.

It has been pointed out,³⁵⁸ with reference to Danco Clothing v Nu-Care Marketing Sales and Promotions,³⁵⁹ that insofar as determining confusion amongst the public is concerned, the phrase "substantial number of persons" has been replaced now by the requirement of "a not negligible number of persons." The requirement that a substantial number of persons must be likely to be confused is, of course, an established principle of passing off,³⁶⁰ and this constitutes a difference between the two remedies.

349 Page 101 line 41.

350 Note 341.

351 Page 496 line 26.

352 [1983] RPC 137.

353 [1985] RPC 381.

354 Page 397 Line 49-51

355 Note 321.

356 Note 341.

357 Webster and Page South African Law of Trade Marks (1997) 6-19.

358 Webster and Page South African Law of Trade Marks (1997) 6-15.

359 1991 (4) SA 850 (A).

360 Webster and Page South African Law of Trade Marks (1997) 15-27

It is also necessary to deal with what was referred to in Celine S.A.'s Trade Mark Applications³⁶¹ as “the degree of confusability.”³⁶² This question was considered in the Bali case,³⁶³ where Lord Upjohn indicated that the correct test to be applied in the proceedings under discussion is the following:³⁶⁴

“It is not necessary in order to find that the mark offends against section 11 to prove that there is an actual probability of deception leading to a passing off, or I add, an infringement action. It is sufficient if the result of the registration of the mark will be that a number of persons will be caused to wonder whether it might not be a case that the two products come from the same source. It is enough if the ordinary person entertains a reasonable doubt, but the court has to be satisfied not merely that there is a possibility of confusion; it must be satisfied that there is a real tangible danger of confusion if the mark which it is sought to register is put on the register.”

The reference to deception in relation to passing off suggests that that might be the standard to be employed in passing off proceedings.³⁶⁵ In a similar vein is the decision in Parker-Knoll Ltd v Knoll International,³⁶⁶ which held that a false representation is one that is likely to deceive and not merely confuse.³⁶⁷ Writers such as Young³⁶⁸ states, with

361 Note 353.

362 Page 397 line 18.

363 Note 341.

364 Page 496 line 41 – page 47 line 2 (own emphasis).

365 It has been suggested that the proper context for the utilisation of the concept of confusion is the comparison of marks. Wadlow The Law of Passing-Off 8 (own emphasis), for instance, states the following:

“Another problem term is confusion. The legitimate use for this word is in the context of comparing the defendant's name, mark or get-up with the corresponding aspects of the plaintiff's indicia. This may be put in terms of an equation: distinctiveness of name, mark or get-up plus confusing similarity in name, etc., equals deception. Unfortunately, confusion has come to be used in a number of senses which are at best questionable and at worst fallacious. From the expression in the Trade Marks Act 1938 ‘to deceive or cause confusion,’ it has come to be supposed that proof of confusion is in some sense an acceptable substitute for proof of deception. This is not so. Deception pre-supposes the existence of a misrepresentation, confusion does not. Then again, the phrase from the Act has been taken out of its context of comparing indicia and used as if it meant that confusion of the parties of their goods or businesses could be treated on the same footing.”

366 [1962] RPC 265.

367 Page 289 line 39.

368 Passing Off 46

reference to the latter decision, that unlike the infringement of a registered trade mark, mere confusion is not sufficient to found a passing off action.

In the important later case of Reckitt and Colman Products Limited v Borden,³⁶⁹ Lord Jauncey held³⁷⁰ that it is a prerequisite that the misrepresentation has deceived, or is likely to deceive and that the plaintiff is likely to suffer damage by such deception. Mere confusion which does not lead to a sale is not sufficient.

The importance of the presence of deception was also stressed in Hodgkinson and Corby Limited v Wards Mobility Services Limited³⁷¹ where Jacob J stated that at the heart of passing off lies deception or its likelihood, and that the tort never showed even a slight tendency to stray beyond cases of deception. That there is a strong emphasis on deception in English law, an aspect not always appreciated in South Africa, is also clear from the comments of Kerly³⁷² on this aspect. He states emphatically that confusion is not sufficient to establish passing off.³⁷³ In his view, many authorities, however, utilise the concepts “confusion” and “deception” to refer to the same thing.³⁷⁴ The reason for this practice may be the following:³⁷⁵

“The prevalence of the use of ‘confusion’ rather than ‘deception’ may be caused by a certain squeamishness on the part of claimants and judges to brand defendants as responsible for deception when there is no deliberate intent to deceive. ‘Deception’ should not be seen as a term of opprobrium, except in cases of fraud.”

The writer then describes the distinction between the two concepts as follows:³⁷⁶

“However, the real distinction between mere confusion and deception lies in their causative effects. Mere confusion has no causative effect (other than to confuse lawyers and their clients), whereas if, in answer to the question: ‘what moves the

369 [1990] RPC 341.

370 See page 416 line 52.

371 [1995] FSR 169.

372 Law of Trade Marks (2001).

373 Law of Trade Marks (2001) 443.

374 Law of Trade Marks (2001) 442.

375 Law of Trade Marks (2001) 442 note 36.

376 Law of Trade Marks (2001) 443

public to buy’, the insignia complained of is identified, then it is a case of deception.”

The above views could, indeed, provide a basis for a differentiation between the higher standard of deception (passing off) and the lower standard of confusion (section 11). Deception means to cause someone to believe something which is false, and confusion means to cause bewilderment, doubt or uncertainty.³⁷⁷

On the other hand, writers such as Morcom,³⁷⁸ and decisions such as Dalgety Spillers Foods Ltd v Food Brokers Ltd,³⁷⁹ have utilised the concept of confusion, as, in effect, an alternative for deception. If it is accepted that the likelihood of confusion is sufficient for passing off, there would not necessarily be room for a distinction with section 11, or section 10(12) of the South African Act, insofar as the “degree of confusability” is concerned. This would be even more so as it is settled law in South Africa that a likelihood of confusion suffices to give rise to passing off. Deception is not required.³⁸⁰ Theoretically, a yet lower burden of proof, such as a likelihood of association, where the infringing mark merely “brings to mind”³⁸¹ the other mark, can be discerned, but it does not seem possible to read such a standard into section 10(12).

To re-iterate, if, in both cases, the likelihood of confusion suffices, there is no apparent distinction in relation to this particular aspect. The issue is not fully explained in case law, but taken to be self-evident. In the Swiss Miss Trade Mark case³⁸² it was, for instance, stated that:³⁸³

“It is common ground that the test for confusion in section 11 is not the same as the test for passing off. As Lord Upjohn made clear in the *BALI* case...section 11 and its predecessors were designed not so much for the protection of other traders in the use of their marks or to protect their reputation but for the protection of the public.”

377 John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd 1977 (3) SA 144 (T) 150 H.

378 Morcom *et.al.* The Modern Law of Trade Marks 249.

379 [1994] FSR 504 527.

380 Webster and Page South African Law of Trade Marks (1997) 15-51.

381 The description used in Wagamama Ltd v City Centre Restaurants PLC [1995] FSR 713 721.

382 [1998] RPC 889.

383 Page 894 line 11 – line 15 (own emphasis)

Similarly, it was said later that:³⁸⁴

“It was common ground...that the section 11 test is a lower test than the test for passing off.”

When regard is had to all of the above, it appears that there is general acceptance that the norms for a provision such as section 10(12) and passing off differ. However, when the intricacies of the matter are examined, it is not clear exactly wherein the differences lie insofar as the degree of confusion is concerned.

Related to the above discussion is the question as to the scope of the comparison to be made in opposition proceedings based on section 10(12). Factors to be considered in determining whether goods are similar, were enumerated in the case of British Sugar plc v James Robertson & Sons Limited,³⁸⁵ and include questions as to the respective uses and users, the physical nature of the goods, and the trade channels involved. These considerations relate very closely to the reality of the circumstances.³⁸⁶

384 Page 894 line 39 – line 40.

385 [1996] RPC 281.

386 It is of interest to consider here the difference, if any, between an opposition based on a registered, in contrast to an unregistered mark, insofar as the question of a reputation is concerned. In the Danco Clothing case (note 359) the court found a likelihood of confusion to exist in so far as the opposition based on section 17(1) was concerned. Regard was had, amongst others, to the nature of the goods and the trade channels concerned (page 861 E). The court then stated (page 861 F – H, own emphasis) the following in regard to section 16(1):

“In the light of the above conclusion relating to s 17(1) of the Act, it becomes unnecessary to consider the same issue in the context of s 16(1) thereof. The exercise in that case is to contrast the notional use by the respondent of its mark in a normal and fair manner with the reputation of the appellant (encompassing its mark in relation to the goods it sells) in order to determine whether it is more likely than not that a not negligible number of ordinary members of the buying public would be deceived or confused, as a result of the use of the identical mark on the respective goods, as to their origin...The evidence which is relevant to s 17(1) applies with equal force to s 16(1). The only significant difference between the two sections, on the facts of this case, is that the existence of the appellant's two marks in class 25 of the register presupposes, for the purpose of s 17(1), the very reputation which the appellant has to establish for the purpose of s 16(1).”

It must be noted that the court enumerated a test that could be applied under section 16(1). In doing this, the court seemingly equated registered rights with user rights, insofar as the existence of a reputation is concerned, although use is essentially the basis on which a reputation is founded. However, the court did not draw a distinction otherwise between the nature of the enquiries.

In The Upjohn Company v Merck 1987 (3) SA 221 (TPD), an application was opposed on the basis of section 16(1) and 17(1). In its notice of opposition, A alleged that its mark had been used extensively on the relevant goods and that it has acquired a reputation in connection therewith. The court made (page 225 C – D, own emphasis) the following comment in this regard:

What is the position in so far as the applicant's use is concerned, and what are the limits of considering notional, fair and normal use? Notional use relates to how a mark could be used. However, can the applicant's actual get-up be evaluated? In Open Country Trade Mark³⁸⁷ the question whether the actual appearance of the marks should be taken into account, was in issue. The court stated the following:³⁸⁸

“The test laid down in *Smith Hayden*, adapted in accordance with the speech of Lord Upjohn in *BALI*, is the test applicable whether the applicant has or has not used his trade mark. However, no court would be astute to believe that the way that an applicant has used his trade mark was not a normal and fair way to use it, unless the applicant submitted that it was not. It does not follow that the way that the applicant has used his trade mark is the only normal and fair manner. However, in many cases actual use by an applicant can be used to make the comparison.”

The correct approach to the matter is probably formulated best when regard is had to the underlying purpose of trade mark legislation, namely to establish a system for the registration of trade marks, amongst other reasons, to obtain better protection than that available in terms of the common law. It is trite that in passing off matters the whole of the actual get-up of the respondent is compared with that of the plaintiff. Trade mark legislation was designed to follow a different approach, and to introduce a much narrower enquiry, and thus, conversely, to provide broader protection. In this regard

“As I understand the objection, it is based thereon that the use of the mark Reprodin would amount to a passing-off. Having regard to the fact that the appellant relied upon the reputation of the trade mark Repromap only and not on any get-up, the enquiry under s 16(1) must be identical to the enquiry under s 17(1). That is how the Registrar approached the matter.”

The court seemed to have accepted this approach - Webster and Page South African Law of Trade Marks (1997) 6-13; 6-14 note 4. The court made a further finding (page 227 D, own emphasis) that, however, alludes to a difference in the tests concerned, in particular insofar as the relevance of a reputation is concerned.

“...Section 17(1) requires a comparison of two trade marks having regard to their notional use. A Court is not entitled to have regard to extraneous matters such as the reputation of the respective marks or the get-up under which the marks are in fact used.”

The situation is thus found that some cases adopt the approach that a registration presupposes the existence of a reputation, yet others indicate that such a reputation cannot be considered.

387 [2000] RPC 477.

388 Page 482 line 1 – 7

reference can be made to the principle firmly established in infringement matters, namely that regard may not be had to extraneous matter in deciding on the likelihood of confusion.³⁸⁹ If a trade mark applicant is allowed to successfully introduce evidence of actual use in opposition proceedings, and obtain registration on this basis, it would imply that he would then be able to use, with impunity, material which, in infringement proceedings, would arguably have been considered to amount to infringement. This result is anomalous.³⁹⁰ It is, therefore, submitted that it is the mark of the applicant, as filed, and that of the objector, as used, that must be compared.

In **summary** of this part, the test under section 16(1) of the previous Act related to the existence of a reputation. In regard to section 10(12) of the current Act, it was noted that there are differences between section 10(12) and passing off, notably the incidence of the burden of proof, the requirements for an interdict that must be present, and the number of persons that will suffice for purposes of proving the likelihood of confusion. In relation to the latter, there appears to be no difference, however. It was also suggested that the actual get-up of the applicant, contrary to the position in terms of passing off, is not relevant.

3.2 Expungement of registrations

In terms of the previous Act the principle followed was that any basis for an opposition could be used for the expungement of an entry from the Register. The mechanism used was section 33, which dealt in particular with an entry wrongly made, or wrongly remaining on the Register. The same applies to the current Act in terms of section 24(1). There is one exception that applies, through section 42 of the previous Act, namely where a mark in part A has been registered for more than seven years. This enactment is still applicable through section 70(1) of the Act which is to the effect that the validity of the original entry of a mark under the previous Act must be determined according to the laws in force at the time the entry is made. In Mars Incorporated v Cadbury (Swaziland) (Pty) Ltd³⁹¹ the legal position was described as follows:³⁹²

389 Webster and Page South African Law of Trade Marks (1997) 12-17.

390 It is submitted that the view that is sometimes expressed, to the effect that a closer likeness is required in infringement cases than in opposition proceedings (Webster and Page South African Law of Trade Marks (1997) 7-3, does not materially affect the argument.

391 2000 (4) SA 1010 (SCA).

392 Page 1016 C – D

“The scheme of the 1993 Act concerning ‘old’ trade marks is that questions relating to their original entry are to be dealt with by the laws in force at the time of entry (s 70(1)) but whether a trade mark should remain on the register is dealt with in terms of the new Act...”

The “seven year rule” is of a rather arbitrary nature and is likely to be subject to legislative amendment at some stage. It is important to note, however, in the context of the current discussion, that marks in conflict with section 16(1), which, amongst others, protects user rights, are still susceptible to expungement.

In contrast to an opposition, the applicant for rectification will bear the burden of proof.

3.3 Registration on the basis of honest concurrent use

3.3.1 The previous Act

3.3.1.1 Enabling provision

Section 17(2) provides for the registration of a mark which is in conflict with a registered mark, on the basis of honest concurrent use or other special circumstances.

3.3.1.2 Application of provision

One of the few reported decisions dealing with honest concurrent use, decided under earlier legislation, is that in Ex parte Chemisch-Pharmazeutische Aktiengesellschaft.³⁹³ In this matter A applied for registration of the trade mark Transpulmin based on the use thereof for eight years. The Registrar refused to accept this application in view of the existence of a prior registration for the word Pulmin. It was accepted by the court that both product names made use of the root which is found in the word “pulmonary.”³⁹⁴ Regard was had to the fact that the goods sold under the trade mark Pulmin would not be prescribed by doctors, whilst goods sold under the trade mark Transpulmin are administered by way of injection, and would mostly be used on the basis of a doctor’s

393 1934 TPD 366.

prescription. The court mentioned that the practice of using the root of a name of the particular part of the body to name a specific product is liable to lead to confusion, and when the proprietor of medicinal products who resort to this practice asks the assistance of the court, the request has to be carefully scrutinised.³⁹⁵

The court made specific reference to the decision in Pirie's Application³⁹⁶ and then said the following:³⁹⁷

“As to concurrent user, the affidavits satisfy me that there has been user from the time that Reichenberg put ‘Transpulmin’ on the market in South Africa. Such user has also been honest. The use, in naming a medicine, of the root of the word descriptive of the part affected by the complaint for which the medicine is intended ought not to be encouraged; but it does not necessarily show that the user was not honest. Considering, therefore, that there has been honest concurrent user for about eight years, that, by reason of the circumstances already mentioned the likelihood of confusion between the two remedies is most remote, I think the application ought to be granted. To apply the words in the judgment in the case first above quoted, the hardship to the applicant of refusing registration appears to be out of all proportion to any hardship to the appellants or inconvenience to the public which can possibly result from granting it.”

3.3.1.3 Application to section 16(1)

Section 17(2) states that an application can be registered on the basis of honest concurrent use despite the fact that it is in conflict with section 17(1), but no mention is made of section 16(1). However, in the decision in Grotrian-Steinweg v Steinway & Sons³⁹⁸ the Registrar did find that section 17(2) was introduced (also) to temper the workings of section 16(1) in cases where the strict application thereof would lead to inequitable results. Whether this view is correct will be dealt with further below.³⁹⁹

394 Page 368.

395 Page 369.

396 [1933] RPC 147.

397 Page 370.

398 Patent Journal August 1976 173.

399 Paragraph 3.3.2.9

3.3.1.4 Staying of proceedings

In Robertsons (Pty) Limited v Pfizer SA (Pty) Limited⁴⁰⁰ A brought an application for an interdict against B, based on the alleged infringement of A's registered trade marks. B asked the court to defer the matter until an application for concurrent use in terms of section 17(2) of the Act has been disposed of. The court indicated that in its view such a step was unnecessary, and stated the following:⁴⁰¹

“The respondent is not prejudiced in that application, even though I should decide this issue against him. The approach is different. Sec. 17 (2) contemplates the concurrent use of marks by two proprietors even though the marks are identical or closely resemble each other, and relate to the same goods or description of goods. The Registrar can allow that subject to such conditions and limitations as he may think it right to impose. If I should hold that the marks are so similar that they are likely to cause confusion, no new element will have been brought into an application under sec. 17 (2), because it is meant for cases where marks are admittedly identical or very similar. The applicant under that section can show ‘other special circumstances which may make it proper to do so.’ Such circumstances have not been urged upon me here because they would have been irrelevant, but if they are present, they can be advanced under sec. 17 (2).”

According to Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Company Ltd⁴⁰² factors such as honest concurrent use or special circumstances do not constitute a statutory defence to infringement.⁴⁰³ It was stated, however, that the court does have a discretion to stay infringement proceedings, but that discretion is to be exercised sparingly and only in exceptional circumstances.⁴⁰⁴ The rationale for this approach was described as follows.⁴⁰⁵ It was said that the law of infringement will fall into desuetude if every infringer would be allowed to raise the defence that “I know that I am acting unlawfully, but bear with me; there is a possibility that my actions may become lawful.”

400 1967 (3) SA 12 (T).

401 Page 15 C – E.

402 1999 (4) SA 1039 (T).

403 Page 1048 G – H.

404 Page 1048 H - I.

405 Page 1048 I – 1049 A

The proper route to follow would be to comply with the law and to desist from infringement until the application based on honest concurrent use is finalised.

In Sidewalk Cafes (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd,⁴⁰⁶ it was held, in contrast, that the respondent did not have to await his application proceeding to registration on the basis of honest concurrent use, and was entitled to relief without delay.⁴⁰⁷ The factual basis in these matters of course differed.

3.3.1.5 Geographical limitation

In Ex parte De Wet Bros (Pty) Limited⁴⁰⁸ it was indicated that as the sales of A's products had taken place in all parts of the country there did not have to be any limitation as to place.⁴⁰⁹ It is submitted that this approach would also apply to applications based on honest concurrent use.

3.3.2 **The current Act**

3.3.2.1 Relevant provision

Section 14(1) provides the following:

“In the case of honest concurrent use or of other special circumstances which may make it proper to do so, the registrar may, on application in the prescribed manner, register, subject to such conditions and limitations, if any, as he may think fit to impose, a trade mark the registration of which would otherwise offend against the provisions of paragraph (6), (14), (15) or (17) of section 10.”

The provisions refer to the following situations. Section 10(6) deals with marks that are well-known in terms of the Paris Convention, and section 10(14) with a conflict with a registered trade mark. Section 10(15) relates to the conflict of a later application with an earlier application, and section 10(17) with a well-known registered mark.

406 1990 (1) SA 192-198 I.

407 Page 198 J – 199 A.

408 1940 CPD 136.

409 Page 139

3.3.2.2 Effect of provision

It is probably fair to say that in practice the approach that evidence of honest concurrent use makes registration a fait accompli, is, indeed, encountered relatively often. The question arises as to whether this perception, and the literal meaning of section 14(1), is borne out by an analysis of the section.

Current practice is that if the Registrar, in the examination process, decides that an application, for instance, offends section 10(14), a citation will be issued. An applicant that wishes to overcome this citation on the basis of honest concurrent use must then submit an affidavit detailing such use.⁴¹⁰ If the Registrar finds this evidence in order, the application is then advertised for opposition purposes, as is the situation with other applications.⁴¹¹ The Act provides for the opposition of such an application by any interested person.⁴¹² No distinction is made in this regard between applications based on honest concurrent use, and those that are not.

Having regard to the above, it appears that the real effect of the evidence submitted in support of such an application is only to secure acceptance by the Registrar. This fact is thus relevant vis-à-vis the Registrar. However, acceptance is the first phase in the process of obtaining registration, and the second phase, the opposition by an objector, must still be negotiated. It is clear that in the latter situation, the applicant cannot rely on the fact that the Registrar has accepted the application on the basis of evidence of honest concurrent use. That fact is, from the perspective of the opponent, largely irrelevant. There is no provision that indicates that, vis-à-vis the opponent, there is any special significance to the fact that acceptance was obtained on the basis of honest concurrent use.

In the opposition proceedings, the Registrar has the duty to consider the evidence, for a second time, and is required, in a sense, to review his previous decision. It is trite that evidence of extensive use and the co-existence of marks in the marketplace will be of

410 Regulation 17 of the Regulations to the Trade Marks Act 1993, as published in Notice R. 579 of 21 April 1995.

411 Regulation 18.

great relevance. Nonetheless, evidence of extensive honest concurrent use can, in the latter context, be seen as at most a factual presumption of the absence of a likelihood of confusion.

Decisions in the English law support this approach. In Codas Trade Mark⁴¹³ the Registrar stated that the mere fact that there has been honest concurrent use is not a defence, which, in itself, will save an application, but it is one of the relevant factors which should be taken into account in determining whether there is a likelihood of confusion.⁴¹⁴ In Origins Natural Resources Inc. v Origin Clothing Limited⁴¹⁵ it was also held, per Jacob J, in the context of infringement proceedings, that honest concurrent use is not in itself a defence.⁴¹⁶ In the South African decision of Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Company Ltd⁴¹⁷ it was said as well that factors such as honest concurrent use or special circumstances do not constitute a statutory defence to infringement.⁴¹⁸

In order to maintain the proper perspective on the matter, it is necessary, however, to understand the value that evidence of honest concurrent use does have. If regard is had again to the situation where a section 10(14) citation has been issued by the Registrar, an applicant could face the situation that registration cannot be obtained. The existence of the prior registration, if not open to expungement, would consequently be fatal. The mechanism of honest concurrent use, however, enables the applicant to overcome the citation, and to at least have the opportunity thereafter to attempt to meet the case of the proprietor of the registered mark.

The question also arises whether it is of practical benefit to convert an ordinary application to one based on honest concurrent use. In Grotrian-Steinweg v Steinway & Sons⁴¹⁹ the Registrar, for instance, allowed an application to be converted to one based

412 Section 21.

413 At <http://www.patent.gov.uk/tm/legal/decisions/000/037200.bdf>. The decision is by Mr M Foley, for the Registrar, the Comptroller General.

414 Page 9 Line 25 - 27.

415 [1995] FSR 280.

416 Page 286.

417 Note 402.

418 Page 1048 G – H.

419 Note 398.

on honest concurrent use after a counter-statement was filed. Such use was pleaded in the alternative to a denial that the application offends section 16(1) and 17(1). On a sober assessment of the matter, and having regard to the above arguments, it would appear that if the position is that acceptance has already been obtained, there is no real advantage to the applicant to convert his application. As stated, the perception that an application based on honest concurrent use enjoys a certain amount of immunity is found in practice. This approach is incorrect.

3.3.2.3 General principles⁴²⁰

Relevant factors under English law were set out in the decision of Pirie's Application.⁴²¹ Such factors include "contingencies of confusion," the duration of use, whether the choice of the mark was honestly made, the nature of the trades of the respective parties, and actual confusion.⁴²² In the application of these factors, the hardship involved in refusing registration must also be considered.

3.3.2.4 Duration of use

In regard to the duration of use, there are a number of earlier British decisions that are relevant.⁴²³ In so far as the current practice⁴²⁴ of the Registrar in the United Kingdom is concerned, the position is that use for a reasonable period, usually about five years, is required. It was pointed out, however, that this period is only a guideline, and that, depending on the circumstances, the duration required could be increased or decreased.⁴²⁵ The point of departure is that the other party must have sufficient time in which to become aware of the use. The conclusion should, of course, not be made that registration on the basis of honest concurrent use is only possible where the proprietor is aware of the use of the mark by the applicant. This is in contrast with the position pertaining in terms of, for instance, the defence of acquiescence.⁴²⁶ It would clearly be inequitable to require knowledge by the proprietor.

420 This aspect was discussed in full detail in chapter 3, paragraph 3.3.1.3.

421 Note 396.

422 Page 159 line 47 – page 160 line 12.

423 Chapter 3 paragraph 3.3.1.4.

424 Working Manual Journal No 6171, Chapter 6 paragraph 11.17.2.

425 ([http://www.patent.gov.uk/tm/reference/workman/chapt6/sec11\(17\).pdf](http://www.patent.gov.uk/tm/reference/workman/chapt6/sec11(17).pdf)).

426 See paragraph 3.3.2.8.1

3.3.2.5 Honest use

In South African practice, the issue of the content of the concept honest concurrent use is often debated. Again, valuable guidance can be obtained from decisions under English law. The position pertaining to the latter is set out briefly below for ease of reference.

3.3.2.5.1 The role of knowledge

In the Massachusetts Saw Works case,⁴²⁷ the court said that there was no suggestion that the use of B's mark "has been other than honest." However, most of the use in the United Kingdom had taken place with "full knowledge" of A's mark, and this factor, apart from technical reasons, dissuaded the court from exercising its discretion in favour of the applicant for registration. Other decisions, such as Peddie's Application⁴²⁸ attached less weight to the fact of knowledge. The authoritative view of the matter is that in Pirie's Application,⁴²⁹ where Lord Tomlin stated⁴³⁰ that once the honesty of the user has been established, the fact of knowledge loses much of its significance.

3.3.2.5.2 Subjective belief and bona fides

In George Ballantine & Son Ltd v Ballantyne Stewart & Coy Ltd,⁴³¹ it was said⁴³² that use is protected if it is bona fide, that is, "innocently applied to the goods or used in relation to the goods without the intention to mislead or confuse others or to attract traders' goodwill." "Innocence" would only exist if the user did not appreciate the potential for confusion and was ignorant of conditions in the market and of the state of the Register. In view of knowledge of the earlier mark, the use was held not to be bona fide. In contrast, in Baume and Co Ltd v Moore (AH) Ltd,⁴³³ the approach was adopted that the mere fact that B uses a mark that closely resembles a registered mark of A of which he

427 [1918] RPC 137.

428 [1944] RPC 31.

429 Note 386.

430 Page 159 line 21.

431 [1959] RPC 47.

432 See the comments of the court on page 49 line 28 – page 50 line 26.

433 [1958] RPC 226.

is aware does not prevent B's use from being bona fide.⁴³⁴ If bona fides does exist it would not guarantee protection.

In **summary** of this aspect, it seems that most cases follow the approach that knowledge of a mark excludes a finding of bona fides. This implies that a special meaning is given to the latter in the context of trade mark law, and that the subjective belief of the user is not conclusive.

3.3.2.5.3 The selection of a mark

From the above it appears that knowledge of a mark can exclude the existence of bona fides. The subjective belief of the user is also not decisive. If the concept bona fide use is equated with "honest" use, the same would follow in relation to the latter. In the ruling of the Court of Appeal in Pirie's Application⁴³⁵ Lord Hanworth referred⁴³⁶ to the fact that the mark was chosen quite honestly.⁴³⁷ Lawrence LJ⁴³⁸ also said that the explanation given by the appellants as to the origin of their mark neutralised any suggestion of deception practised by them. Moreover, Lord Tomlin, in the judgment of the House of Lords, when enumerating the relevant factors to be considered,⁴³⁹ referred to the fact that the choice of the mark was honestly made.

Lastly, it should be pointed out that if there is no confusion,⁴⁴⁰ in other words if the matter falls outside the scope of section 10(6), (14) or (15), the reason for the selection of a mark is no longer relevant. This approach is embodied in another decision, dealing with trade mark infringement, namely that in Red Bull GmbH v Rizo Investments (Pty) Ltd.⁴⁴¹ There the court stated the following:⁴⁴²

"However if the charade is acted out successfully and the resemblance is not such as to be likely to deceive or cause confusion among potential purchasers of the products, then the reason why the offending mark was chosen is irrelevant."

434 Page 235 line 31.

435 [1932] RPC 195.

436 See the comments of the court at page 211 line 19 – line 33.

437 Page 216 line 12 – line 14.

438 Page 216 line 12 – line 14.

439 Page 160 line 2 of the House of Lords' ruling, note 396.

440 See, however, section 10(17).

441 Case number 25741/2001, decision of the Transvaal Provincial Division, delivered on 28 June 2002.

3.3.2.5.4 Opposition to use

The strong disapproval of the proprietor concerned was accorded importance in the Bali Trade Mark (no.2) case⁴⁴³ where the parties were involved in trade mark litigation for a number of years throughout the English legal system. However, A's use was honest in so far as the selection of the mark was concerned. The court adopted the approach⁴⁴⁴ that it would not be just to allow registration where the applicant relies upon user which was carried out in the face of persistent opposition from the owner of the existing mark and which, in law, was in the end established to be infringing use.

3.3.2.5.5 Commentary

The simplest situation that can be postulated is where B uses his mark without any knowledge of A's mark. His use would then clearly be honest. It is, of course, possible - bearing in mind, however, that one is dealing here only with ordinary, not well-known marks - to make an inference from the factual circumstances. For instance, where A's mark is used extensively in major cities such as Johannesburg, Pretoria, Cape Town, and Durban, it could complicate B's task of convincing the Registrar that he was not aware of A's mark. Another situation that can be discerned is where, for example, A's mark is in use only in Cape Town, and B commences use of the mark in a small town in the Limpopo province. The use is in relation to, for argument's sake, estate agency services, which are of a local nature. It appears that B should be able to rely on honest concurrent use to obtain registration in relation to the geographical area where use has been made of the mark.⁴⁴⁵ Can it be argued, however, that B ought to have investigated possible trade mark law impediments? In the Diggers Grill case,⁴⁴⁶ where B was held to be ignorant of A's use, it was seemingly of importance to the court that the applicant

442 Page 10 (own emphasis).

443 [1978] FSR 193.

444 Page 220 – 221.

445 With regard to the issue of confusion, it must be pointed out that in the seminal decision in Pirie's Application (note 396) it was stated (page 160 line 4), insofar as the basis on which confusion is to be judged is concerned, that:

“It is the user and not the registration which is liable to cause confusion...”

Applying this dictum to the example, it appears that the geographical distance between two areas of use would exclude the likelihood of confusion.

446 Note 406

consulted the telephone directories of all major cities in South Africa before commencing use.⁴⁴⁷

Should a modern day applicant first have searched the internet, or had a search done of the Trade Marks Register? Can knowledge of the mark somehow be imputed to him? Is there a 'duty to investigate'? Many entrepreneurs starting out business adopt the approach of reserving company and close corporation names, and then, if the Registrar concerned approves the name, simply take that as a sign of the legality of the use of the name concerned.⁴⁴⁸ However, as yet, there is no authority placing a specific duty on a person to conduct a search of relevant information sources, failing which reliance on honest concurrent use will later be excluded. It is thus probably fair to say that, in general, the view that a "negligent" user will be deemed to have constructive knowledge of a mark, would be controversial.

The conclusion that someone ought to have known, and, therefore, as a matter of inference, did know about a mark, if the latter is used on a related product, seemingly follow with a measure of inevitability. However, in given circumstances parties could be using the same or similar marks in the same or similar fields, yet not come into contact or conflict. The conclusion stated in the previous sentence is thus of a relative nature. For instance, in Codas Trade Mark⁴⁴⁹ A used the mark Codas in relation to software used in the oil industry. B had a registration for the word Coda, which covered software. It appeared that the marks were used concurrently for about fourteen years, without any reported instances of confusion.⁴⁵⁰ In another decision relating to software, Road Tech Computer Systems Ltd v. Unison Software UK Ltd . case,⁴⁵¹ A supplied computer software intended primarily for use in relation to road transport under the trade mark Roadrunner. Being applications software, the products were also used in related fields such as warehousing, courier and shipping agency services. B provided backup software sold under the trade mark Road-Runner. The parties' customer bases differed to such an extent that, for instance, of a mail shot of 50 000 that B sent to its customers, only two reached customers of A. The importance of the trade channels involved, in

447 Page 194 G.

448 Hence it is often found in practice that this argument is raised by the entity concerned, when confronted with an objection to the registered name, by the trade mark proprietor. See also note 1.

449 Note 413.

450 Page 11 line 6.

451 T19961 FSR 805

affecting the relevant parties' knowledge, should thus not be underestimated. Another example can be gleaned from the Massachusetts Saw Works case,⁴⁵² where the trade marks Victor and Victory, respectively, were used by both parties in relation to the same product, being hack saw blades.

It is necessary to consider the situation where B is aware of A's mark, but honestly believes that his use would not be infringing A's mark. This view may, of course, be based, in particular, on legal advice. In terms of the Massachusetts Saw Works⁴⁵³ and Steiner Products v Willy Steiner Ltd cases,⁴⁵⁴ protection would be excluded in view of knowledge of the mark, but not necessarily in terms of the decision in Peddie's Application.⁴⁵⁵ The decision in Pirie's Application⁴⁵⁶ is to the effect that knowledge of the mark is an important factor where the honesty of the use is attacked, but once the honesty of the user has been established, the fact of knowledge loses much of its significance.⁴⁵⁷

Insofar as the substantive meaning of "honest" concurrent use is concerned, it was argued above that this concept relates to the reason for the selection of a mark. If knowledge is present, it is in principle still open to B to explain the choice of the mark, so as to make its adoption "honest." In a number of decisions it was found that, despite knowledge of a mark, there was honesty in the selection thereof. One example is where the mark was in use by the applicant in one country, and use was then commenced in another. This was, for instance, the situation in the Bali (no. 2)⁴⁵⁸ and Massachusetts Saw Works⁴⁵⁹ cases.⁴⁶⁰ Another example is contained in the facts of Pirie's Application.⁴⁶¹

The reasons advanced for the selection of a mark will of course not always be credible, as appears from decisions dealing with infringement of marks. An example in the

452 [1918] RPC 137.

453 Note 427.

454 [1964] RPC 356.

455 Note 428.

456 Note 396.

457 See the comments of the court on page 159 line 21 – line 42.

458 [1978] FSR 193.

459 Note 453.

460 Although that fact did not ultimately secure registration for the two parties. See chapter 3 paragraph 3.3.1.5.1.

461 Note 396.

English law is provided by DaimlerChrysler AG v Javid Alavi (t/a Merc),⁴⁶² where the defendant had been using the trade mark Merc. The defendant stated⁴⁶³ that the mark was made up of the initial letters of the names of four countries, Mexico, England, Russia and Canada, as proposed by members of his staff. The court made no comment on this motivation. In the South African case of Red Bull GmbH v Rizo Investments (Pty) Ltd⁴⁶⁴ the court did comment. The defendant advanced the following explanation for adopting a mark confusingly similar to the well-known Red Bull trade mark:⁴⁶⁵

“I logically decided to select a name which would include the word ‘BULL’ in it and which, coupled with the Taurine content of the product, would proclaim to and leave the potential consumer in no doubt that the product constituted an energy, as opposed to any other, drink by associating such name with the wildly vibrant energy and strength of a snorting and stamping bull, ready and available to imbue the consumer with boundless and unbridled energy and vitality.”

The court responded as follows:⁴⁶⁶

“With all due respect to the veracity of the deponent Altriche the irresistible and only reasonable inference from a comparison of the marks and his statements is that respondent is acting out a common charade in the sphere of trade marks: sailing as close to the wind of copying without brewing up a storm of deception.”

It can be mentioned in passing that in the common law, B could, in terms of both English⁴⁶⁷ and South African law,⁴⁶⁸ establish rights through the extensive use of the mark, although such use would not necessarily qualify for honest concurrent use in the

462 [2001] RPC 813.

463 Paragraph 32.

464 Note 441.

465 Page 7.

466 Page 9.

467 Writers such as Wadlow The Law of Passing-Off has stated (page 494) that protection can be obtained even if the use of a mark “was less than honest in its inception.” In Rolls Razor Ltd v Rolls Lighters Ltd [1949] RPC 299 it was accepted that the plaintiff derived the name from the Rolls Royce trade mark, but this was held not to be fatal.

468 See paragraph 2 8 supra where the doctrine of unclean hands was discussed

current context. It is also of considerable interest to draw an analogy with the law of property.⁴⁶⁹

In the example given above, where B is aware of A's mark, but honestly believes his use would not be infringing A's mark, B would have knowledge of A's mark but that knowledge is not exclusionary, once the honesty of the user has been established. It thus appears that the crucial question would be whether B can provide an acceptable reason for the selection and adoption of the mark. The fact that he was aware of the mark of A when he commenced use would probably constitute, if not a legal presumption, at least a factual presumption that it was selected having regard to A's mark, whether or not the intention was to derive benefit from any confusion that may result. Unless a proper explanation is forthcoming, it would seem that B would not be able to rely on honest concurrent use. His subjective belief (or apparent bona fides) that

469 The legal position regarding acquisitive prescription has been stated (Silberberg & Schoeman's The Law of Property 4th edition (2003) by Badenhorst, Pienaar and Mostert Butterworths, Durban 153, own emphasis) as follows:

"Prescription is an original mode of acquisition of ownership. Acquisitive prescription, as a method of acquiring ownership, is a continuous process, ... Provided that these conditions are fulfilled it does not matter whether or not the possessor actually believes that he or she is the owner of the property of which he or she has taken possession. In other words, it does not matter whether the possession is bona fide or mala fide. As a general rule therefore, the person who does in fact know that he or she has no title to the property in his or her possession can acquire ownership in it by prescription in the same manner as the person who genuinely believes that he or she is the owner, for acquisitive prescription always operate against the will of the true owner and the claimant's possession is always unlawful in the sense that the claimant does not have any just title (iustus titulus) to it so that it is immaterial whether or not he or she is conscious of that fact."

Also of interest is the views of Van der Merwe Sakereg 2nd Edition (1989) Butterworths, Durban. He states (page 275, own emphasis) the following:

"Die nec vi – vereiste het op die loop van verjaring betrekking en nie op die aanvanklike verwerwing van besit nie. 'n Dief of enige ander persoon wat besit op 'n geweldadige of onregmatige wyse verkry het, kan deur verjaring eiendomsreg van die saak verkry."

These views are also borne out by case law. For instance, in Welgemoed v Coetzer 1946 TPD 701, it was said (page 711) that:

"It may be accepted, I think, that the Roman law of usucapion...and of prescriptio longi temporis...with the requirement of good faith and justus titulus in the exercise of possession does not form portion of the modern Roman-Dutch law."

Similarly, it was said in Minnaar v Rautenbach [1999] All SA 571 (NC) (page 577) that:

"Dit is herhaaldelik deur ons howe bevestig dat bona fides aan die kant van die besitter nie 'n vereiste vir verjaring is nie."

he was not infringing A's mark, and was, based on the advice obtained, free to use "A's" mark, cannot overcome the obstacle.

There is a further problem that B could face, and that is that the Act excludes registration if there is no bona fide claim to proprietorship.⁴⁷⁰ Webster and Page⁴⁷¹ state the following in this regard:

"Thus a person cannot claim to be the proprietor of a mark where he is aware that another person has a better claim to ownership."

Strictly speaking, however, depending on the advice B obtained, he would not necessarily be aware or think that A has a better right. However, in different factual circumstances, this aspect would be problematical for a later user.

It is necessary to consider, before making a final conclusion on this important aspect, whether the provisions of the Act cannot perhaps be perceived to have introduced a new regime insofar as the above principles are concerned. It is namely enacted⁴⁷² that honest concurrent use is possible in the case of well-known marks as envisaged in the Paris Convention, as well as well-known marks in a dilution context. In these instances there would, per definition, be knowledge of the mark, and there is a strong likelihood that the mark was selected with reference to the well-known mark. Could this imply that the legislature has adopted a more liberal approach? Such a view would, of course, benefit the applicant for registration of an ordinary mark even more. It is submitted, however, that these provisions do not introduce a different approach to the issue under discussion, and were included in the Act merely ex abundandi cautela, so as to protect users that comply with traditional criteria.

In **summary**, there are a number of factors that are relevant in deciding on a claimed instance of honest concurrent use. It was noted that knowledge of a mark was not fatal, but then the selection of the particular mark must be explained on a credible basis. The subjective belief that particular conduct is lawful, is not conclusive.

⁴⁷⁰ Section 10(3).

⁴⁷¹ South African Law of Trade Marks (1997) 3-68 (own emphasis).

⁴⁷² Section 10(6) and 10(17) read with section 14(1)

3.3.2.6 Concurrent use

The question that arises here is what the position is where the proprietor of the registered mark concerned is not using his mark. In such an instance, one would, according to the decision in Ex parte de Wet Bros (Pty) Ltd,⁴⁷³ be dealing with special circumstances. In the British decision of Origins Natural Resources Inc. v. Origin Clothing Limited⁴⁷⁴ it was argued that both marks had to be in use side-by-side before section 12(2), the equivalent of section 14(1), could apply. The court, per Jacob J, stated⁴⁷⁵ obiter that the concurrence referred to in this section may be of the applicant's user with the registration of the other proprietor and/or its use. It is submitted that this position should also apply in South Africa.

3.3.2.7 Special circumstances

The issue of special circumstances must be considered, being an alternative ground for registration, next to honest concurrent use. A decision that is of relevance is the Bud Trade Mark case.⁴⁷⁶ The court held⁴⁷⁷ that there were special circumstances, being that consumers were used to the products, and would not be confused.

The user that believed, bona fide, that his use was not unlawful could, arguably, be accommodated here. Whether someone that, for instance, obtained legal advice to the effect that his use would not amount to infringement, should be permitted to rely on this ground, would be a policy decision. It could lead to the abuse of the system of obtainment of legal advice, although there may be meritorious cases.

3.3.2.8 Special defences

In infringement proceedings the fact that the respondent is the proprietor of a registered mark would be a defence.⁴⁷⁸ However, the mere fact of honest concurrent use is not a

473 Note 408.

474 [1995] FSR 280.

475 Page 287 (own emphasis).

476 [1988] RPC 535.

477 Page 551 line 20 – 26.

478 Section 34(2)(a) of the Act

defence.⁴⁷⁹ As a minimum, an application based on such use would have to be filed. In this instance the duration of use would be a relevant factor, firstly, to convince the Registrar to accept the application. Secondly, in opposition proceedings, a long period of use side-by-side, in particular on an extensive basis, will be an important factor insofar as the issue of confusion is concerned.⁴⁸⁰ It was, for instance, said in Arsenal Football Club PLC v Reed⁴⁸¹ that:⁴⁸²

“Absence of evidence of confusion becomes more telling and more demanding of explanation by the claimant the longer, more open and more extensive the defendant’s activities are.”

Apart from the above, the concurrent user can also introduce evidence of use over a substantial period of time in order to be able to rely on the special defences of acquiescence or estoppel in an infringement action. This could then secure the right to continue to use the mark.⁴⁸³

In Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point)(Pty) Ltd⁴⁸⁴ it was said that in the field of trade mark law our law recognises acquiescence as a defence distinct from that of estoppel.⁴⁸⁵ The factual circumstances in a given instance can be relevant for both, however. In William Grant & Sons Ltd v Cape Wine & Distillers Ltd⁴⁸⁶ it was, for instance, said that:⁴⁸⁷

“For present purposes it seems to me to be unnecessary to deal with acquiescence (or waiver) and estoppel as separate defences – indeed it may, in my view, fairly be said that defendant’s special defences amount to one of abandonment by plaintiffs of any right to any of the relief claimed by them in this action, whether by way of interdict or damages, and they may conveniently be dealt with on the same basis.”

479 See the Abdulhay M Mayet case (note 402).

480 Webster and Page South African Law of Trade Marks (1997) 7-16.

481 [2001] RPC 922.

482 Page 931 paragraph 24.

483 If one or both the defences are successful, it would, of course, not exclude the concurrent user from filing an application in any event so as to prevent the use of the mark by other parties.

484 1974 (2) SA 125 (C).

485 Page 137 A.

486 1990 (3) SA 897 (C).

487 Page 922 F – G (own emphasis)

3.3.2.8.1 Acquiescence

In Safari Surf Shop CC v Heavywater⁴⁸⁸ it was said that:⁴⁸⁹

“For a defence of acquiescence to succeed, it must be shown that the person against whom the defence is raised, has lain by with full knowledge of his rights and of the infringement of those rights.”

With regard to English law, reference can be made to DaimlerChrysler AG v Javid Alavi (t/a Merc)⁴⁹⁰ where the defendant had used the mark Merc in relation to clothing for 30 years. The court stated that mere delay does not form a ground of defence unless it gives rise to a defence in terms of trade mark legislation,⁴⁹¹ or amount to acquiescence.⁴⁹² It was added, however, that:⁴⁹³

“These facts cannot support a plea of acquiescence. But the period of trading is very long. Had I found that Mr Alavi had infringed one or more of the Mercedes marks, but that there was no passing-off, and that there had been no damage, perhaps the question of delay should have to be considered in the context of relief.”

In Policansky Brothers v Hermann & Cannard⁴⁹⁴ it was said⁴⁹⁵ that it would be inequitable for a person to lay by for a considerable time. In relation to the latter criterion Webster and Page⁴⁹⁶ state that:⁴⁹⁷

488 [1996] 4 All SA 316 (D).

489 Page 323.

490 Note 462.

491 Insofar as passing off was concerned, it was said (paragraph 67) that:

“I should just add that there must come a time after which the court would not interfere with a continued course of trading which might have involved passing off at its inception but no longer did so: logically, this point would come six years after it could safely be said that there was no deception and independent goodwill had been established in the market by the protagonist.”

492 Paragraph 112.

493 Paragraph 113 (own emphasis).

494 1910 TPD 1265.

495 Page 1281.

496 South African Law of Trade Marks (1997).

497 Page 12-84 – 12-85

“What constitutes lying by for ‘a considerable period’ or an ‘inordinate’ delay poses a difficult question of fact. It would appear to be quite impossible to lay down any hard and fast rules; each case must necessarily be decided upon its merits; where the defendant has used on a very substantial scale and where his use has been attended by considerable publicity a shorter period would no doubt be required than in the case where the defendant has operated on a lesser scale. The prejudice occasioned by an interdict in the case of the former would for obvious reasons be far greater than in the case of the latter.”

In William Grant & Sons Ltd v Cape Wine & Distillers Ltd⁴⁹⁸ the plaintiff was said to be barred from instituting proceedings in view of the delay that occurred after they became aware of the use of the defendant. The court attached weight to the fact that, initially, the defendant’s position in the market did not threaten the plaintiff. It was accepted that, hypothetically, action at a later stage, once the defendant became a leading brand, whilst originally being an insignificant part of the market for some years, after its launching, was in order. The test was said to be:⁴⁹⁹

“It was for defendants to show that their invasion of plaintiffs’ right had been, for a sufficiently appreciable number of years, substantial enough to justify (and indeed require) the institution of proceedings by plaintiffs, if an end was to be put to defendant’s unlawful competition.”

It was also said that:⁵⁰⁰

“The mere lapse of a number of years during which plaintiffs took no action does not in itself justify a finding of acquiescence on their part.”

It may be appropriate to state that the nature of the passing off concerned, namely a misrepresentation as to the origin of the goods, may have influenced the court. The approach where there is a (mere) inter partes dispute, leading to confusion, but not deception, as in this case, could be different.

498 Note 486.

499 Page 923 H.

500 Page 924 A

Lastly, it must be pointed out that it does not appear correct, with respect, to allow a plaintiff to adopt a “wait and see” attitude to determine if, in effect, the defendant’s business will prosper.

3.3.2.8.2 Estoppel

Rabie⁵⁰¹ defines estoppel as follows:⁵⁰²

“The doctrine of estoppel as applied in the courts of South Africa may generally be said to exist in this, that where a person has by his words or conduct made a representation to another person (the representee) and the latter, believing in the truth of the representation, acted thereon and would suffer prejudice if the representator were permitted to deny the truth of the representation made by him, the representator may be estopped, that is precluded, from denying the truth of his representation.”

The concurrent user will have to negotiate a number of obstacles. Firstly, it is a requirement for estoppel that the misrepresentation must relate to an existing fact, and a representation as to future intention cannot form the basis of a plea of estoppel.⁵⁰³ Consequently, the fact that a proprietor does not take action, and seemingly lead the concurrent user to believe that the former is not concerned with his use, will not allow the concurrent user to argue that he relied on the inaction of the proprietor. However, decisions such as that in Garlick Ltd v Phillips⁵⁰⁴ are to the effect that a pattern of conduct which relates to future intention can, indeed, be seen as a representation of an existing fact.

Secondly, if the proprietor was negligent, in the sense that he ought to have been aware of the use, it is in principle possible for the concurrent user to rely thereon, as negligence is a ground for estoppel.⁵⁰⁵ The concurrent user does not have to show dolus on the part of the proprietor. That would by implication require knowledge of the

501 The Law of Estoppel in South Africa (1992) Butterworths, Durban.

502 Page 1.

503 Rabie The Law of Estoppel in South Africa 41.

504 1949 (1) SA 121 (A).

505 Rabie The Law of Estoppel in South Africa 101

use of the concurrent user. However, it would seem that only in exceptional cases would it be arguable that the proprietor should have been aware of the concurrent user's use, in particular having regard to geographical considerations.

Thirdly, the question as to whether a misrepresentation was being made by an ommissio, and also whether a causal connection exists, could be problematical. This appears from decided cases. In Safari Surf Shop CC v Heavywater,⁵⁰⁶ the following was said:⁵⁰⁷

“In the answering affidavit the second respondent says that he relied on the applicant's conduct in raising but not seeking relief in relation to any logo in the first [application] and continued to use “Jarvis' spider mascot”. He says he even sought legal advice at the time of the first application and was advised that he could still use the Jarvis spider mascot because if the applicant had objected to it, it would have done so in the first application. The applicant, in reply, merely denies these allegations.

In my opinion the fact that the applicant did not seek relief in relation to the spider device in the first application could not be construed as a representation to the respondents that it had no objection to the respondents' use of that device, and certainly not as a representation that it had no objection to such use, whatever form the use may take. Furthermore, I doubt very much that the respondents' continued use of the spider mascot was induced by a belief that the applicant had no objection to that use. The respondents' case is that they used the device before the application was brought, that they continued to use it thereafter and that they have a right to use it. It would appear, therefore, that what induced them to continue using the device was not any representation on the part of the applicant, but their belief that they had the right to do so...”

The decision in Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point)(Pty) Ltd⁵⁰⁸ is in a similar vein. There the following was said:⁵⁰⁹

506 [1996] 4 All SA 316 (D).

507 Page 324 (own emphasis).

508 Note 484.

509 Page 136 C – H (own emphasis)

“It appears from Stahr’s opposing affidavit that respondent decided as far back as October, 1972, to establish a business which it intended to call the “Bar-B-Que Steakhouse”, that respondent regarded itself as entitled to use that name and that respondent was under the impression that it did not require applicant’s consent. In fact respondent still denies that it requires applicant’s consent. It seems to me, therefore, that one of the essentials of estoppel is lacking: respondent was not induced to do what it did as a result of a representation by applicant, but rather by its belief that it had the right to do so.

Mr *Marais* argues, however, that respondent’s belief was nurtured by du Preez’s lack of objection and that that is sufficient to form the basis of an estoppel. He contends that had du Preez objected respondent might have sought legal advice and might have applied for a declaratory order. It is, however, nowhere stated in respondent’s affidavits that respondent would in fact have followed either of the courses suggested by counsel. In the absence of an allegation that respondent would have desisted had applicant objected, the whole question becomes one of speculation and I do not think that respondent can, in the circumstances, be said to have established the basic requisite of estoppel, viz. that it has acted to its prejudice as a result of a representation by applicant.”

The second paragraph of the passage seems to leave open the possibility of a defendant relying, in given circumstances, on the lack of action on the part of the plaintiff. However, the general tenor of the above two cases indicates that the courts will not easily allow this defence.

3.3.2.8.3 Statutory balance

The fact that use over an extended period of time cannot provide the user with a “defence” against a trade mark proprietor in the above instances, can clearly be perceived as unfair. It is thus necessary to refer briefly to a mechanism which could balance out this situation. If regard is had to the Diggers Grill decision,⁵¹⁰ which is discussed below, it appears that the defendant may expunge, at least partially, the

510 Note 406

registration of the proprietor. This is apart, of course, from obtaining registration on the basis of honest concurrent use.

3.3.2.9 The interaction of user and registration rights

3.3.2.9.1 Obtainment of registration

(a) Ordinary registrations or applications

(i) Section 10(14)

In terms of section 10(14), the later application will be blocked by an earlier registration. The existence of this registration will come to the notice of the Registrar when he conducts a search of the Register, as he is obliged to do in terms of regulation 15(2). The earlier registration will prevent the application from proceeding to acceptance, unless the Registrar is convinced by way of affidavit that honest concurrent use has taken place.⁵¹¹ If the application is accepted, the registrant can of course oppose it. However, according to section 36(1), the registrant may not object to an honest concurrent use application of a prior user “on such use being proved.”

If B’s registration is cited against the application of A, the prior user, the one option A may have is to expunge B’s registration on the basis of prior use. The other option is to present evidence of concurrent use, and to obtain acceptance. This will, of course, imply that A will be bound to its actual area of use, as well as the specific product in relation to which use has been made. Had A filed earlier, that is, prior to B, these restrictions would not have to be accepted. If B’s registration is not cited against A’s application, it would seem appropriate that, if B files an opposition, his opposition should be rejected if A can prove prior use. This would follow from general principles of priority which underpins the Act, and which is, indeed, enshrined in section 36(1), dealing with the prior use defence in infringement matters. This should be the outcome whether or not B’s registration is expunged.

The fact remains that in some instances the prior user’s application must be restricted,

⁵¹¹ See the discussion in paragraph 3.3.2.2

in order to obtain acceptance, and the question that is raised is whether this is equitable. On the one hand, it may be argued that that is an inevitable result of his failure to apply for registration, and, on the other hand, it can be stated that the priority of use should still be decisive. One approach may be for the Registrar to inform the applicant that if he can demonstrate prior use on affidavit, as is the case, mutatis mutandis, with honest concurrent use, he would issue acceptance, and all the relevant facts can then be fully ventilated in the course of the opposition proceedings. Here, of course, prior use means use prior to the earlier registration's filing date. If the application prevails, he would have a registration without limitations. If the earlier registrant has use prior to the applicant's use, the former would prevail.

(ii) Section 10(15)

It becomes necessary in the above context to have regard to section 10(15). In this situation a later application by A, the prior user, can be opposed by B, an earlier applicant. Like the above position with section 10(14), the Registrar will have a seemingly firm guideline, being the respective filing dates. A, although a prior user, could be forced, in order to obtain acceptance, to limit his application to his actual use, in particular as there is no registration to expunge. A would clearly have benefited from the early filing of an application, and the restrictions he will have to agree to, is, perhaps, the price he has to pay to obtain the section 14(1) "springboard" to obtaining acceptance. In this situation one is in fact dealing with prior use being taken into consideration for registration on the basis of honest concurrent use, and the relevance of prior use is really to assert a "right to register." A could, perhaps, be given the option to submit evidence of earlier use, to maintain his specifications. If A then establishes prior use in the hearing, the matter should be decided in his favour.

(b) Well-known marks

(i) Well-known marks as envisaged in the Paris Convention

In this instance the problematic mark will not necessarily be registered, and in order to apply the provision, the Registrar would presumably have to take judicial notice of the fact that that mark is well-known. If a citation is issued in terms of section 10(6), the

applicant will have the opportunity to overcome the citation on the basis of honest concurrent use. If regard is had to section 36(2), it is clear that the legislature, however, also envisaged that prior use will be possible. Despite this, it would seem theoretically possible that the applicant could be forced to restrict his specifications which, in view of his earlier rights, appears to be inequitable. He should thus again, as suggested in the above two instances, be given the opportunity to submit an affidavit dealing with prior use.

(ii) Well-known marks in a dilution context

The situation envisaged by section 10(17) does involve a registration which can be used as a yardstick. However, the conflict is not necessarily between that registration and the application involved, as the fame of the well-known mark is projected, by way of legal fiction, into the class in which the applicant has filed. It is thus relatively difficult to decide when an applicant has priority of use, and when there will be only "concurrent use." As is the position with section 10(6), the Registrar would probably have to take judicial notice of the fame of the marks involved. The applicant should be given the opportunity to show his use prior to the extension of the fame of the mark to the class concerned, a task that would entail evidential difficulties.

(c) User rights

(i) Section 10(12)

Section 14(1) does not make any reference to section 10(12). Having regard to the above discussion it would seem that a credible explanation for this may be the fact that the Registrar will not be aware of such an impediment to registration, and can thus not issue a citation on that basis. Accordingly, there is no need for provision for honest concurrent use. It must be pointed out, however, that if the Registrar sees his way clear to invoke section 10(6) or 10(17) in the examination of an application, it is in principle possible to invoke section 10(12) on the same basis. This is possible, in particular,

when regard is had to the McDonald's decision,⁵¹² wherein the SCA stated the following.⁵¹³

“It seems logical to accept that the degree of knowledge...that is required [for a well-known mark] would be similar to that protected in the existing law of passing-off.”

The above is, of course, based on the assumption that the quantum of use sufficient for a successful opposition under section 10(12) is sufficient for passing off. This appears to be the position as in both cases the existence of a reputation is the norm, and judicial notice could be taken of both.

What is the position where an application is opposed on the basis of prior user rights? In this regard it is of value to have regard to the decision in John Fitton's Application.⁵¹⁴ Here A had use prior to B, but B already had a registration. A obtained acceptance on the basis of honest concurrent use. A attempted to rely on the prior use infringement provision to estop B from opposing its mark, but the provision was held not to be relevant. It was also held that, leaving aside its registration, B could, independently, oppose the application on the basis of its use.

If it is accepted that use is an independent ground of opposition, the court's approach in the Fitton case⁵¹⁵ is incorrect when it is borne in mind that B did not have prior use. In the discussion below, it will be assumed that the factual scenario involves an opponent that does have prior use.

In Spillers Ltd's Application,⁵¹⁶ a seemingly different view to that in the Fitton case⁵¹⁷ was followed. The court considered and accepted the decision in Bass, Ratcliff & Gretton, Ltd v Nicholson & Sons Ltd.⁵¹⁸ and then made the following finding:⁵¹⁹

512 Note 73.

513 Page 21 C - D.

514 [1949] RPC 110.

515 Note 514.

516 [1952] RPC 327.

517 Note 514.

518 [1931] RPC 88.

“[C]ases where the Court or Registrar thinks fit to exercise the discretion conferred by Sec.12(2) do not fall within the general prohibition contained in Sec.11. This being so, it would appear logical in cases which come within Sec. 12(1) to consider first whether the case is one in which the discretion conferred by Sec. 12(2) should be exercised so as to allow registration of the mark, and if the answer is in the affirmative, it cannot be necessary to consider Sec. 11 separately, because if there are reasons other than resemblance to an existing mark which cause the proposed mark to be disentitled to the protection of the Court, such reasons must surely affect the exercise of the discretion conferred by Sec. 12(2). It is not possible, as it seems to me, to apply the provisions of the Act as though they were in separate compartments.”

It would seem that this passage does not correctly reflect current South African practice, depending on the interpretation given to section 10(12). The authors Webster and Page⁵²⁰ set out the position as follows:

“Section 14(1) is the dominating subsection and once discretion has been exercised under this subsection in favour of a trade mark which would otherwise be debarred from registration under section 10(6), (14), (15), or (17), it is unnecessary to consider section 10(12) separately, since, in the exercise of that discretion, consideration would have been given to factors which may have prevented registration, including those relevant to an objection under section 10(12).”

It is not clear, however, whether section 10(12) will indeed have been considered. It can be accepted for current purposes that section 14(1) is the dominant section and could override section 10(12), but it is another matter to say that section 10(12) has in fact already been considered in the sense discussed before. Webster and Page⁵²¹ make the following statement in another context:

“Section 10(12) is designed largely for the protection of the public against all forms of deception and it is of great importance. Like its predecessor section

519 Page 337 line 17 – 26 (own emphasis). Section 11 deals with prior user rights, and section 12(1) with an opposition based on a registration. Section 12(2) relates to honest concurrent use.

520 South African Law of Trade Marks (1997) 6-34 (own emphasis).

16(1), it is envisaged that it will frequently be resorted to by the Registrar of Trade Marks in refusing trade mark applications and by objectors in opposing trade mark applications. It has frequently been stated that in an application for registration there are two distinct stages: in the first stage – the stage of acceptance – the Registrar guards the public interest, whereas in the second stage – that of opposition (if any) – he is concerned more particularly with the conflicting interests of the applicant and the objectors. It is respectfully submitted, however, that this does not mean that the Registrar's duty to protect the public is in any way less at the stage of opposition than it was at the stage of acceptance: it merely means that at the stage of opposition he is concerned with the individual interests of the objectors, of which he may have been unaware at the stage of acceptance, in addition to the public interest.”

It is conceivable that the Registrar may issue a citation if a mark is deceptive, for instance, in relation to the origin of the product, its characteristics, or if it could hold a danger to the public. In this context one can agree with the court and the authors that this facet of section 10(12) will have been considered, and in this narrow sense, section 14(1) will be an umbrella provision, incorporating section 10(12) concerns relating to deceptiveness.

However, the rights derived from prior use is a further dimension of the section 10(12) matrix. In other words, “double” consideration may only occur in relation to grounds of objection other than the resemblance to a mark, such as deception inherent in the mark. Prior use is thus not necessarily already considered when a decision is made as to the acceptance of an application. At the latter stage the Registrar will not be aware of user rights. In this context, the views of the above judgement and writers cannot be accepted. To be fair, it should be pointed out that in the passage from the ruling quoted above, the court did specifically exclude “reasons other than resemblance to an existing mark which cause the proposed mark to be disentitled to the protection of the Court.” In other words, a conflict with a prior user was not considered.

It must be pointed out that the consideration that section 14(1) is the “dominant” section at the stage of acceptance, should, strictly speaking, be of no consequence in

opposition proceedings. Evidence of extensive use, which may be typified as "honest concurrent use", will obviously be relevant insofar as confusion is concerned, but the Registrar, sitting in "review", in a sense, of the decision of his examiner, cannot be biased, dogmatically, in favour of the applicant. An opposition hearing is not in the nature of an appeal relating to the examiner's exercise of his discretion, it is a fresh enquiry into the applicability of, usually, sections 10(12) and (14). Section 14(1) is merely an historic fact.

In **summary**, the Registrar should in principle be entitled to consider the prior use component of section 10(12) in the context of an application based on honest concurrent use.

(ii) Section 10(16)

Here the earlier application of A can be opposed by the later applicant, B, who must prove existing rights, which is interpreted to relate to prior use.⁵²² Here the explanation for the absence of a reference to section 10(16) in section 14(1) is apparently again that the Registrar will not be aware of the later applicant's existing rights, and will thus not be able to refuse the earlier application on that basis. In this context, the Registrar cannot, as was suggested above is theoretically possible in the case of section 10(12), take cognizance of the later applicant's rights, as the use would per definition not be of such a degree as to have established a reputation.

3.3.4.5.2 Retention of registration

Section 14(2)⁵²³ of the Act includes a provision that was not contained in the previous Act, and which is not found in the British Trade Marks Act of 1994. The wording of section 14(2) is as follows:

522 Of a lesser extent, however, than would be required for an opposition based only on prior use.

523 It must be pointed out that section 14(2) proceeds from the premise that there is a proprietor which in principle has a prior and dominant right to a mark. This notwithstanding, a third party has somehow managed to obtain registration of a mark which offends the stated provisions. The registrant has, however, used the mark on an honest concurrent basis. When the dominant rights holder moves for the expungement of the registration obtained in conflict with the sections, the question as to honest concurrent use is placed on the table by the registrant. Such use could provide a basis for the retention of a registration, in contrast with section 14(1) which relates to the obtainment of registration. The underlying theme, however, is that the registrant is not "entitled" to the registration obtained

“In the case of a trade mark which is sought to be removed from the register on the ground that it offends against the provisions of paragraph (6), (14), (15) or (17) of section 10, the court or the registrar, as the case may be, may, in the case of honest concurrent use or of other special circumstances which make it proper to do so, refuse to remove the trade mark from the register.”

The question as to the absence of any reference to user rights was answered in the previous discussion by stating that the apparent reason was the fact that the Registrar would not be aware of such rights, and can thus not refuse an application on that basis. The following situation can be postulated to analyse this aspect further. A commences use in 1995. B commences extensive use in 1997, and obtains registration in 1999. In 2004 A institutes expungement proceedings against B on the basis of section 10(12). In this case there would, in contrast with the position at the examination stage in terms of section 14(1), indeed be sufficient details of both parties' user position, having regard to their papers.

With the apparent ratio thus changed, one would expect a concomitant change in the wording of the enactment, in other words, the inclusion of section 10(12). This is not the position. B cannot rely on section 14(2).

In the cases of section 10(6) and 10(17), for which provision is made, the Registrar will also not have information in front of him, yet he can refuse to accept a mark. It would thus appear that the Registrar's practice is not the true reason for the absence of a referral to sections 10(12) and 10(16). The answer could lie in the following.

There appears to be a lack of a proper delineation of the contents of section 10(12). This could explain the approach adopted in both the previous and current legislation

Webster and Page South African Law of Trade Marks (1997) 6-35 state that this provision was probably introduced to cover situations such as that in the Diggers Grill case (note 406) where the proprietor could not rely on honest concurrent use. In other words, the registration of A, the Transvaal user, is attacked by B, the Natal user, but on the strength of section 14(2), A's registration can be retained. It is not clear whether this view correctly explains the import of the provision. It is namely a prerequisite that the registration must first fall within the sections stated, and A's does not. It can be speculated that section 10(12) could feature if B's use can be seen to provide prior (user) rights in Natal. The problem with this explanation is that section 14(2) does not refer to section 10(12). The outcome of the Diggers Grill case would thus be the same under the current Act

insofar as the exclusion of honest concurrent use in relation to that section is concerned. More in particular, that in order to cast the net wide enough to catch truly deceptive marks, marks “merely” likely to lead to confusion on account of their similarity with an unregistered mark, were included too. From this point of view there can, indeed, be no possibility for a mark that is in conflict with section 10(12) of the Act, in its broad import, to be registered on the basis of honest concurrent use. The case of Bass, Ratcliff & Gretton, Ltd v Nicholson & Sons Ltd.⁵²⁴ correctly pointed out that the likelihood of deception contemplated by an equivalent of section 10(12) need not necessarily flow from (a) any resemblance between the matter proposed to be registered and another (unregistered) mark, and might flow from (b) something contained in the matter proposed to be registered. A differentiation is thus made as to the contents of the prohibition, which is of a dual nature.

The above distinction is borne out by the British Trade Marks Act 1994, which allows “registration” on the basis of honest concurrent use as against a prior user, making that a relative ground of opposition – (a) above. From the latter must be distinguished the balance of the traditional content of the provisions under discussion – (b) above – which is an absolute ground of opposition. In this regard section 7(4)(a) provides that the section does not affect, in other words, provide an exemption from, the prohibitions of, amongst others, section 3(3). The latter determines that:

“A trade mark shall not be registered if it is:

- (a) contrary to public policy or to accepted principles of morality, or
- (b) of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or services).”

Section 10(12) of the South African Act provides that the following mark shall not be registered:

⁵²⁴ Note 518

“...a mark which is inherently deceptive or the use of which would be likely to deceive or cause confusion, be contrary to law, be *contra bonos mores*, or be likely to give offence to any class of persons;”

As stated, it is understandable that a mark which is inherently deceptive cannot be registered. However, a mark that is “only” likely to cause confusion should be able to qualify for registration. Confusion should, of course, be seen in perspective, as the substantial use of a mark would often decrease the likelihood of confusion. Be that as it may, the allowance for registration of a mark that is confusingly similar with a registered mark indicates that the legislature is prepared to grant registration even in such circumstances. The same should apply to an unregistered mark.⁵²⁵

It is submitted that the true reason for the exclusion of honest concurrent use in cases of an opposition on the basis of prior user is the incorrect identification of the nominal rubric of (inherently) deceptive marks with the ground of refusal under which prior use would fall.

In **summary** of the discussion on both the obtainment of acceptance, and the retention of a registration, it appears that the issue of use by the applicant or registrant is not adequately dealt with. It is accordingly suggested that the legislation should be amended so as to make use a relevant factor.

3.3.2.10 Sidewalk Cafes (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd.⁵²⁶

The interaction of several aspects of the issue of honest concurrent use can be illustrated with reference to the above decision. The sequence of events was that A commenced use of his mark in Brakpan, in the then Transvaal, in October 1982. B commenced use in Durban, in the then Natal, in May 1984. In June 1984 A became aware of B’s use. In September 1984 A filed a trade mark application for his mark. In December 1984 A demanded that B cease the use of his mark. In November 1985 the

⁵²⁵ The assumption is, of course, that the Registrar will be in a position to issue a section 10(12) citation on the basis of a conflict with a prior user’s rights.

⁵²⁶ Note 406

registration certificate was issued.⁵²⁷ In April 1987 B was informed of A's registration. In regard to the latter, the court stated that:⁵²⁸

“Applicant learnt for the first time that respondent had registered the trade mark on 16 April 1987. This is two and a half years after respondent had registered the mark.”

It is correct that in terms of the previous Act a mark is registered as of the date of application,⁵²⁹ which was the 20th of September 1984. However, from the date on which the registration certificate was actually issued a period of one and a half years passed. This fact was seemingly overlooked by the court, and would tend to indicate that A did not actually wait for such a long time after the mark was “registered.”

B consulted telephone directories for the major cities, but found no entry for A. B was held to have been ignorant of the existence of A.⁵³⁰ B's mark was promoted on an extensive basis, and having regard to all the evidence, the court found that B's mark was well-known on A's filing date.⁵³¹ B's use and reputation was in fact found to be equal or greater to that of A.⁵³² Having regard to the evidence, the court made an order that A's registration should be rectified so as to exclude the province of Natal.

B did file an honest concurrent use application in terms of section 17(2). In this regard the court said the following:⁵³³

“Counsel told me the s 17 application may still take a year to be finalised if unopposed and several years if opposed. The application had not been processed yet and there is no guarantee that [A] will not oppose the application.”

It was also stated that:⁵³⁴

527 This fact was not mentioned in the decision, but was ascertained from a search of the Register by the author.

528 Page 196 I – J.

529 Section 37(1).

530 Page 194 H.

531 Page 196 D.

532 Page 197 G.

533 Page 197 D – F

“I accept (without deciding so) that applicant [B] is also entitled to limited registration in terms of s 17 of the Act. There is, however, no justification for me to withhold relief from the applicant and to require him to battle further with his s 17 application and to labour further under the threat of the Natal application. Applicant is entitled to relief without delay.”

This approach inevitably raises the question as to the interaction between a normal application for registration on the basis of honest concurrent use lodged with the Registrar, and High Court infringement proceedings. It was noted above⁵³⁵ that in Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Company Ltd⁵³⁶ it was said that the court does have a discretion to stay infringement proceedings, but that that discretion is to be exercised sparingly and only in exceptional circumstances.⁵³⁷

In the event that an applicant is constrained to rely on the “normal” route, it is clear that severe administrative obstacles could be encountered, in particular as far as the processing of an application is concerned. At the time of writing the examination of a trade mark application will only take place 36 months after filing. In theory, an applicant could thus be subject to an infringement order for such a time as to effectively place him out of business. Contrary to what one would expect, however, this problem is not unknown to other countries.⁵³⁸

Lastly, reference must be made to the following. A indicated that, on the strength of legal advice, action was not instituted until after registration issued, and that the trade mark application was filed for the purposes of taking action against B. It was stated in this regard by the court that:⁵³⁹

“It is therefore clear that [A], while he knew of [B’s] use and interest in and goodwill in the trade mark, registered the trade mark *inter alia* in order to stop [B]

534 Page 198 J – 199 A.

535 Paragraph 3.3.1.4

536 Note 402.

537 Page 1048 H - I.

538 See, for instance, the comments of the court in Second Sight Ltd v Novel UK Ltd [1995] RPC 423.

539 Page 197 C. (own underlining)

from using the trade mark in which [B] had by then acquired a real substantial vested interest and on which [B] had spent a considerable amount.”

It would seem to be a legitimate motive for filing a trade mark application to protect a trade mark, and it is not clear why the court seemed to suggest that some moral censure should be applied. This situation is one of the reasons for the introduction of the system of trade mark registration, namely to strengthen the position of the person first to use a mark, where the common law does not provide adequate protection.

In **summary**, both the 1963 and 1993 Acts provide for an application obtaining acceptance on the basis of honest concurrent use. The 1993 Act also contains protection for a mark that is already registered, if there has been honest concurrent use of the mark. A number of factors are taken into account in order to ascertain whether use can be considered to fall within the purview of the Act, but the most problematic has been the issue of knowledge of a mark. It was proposed that British case law should be followed, and that knowledge in itself should not exclude protection. Instead, attention should be given to the reason for the adoption of a particular mark. It was also submitted that the fact that a user honestly believed that the use of a mark would not be infringing, does not exclude a finding that the use does not amount to honest concurrent use.

3.4 Prior use defence

3.4.1 Previous Act

The provisions of section 45 of the Act are substantially the same as that of the current Act, which are discussed below.

3.4.2 The current Act

The prior use defence would feature primarily in the context of an application for an interdict based on infringement, but may also be relevant in the case of honest concurrent use matters. The defence is discussed below with reference to the various types of infringement envisaged by the Act.

3.4.2.1 Infringement in terms of section 34

3.4.2.1.1 General enabling provision

Section 36(1) states the following:

“Nothing in this Act shall allow the proprietor of a registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in respect of goods or services in relation to which that person or a predecessor in title of his has made continuous and *bona fide* use of that trade mark from a date anterior –

- (a) to the use of the first-mentioned mark in relation to those goods or services by the proprietor or a predecessor in title of his; or
- (b) to the registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his,

whichever is the earlier, or to object (on such use being proved) to the trade mark of that person being registered in respect of those goods or services under section 14.”

The use relied on must be substantial, according to Williams Ltd v Massey Ltd.⁵⁴⁰ In Concorde Trade Mark⁵⁴¹ it was said that the concept “substantial” has to be considered in relation to the trade concerned.⁵⁴² The use must also be continuous.⁵⁴³ It must be borne in mind in reviewing the provisions of the Act, that prior use will not only be relevant for defensive purposes. If there is substantial and continuous use, and the respective goods correlate, the prior user will be in a strong position to expunge the mark concerned. Everything will thus not necessarily rest on whether there is protection under the prior use provisions. The honest concurrent use provisions must, of course,

540 [1911] RPC 512.

541 [1987] FSR 209.

542 Page 226.

543 See the decision in Smith Bartlett & Co. v The British Pure Oil Grease and Carbide Co. Ltd. White Co. Ltd [1934] RPC 157

also be considered.

3.4.2.1.2 Infringement provisions

(a) Section 34(1)(a)⁵⁴⁴

The above section provides the following:

“The rights acquired by registration of a trade mark shall be infringed by –

- (a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion;”
- (i) Absolute priority

In the above context, the simplest situation in which section 36(1) can find application is the following. A commences use of his mark on wine in 2000. B obtains a registration for wine based on a 2001 filing date, and commences use in relation thereto in 2002. A can rely on section 36(1). If, in the former situation, B had not used his mark, the phrase “whichever is the earlier” would not come into play, but on general principles, A would, of course, still have priority. In the situation where A uses his mark in relation to wine by selling 100 bottles in 2000, and B later obtains a registration therefor based on a 2001 filing date, A will not be able to rely on section 36(1). This will be the conclusion if it is assumed that such use is not substantial.

⁵⁴⁴ This provision is in line with the rights granted by section 44(1) of the previous Act, although it is often not appreciated that it, in effect, creates a presumption of infringement. Job in Visser (ed) The New Law of Trade Marks and Designs 24 states that actual confusion or the likelihood thereof is not necessary.

(ii) Relative priority

The determination of the appropriate outcome is more complex where the goods concerned are not exactly the same, as per the following example. A commences use of his mark in relation to shoes in 2002. B obtains a registration for “clothing”, based on a July 2003 filing date, and commences use of the mark in August 2003. In December 2003, A commences use of the mark in relation to socks. Can he rely on the earlier event of use in relation to shoes?

The answer to the above would be in the negative if regard is had to the decision in Everest (Long Eaton) Ltd v P. Camm, Ltd.⁵⁴⁵ Here the corresponding provision in the 1938 British Trade Marks Act was considered. A commenced use of a mark in the 1920s in relation to wicker and woven fibre chairs. B obtained a registration in 1932 in relation to upholstered chairs. A later commenced use of the mark in relation to upholstered chairs, more in particular, open arm upholstered fireside chairs. In rejecting A’s defence of prior use, the court found that:⁵⁴⁶

“[T]he word ‘goods’ is used not as synonymous with the whole category which is specified in the registration, but is used to refer to the particular goods or species of goods in respect of which the Defendant proves user in fact.”

In coming to this conclusion, the court had regard to evidence from the trade, which led it to the following conclusion:⁵⁴⁷

“[F]rom the evidence the wicker and woven fibre type of armchairs, even though upholstery has been applied to it, is treated and has always been treated in the trade quite plainly as a distinct article; so that it does not suffice...to show user only in respect of that type of armchair, for such user would not be user in relation to upholstered chairs at all.”

A’s later event of use could thus not be “tacked on” to its earlier use, in other words, the use on wicker and woven fibre chairs did not give him the right to (also) use the mark in

545 [1950] RPC 200.

546 Page 203 line 54 – page 204 line 2 (own emphasis).

547 Page 204 line 4 – line 9 (own emphasis)

relation to upholstered chairs. It thus appears that although the court used the phrase “species” of goods, its finding was made in relation to the specific goods on which B actually used his mark. No “line extension” was allowed.

A restrictive approach was also followed in the later decision in Dreamland Trade Mark.⁵⁴⁸ Following the Everest case,⁵⁴⁹ the court rejected the prior use defence, as the goods concerned were not identical with any of the goods for which the opponent’s mark is registered, or in respect of which they have used their mark.

It falls outside the scope of this work to undertake an exhaustive review of case law dealing with the relation between apparently different goods in the context of other areas of trade mark law where different policy considerations could, of course, apply. A brief overview is nonetheless in order. Of interest, firstly, is the so-called “red caddy principle”, as mentioned in Premier Brands UK Ltd v Typhoon Europe Ltd.⁵⁵⁰ where it was said that:⁵⁵¹

“One does not dig deeper and, as it were, narrow a particular category of item to reflect the extent of the goods to which the mark has been used. Thus, if the only “domestic...container“ in connection with which the mark had been used was a red tea caddy, it seems to me that the registration should remain in respect of domestic containers; it should not be cut down to, for instance, containers for food, containers for tea, tea caddies, or red tea caddies...[A]s a matter of principle, it appears to me that one should take the registration as one finds it.”

There is thus a possibility of wider protection, but whether this approach would have been of assistance to A in the Everest case,⁵⁵² so as to be able to cross the divide between the two types of chairs, is unclear.

548 [1952] RPC 219.

549 Note 545.

550 [2000] FSR 767.

551 Page 808 (own emphasis).

552 Note 545.

Secondly, brief reference can be made to a number of English cases dealing with the issue of non-use. In the decision in Kodiak Trade Mark,⁵⁵³ the court stated, obiter, the following:⁵⁵⁴

“Applying that it seems to me that T-shirts are not goods of the same description as footwear. The critical matters would be that although some footwear is sold in the same departments and in the same stores or parts of the store at which some T-shirts are sold, the great bulk of both items are sold separately.”

Other cases dealing with non-use are also instructive.⁵⁵⁵ In Cepravin,⁵⁵⁶ the specification of a mark used only in relation to two veterinary medicine products was reduced from “pharmaceutical and veterinary preparations and substances” to “antibiotic preparations for use in veterinary treatments.” In Academy⁵⁵⁷ the mark was registered for articles of clothing. The evidence related to use on leisurewear. The specification was amended by the exclusion of footwear. In Re Zamoyski Trade Mark,⁵⁵⁸ the mark was registered in relation to “wines, spirits, and liqueurs”, but used in relation to vodka. The specification was restricted to the latter. In Club Soda,⁵⁵⁹ the registrations covered “non-alcoholic drinks and preparations for making such drinks,” but were used only for non-alcoholic drinks. They were expunged for preparations for making such drinks. Also, a registration for “beverages containing not more than 2% (by volume) of alcohol” was partially expunged, by limiting the specification to non-alcoholic beverages. These cases can be characterised as being strict in so far as the scope of protection that is retained is concerned.

553 [1990] FSR 49.

554 Page 67. See also the approach adopted in the DaimlerChrysler case (note 189) where a broad specification for clothing was revoked (paragraph 73), except for specific items such as baseball caps and scarves (but see also the court’s caveat in said paragraph).

555 These decisions are referred to in Morcom et.al. Modern Law of Trade Marks 150 – 151, and the summaries set out in the latter are used here.

556 Unreported decision of the Registry, noted in CIPA Journal June 1997 448.

557 Unreported decision, 27 November 1998, noted in New Law Digest 1 March 1999, 699031803.

558 Registry, unreported, 4 December 1998, noted in New Law Digest 10 March 1999 699032101.

559 Unreported, 17 November 1998 noted in New Law Digest 10 March 1999 699032103

Morcom⁵⁶⁰ summarises the position as follows:⁵⁶¹

“In the absence of decisions of the court on these questions of partial rectification, or any clear rulings from the registry, the present position is somewhat unclear. It is submitted that a proprietor ought, in general, as a matter of principle, to be allowed to retain a registration for a broader description of goods or services than his specific product or products. For example, in the *Zamoyski* case, there might well have been some justification in allowing the registration to remain for “spirits” and not just “vodka”; in the *Cepravin* case although it was right to revoke the registration for pharmaceutical preparations and substances, there might have been an argument in favour of retention for veterinary preparations generally. However each case must be judged on its own merits having regard to all the circumstances, including the nature of the goods and services concerned and of the trade mark, and any particular factors relating to the trade in such goods or services.”

If the above authors’ view is applied to the issue under discussion, it could imply the following. A uses his mark in relation to vodka in 2002. B obtains registration for “wines, spirits and liqueurs” based on a 2003 filing date. A commences use in 2004 in relation to whisky. A broad interpretation of section 36(1) would provide A with protection. It must be re-iterated that A would, of course, have the option in appropriate circumstances to expunge B’s mark.

Of relevance are also the views of Kerly.⁵⁶² The writer states the following:⁵⁶³

“If the Court or Registry decides that there has been genuine use but only on a particular item or in relation to a particular service, the first question is whether the specification extends unduly beyond the item or service? If so, the enquiry is this: how would the notional reasonable man describe that item? Naturally, the answer depends on all the circumstances, but the answer provides the wording appropriate for that item in the specification of goods.”

560 Morcom et.al Modern Law of Trade Marks.

561 Page 151 (own emphasis).

562 Law of Trade Marks (2001).

The decision in Thomson Holidays Ltd v Norwegian Cruise Lines Ltd⁵⁶⁴ also emphasized the role of the perception of the consumer. The following was stated.⁵⁶⁵

“In my view that task [deciding on scope of rectification] should be carried out so as to limit the specification so that it reflects the circumstances of the particular trade and the way that the public would perceive the use. The court, when deciding whether there is confusion under s. 10(2), adopts the attitude of the average reasonably informed consumer of the products. If the test of infringement is to be applied by the court having adopted the attitude of such a person, then I believe it appropriate that the court should do the same when deciding what is the fair way to describe the use that a proprietor has made of his mark. Thus, the court should inform itself of the nature of the trade and then decide how the notional consumer would describe such use.”

With regard to South African law, the authors Webster and Page⁵⁶⁶ comment as follows on the Everest case:⁵⁶⁷

“It is, with respect, a little difficult to understand what precisely is implied in the phrase, employed by Evershed MR ‘particular goods or species of goods.’ The question would appear to turn on whether or not the goods (or services) are, in trade circles, regarded as constituting a separate and distinct category. The question is of considerable practical importance in determining the precise scope of the rights of the person claiming prior use. His rights would apparently not be limited to the actual goods (or services) in respect of which user has been established but would be extended to cover the ‘species’ or category of goods (or services) within which the actual goods or services fall.”

The decision in Arjo Wiggins Ltd v Idem (Pty) Ltd,⁵⁶⁸ which dealt with an expungement application, referred to some guidelines which are of value. The proprietor wished to rely on use of its mark in relation to carbonless copying paper to defend a registration for

563 Page 288 (own emphasis).

564 [2003] RPC 587.

565 Page 597 paragraph 31 (own emphasis).

566 South African Law of Trade Marks (1997) 12-80 (own emphasis).

567 Note 545.

568 2002 (1) SA 591 (SCA)

“paper and paper articles.”⁵⁶⁹ The court indicated⁵⁷⁰ that the important or “anterior” question is in relation to what expungible category of goods non-use has been shown, and then stated the following:⁵⁷¹

“Unless, therefore, it is evident to the Court (or the applicant lays a foundation suggesting) that the expungement sought describes a commercially coherent category of goods within the existing specification, the relief the applicant seeks cannot be granted if the proprietor has proved relevant use within the category. That is the position in the present case, where, in sum, the proprietor proved relevant use of its trade mark within a protected category and there is nothing to show that sustaining its registration in respect of that category would not make commercial sense.”

Applying this dictum to the problem of the prior use defence, it would seem to imply that if A uses his mark on carbonless copying paper, he could later extend his use to other goods within the same category, such as other types of paper, and would not infringe a registration of B for “paper and paper articles.”

Reference can also be made to the view of the authors Webster and Page⁵⁷² that insofar as a partial expungement is concerned, the court should permit the retention of a specification, not only for the goods on which the mark was used, but also that of a “wider description.”

Having regard to all of the above, it seems that there is some support for the approach of granting protection wider than the goods in relation to which the mark was actually used. The exact delineation of when this would be possible is not a simple matter, however. Moreover, a close reading of the Everest⁵⁷³ and Arjo Wiggins⁵⁷⁴ cases indicates that the application of the apparent “generous” principle rather evidences a relatively strict approach. It appears that the matter is, at the end of the day, a factual question, and the process of interpreting the scope of the specifications of a registration

569 The restriction found acceptable by the proprietor – page 601 B – C – which was a limitation of a wider specification.

570 Page 604 B.

571 Page 604 C – D (own emphasis).

572 South African Law of Trade Marks (1997) 13-36.

573 Note 545.

574 Note 568.

could be of a fairly technical nature. The criterion would not simply be one of degree. Instead, it appears that the nature of the goods and the perspective of persons within the particular trade, as well as that of consumers, are of importance. It is submitted that the test proposed by Kerly⁵⁷⁵ will be of value in the application of these considerations in a given instance.

To return to the question posed in the beginning, it seems arguable that insofar as shoes and socks are concerned, people within the clothing industry, the retail trade, and consumers, would consider both of them to be included under the description of “clothing.” The approach adopted in the Kodiak Trade Mark⁵⁷⁶ case would not support this view, however, decisions such as that in the Danco Clothing case⁵⁷⁷ would. There the court held the following:⁵⁷⁸

“Having regard to the evidence relating to the nature of the goods (the appellant’s clothing and the respondent’s cosmetics), their respective use, and the trade channels through which the appellant’s and the respondent’s goods can notionally be retailed, the likelihood of confusion amongst a substantial number of persons has, in my opinion, been established on the probabilities.”

(b) Section 34(1)(b)⁵⁷⁹

The above section provides the following:

“The rights acquired by registration of a trade mark shall be infringed by –...

(b) the unauthorized use of a mark which is identical or similar to the trademark registered, in the course of trade in relation to goods or services which are so

575 Law of Trade Marks (2001) 288 (own emphasis).

576 Note 553.

577 Note 359.

578 Page 861 E (own emphasis).

579 For a discussion of the Act’s provisions in this regard see Michau “South Africa: Does anyone know what constitutes similar goods? Trademark World September 1998 19. The Act’s provisions in this regard is wider than that of the previous Act, which did not extend to similar goods or services. Section 44(1) of the previous Act dealt with use in relation to, or in connection with, the goods or services for which the mark is registered. From the point of view of the proprietor of a mark, there is the advantage of an extension of rights. The effect of section 34(1)(b) should, however, be seen in perspective. In particular, it must be borne in mind that this section has been seen as one merely bringing the statutory provisions in line with the common law (Van Heerden and Neethling Unlawful Competition 196 note 291)

similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion;”

In contrast to the situation encountered under section 34(1)(a), the above provision extends to goods not contained in the registered mark’s specifications. This could imply that not only must prior use of a mark on goods included in the specifications be established, but also in relation to goods similar to that in the actual specifications. Prior use on goods included in the actual specifications would thus not be sufficient. To take an example. A registers a mark in relation to goods in class 3 in July 2000, and commences use of its mark in relation to goods in class 25 in January 2002. B commences use in relation to goods in class 25 in April 2001. On the basis of protection for similar goods, July 2000 can be seen as the relevant date for determining A’s rights in relation to goods in class 25. On the other hand, A does not have a registration in class 25, and January 2002, the date of actual user, postdates B’s date of first user insofar as goods in class 25 is concerned. As A’s protection extends to similar goods,⁵⁸⁰ it is arguable that B cannot rely on section 36(1). He would have to prove user prior to A’s date of application in relation to goods in class 3. The alternative view is, of course, that use by B prior to the earliest event (use or registration) on A’s side, in relation to goods in class 25, is sufficient.⁵⁸¹

Weighing the different considerations is not a simple task. An element of unfairness can be perceived in excluding protection for B, if his use is prior to the use or registration by A in relation to the goods concerned. The fact remains ,however, that at the time that B commenced use, such use was, strictly speaking, infringing use. Kitchin and Mellor⁵⁸² state the following on the English law:⁵⁸³

“Thirdly, the use must be anterior to the earlier of the use of the registered mark in relation to or the registration of that mark in respect of those goods or services by the proprietor or a predecessor of his. Now [under the 1994 Act] it is of

580 See on this aspect the decision in Danco Clothing (note 359).

581 Section 36(1) can of course, strictly speaking, not find application as there are not two comparable dates, one of which would be “the earlier.”

582 Trade Marks Act 1994.

583 Page 26-49 (own emphasis)

course possible to sue in respect of the use of a mark in relation to goods or services other than those in respect of which it is registered. So it is quite possible that the registered mark has neither been registered in respect of the goods or services in relation to which it is being used by the infringer nor used in relation to those goods or services by the proprietor or any predecessor.”

The possibility that must thus be considered is whether B is not perhaps the type of user that the Act actually intended to target. In other words, the necessary implication of the wording of section 34(1)(b) is that the broadened protection is valid as of the earliest of the event of use or registration. Allowing a prior use defence would otherwise render nugatory the effect of section 34(1)(b). The legal position is thus seemingly that a quite broad principle of priority has been introduced by the legislature, namely that use by B must predate the full scope of the rights of A. Put differently, B must use his mark prior to the earliest of the event of use or registration by A of a mark not only in relation to the same but also similar goods.⁵⁸⁴

The above notwithstanding, the approach suggested may be seen to produce some inequities. The solution to the problem sketched above may, initially, seem to lie in the reference in section 36(1) to registration on the basis of honest concurrent use, but this reference also presupposes priority of use. The remaining alternative for B is to rely on section 14(1) as a general provision. There are, of course, a number of relevant factors that must then be considered,⁵⁸⁵ including the question of duration and extent of use. These requirements would ensure that an “infringer” does not escape liability merely by relying on honest concurrent use. In any event, the proprietor would be able to oppose such an application, and challenge all evidence submitted to establish the relevant requirements.

584 Also of interest is the position in terms of section 34(2)(g) of the Act, which provides that the rights pertaining to a registered mark are not infringed by the use of another registered mark. Properly understood, the section means that the use of the mark in relation to the goods for which it is registered, does not amount to infringement. This would imply that a mark registered in class 3 can be used with impunity in relation to goods in class 3, and that the proprietor of a mark in class 25, cannot rely on that registration, albeit that the goods are similar. Usually, however, the earlier proprietor will move for the expungement of the later registration.

585 See paragraph 3.3.2.3 *supra*

In contrast, in the case of the prior user that relies on honest concurrent use, section 36(1) states that nothing in the Act shall be interpreted to allow the proprietor (on such use being proved) to object to registration in terms of section 14(1). The proprietor would thus seemingly be able to challenge only the veracity of a claim to prior use by the applicant. The prior user would, of course, often apply for the expungement of a registration on the basis of his prior rights, in terms of section 10(12) read with section 24(1).

(c) Section 34(1)(c)

The above section provides the following:

“The rights acquired by registration of a trade mark shall be infringed by –...

- (a) the unauthorized 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 deception or confusion...”

This provision envisages a situation where, for example, A uses XYX, a mark well-known in relation to beverages, since 1990. Registration of the mark in relation to said goods is obtained in 2000. Although the use of the mark is limited to beverages, it has become widely known in commerce, and its fame extends to several established classes of goods and services. B commences use of XYX in January 2004 in relation to watches, a type of article to which, for argument’s sake, the fame of the XYX mark already extends. B’s date of first use predates that of A’s use or registration in relation to watches. However, on the date concerned, A’s mark already had a presence (reputation) insofar as class 14 is concerned. On the other hand, where the XYX mark is used by B in relation to artificial limbs, it can be argued that as the fame of the mark does not extend to class 10, B’s use does not amount, to infringement, a priori, and the issue of prior use as such does not feature then. It becomes apparent that this situation involves a somewhat forced application of section 36(1).

In **summary**, in terms of section 34(1)(a), it was proposed that the protection for the prior user should be somewhat wider than merely the goods on which use has been made. With regard to section 34(1)(b), it was suggested that it would be necessary for a user to prove priority in relation to both the same and similar goods to that contained in the proprietor's specifications. Insofar as section 34(1)(c) is concerned, the position is that use prior to the use or registration of a mark in relation to particular goods are not decisive, the matter would depend on the extent of the fame of the proprietor's mark. However, the effect of section 36(1) in this regard is not clear.

3.4.2.2 Famous marks in terms of the Paris Convention

3.4.2.2.1 Enabling provision

Section 36(2) of the Act provides that:

“Nothing in this Act shall allow the proprietor of a trade mark entitled to protection of such trade mark under the Paris Convention as a well-known trade mark, to interfere with or restrain the use by any person of a trade mark which constitutes, or the essential parts of which constitute, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services in respect of which that person or a predecessor in title of his has made continuous and *bone fide* use of the trade mark from a date anterior to 31 August 1991 or the date on which the trade mark of the proprietor has become entitled, in the Republic, to protection under the Paris Convention, whichever is the later, or to object (on such use being proved) to the trade mark of that person being registered in relation to those goods or services under section 14.”

3.4.2.2.2 Infringement provision

Section 35(3) reads as follows:

“The proprietor of a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark is entitled to restrain the use in the Republic of a trade mark that constitutes, or the essential part of which

constitutes, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services which are identical or similar to the goods or services in respect of which the trade mark is well-known and where the use is likely to cause deception or confusion.”

3.4.2.2.3 Commentary

The situation envisaged by section 36(2) is, for instance, where the mark of A, a German business, becomes entitled to protection in terms of the Paris Convention in South Africa in 2004. In terms of the section, this date must be contrasted with the date of 31 August 1991.⁵⁸⁶ B commences use of the mark in 2002. The later of the former dates is, of course, 2004. B can rely on section 36(2). The section makes reference to section 14 in relation to such prior use. What is, however, the position where a well-known mark is adopted after it has become well-known in South Africa? It is submitted that section 36(2) is but an example of where a registration on the basis of honest concurrent use can be obtained. In other words, the general import of section 14(1) would still be applicable. This would be in line with the position where an ordinary mark is used after registration, in which case section 14(1), read with section 10(14), would still apply.

In the McDonald's case⁵⁸⁷ it was contended that use of the mark concerned was permitted by section 36(2) of the Act. The court stated that the question was whether the party concerned and its predecessors in title have used the mark continuously and bona fide.⁵⁸⁸ The court referred⁵⁸⁹ to the decision in Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk.⁵⁹⁰ That matter dealt with the question of bona fide user as related to the issue of non-use. The following was said:⁵⁹¹

“... [*B*]ona fide” must be given some effective meaning. In my view it cannot be confined to meaning merely real or genuine as opposed to fictitious or simulated, or honest as contrasted with dishonest, because it is difficult to conceive how a

586 The date on which the intention to introduce legislation for the protection of well-known marks was made known – GN 808 in Government Gazette 13482 of 30 August 1991.

587 Note 73.

588 Page 29 C

589 Page 29 D.

590 Note 321.

591 Page 23 H – 24 F

user, in the sense of the exercise of a right, can be said to be fictitious, simulated or dishonest, and in any event, a fictitious, simulated or dishonest user would not in law be a user at all, and the addition of the qualification “*bona fide*” would therefore have been totally unnecessary. The words were obviously inserted to give a particular quality to the user which it was intended should defeat an aggrieved person’s application...The expression obviously relates to the proprietor’s state of mind in using his trade mark and therefore his object or intention in using it...Now the system of registering trade marks is designed to protect, facilitate and further the trading in the particular goods in respect of which the trade mark is registered. The very name, “trade mark” denotes that, and the definition thereof in sec. 96 of the Act confirms it. I would therefore say that “*bona fide* user” in sec. 136 means a user by the proprietor of his registered trade mark in connection with the particular goods in respect of which it is registered with the object or intention primarily of protecting, facilitating, and furthering his trading in such goods, and not for some other, ulterior object”.

On appeal⁵⁹² it was said⁵⁹³ that although it would not be attempted to provide a comprehensive definition of what the expression “no *bona fide* user” meant, the following can be stated:

“Whatever the full meaning of the phrase may be, it seems clear that user for an ulterior purpose, unassociated with a genuine intention of pursuing the object for which the Act allows the registration of a trade mark and protect its use, cannot pass as a *bona fide* user.”

In the McDonald’s decision⁵⁹⁴ the court applied the above principles to the facts. Mention was made of the fact that the one party was interdicted from the use of the mark, and then bought a business with a similar name in Durban. In rejecting the defence, the court said that the purpose of the acquisition of the business was not to distinguish the business from that of others, but the converse, namely to use a mark

592 Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corporation (note 322).

593 Page 351 E-F.

594 Note 73

confusingly similar to that of the appellant.⁵⁹⁵ This principle is referred to below as the “McDonald’s rule.”

The question that arises is when a transaction will fall foul of this rule? Transactions where large multinational companies purchase whole businesses, including their trade marks, or purchase only a particular trade mark are entered into on a regular basis. To a large extent the premium paid will relate to the value of the trade mark concerned. The objective will clearly be to obtain such rights as the seller may have. These rights can include, in particular, rights established through the use of the mark concerned. It would seem acceptable that such prior rights are purchased, and transactions of this nature will rarely be in conflict with the McDonald’s rule.

The above issue can be discussed further having regard to a number of scenarios. A has been using its mark since 2003, and wishes to take steps to prevent the use of B, a competitor, who has been using the mark since 2002. C has a registration for the mark, obtained in 2001. C is no longer using the mark, and agrees to sell it to A. A would have an “offensive” objective, namely to prevent the use of B, and this would appear to be a lawful transaction. To adapt the facts slightly, C decides to prevent the use of both A and B, and recommences use of his mark in order to prevent an expungement attack on the basis of non-use. In such an instance both an “offensive” and “defensive” objective would be present. In the Rembrandt ruling,⁵⁹⁶ sporadic use of a mark, inter alia, to protect a registration, was held not to be bona fide. The decision in Electrolux Ltd v Electrix Ltd⁵⁹⁷ is, however, to the effect that the commencement of use of a mark specifically for the purpose of protecting the registration against expungement, so as to institute infringement proceedings based thereon, is bona fide use.

The issue that must be considered then is whether, in a purely “defensive” context, the answer would be different. For example, X, wishing to commence use of a mark, but being apprehensive of Y’s registered rights, purchases Z’s business, which has been trading for ten years, and which co-exists with that of Y. X clearly has the intention of avoiding liability, but it can be argued that, simultaneously, he has the objective of securing the right to use Z’s mark, and, in fact, to use it to distinguish his [X’s] products,

595 Page 30 F.

596 Note 322.

597 [1954] RPC 23

which would seem to comply with the McDonald's rule. The latter seems to be predicated upon the approach that, in the above example, X acquired the mark or business with the aim of, in effect, passing off his business as that of Y. However, if, ex hypothesi, Z has not been guilty of such a misrepresentation during his ten years of use, it would seem to follow that so also will X not be guilty. In other words, the acquisition of such rights will cause X to simply step into the shoes of Z. It would seem that the objective of the transaction would indeed be “to protect, facilitate and further the trading in the particular goods” concerned.

It can be accepted that, as was for instance said in the Gerber Trade Marks⁵⁹⁸ case, that whether a particular action is a pretence depends on the intention or motive of the person concerned.⁵⁹⁹ It thus appears that the principle is that the motive is important, and that if a court finds that an intention to pass off exists, the use, or rather the agreement ostensibly allowing X to obtain Z's rights, to be able to rely thereon as a defence against Y, would not be bona fide. As was attempted to illustrate above, the application of this principle is not a simple task. Be that as it may, this is what the McDonald's rule apparently entails, and it cannot be controverted that it is in line with general principles of unlawful competition which attach considerable importance to the motive of a competitor.⁶⁰⁰ If the particular factual circumstances found in the McDonald's case⁶⁰¹ are present, then obviously the use will not be bona fide, and liability will follow. The matter thus seems to rest upon the facts of each case.

The court mentioned that the issue of bona fides in the conclusion of the contract was also raised in argument, but in view of its above ruling on the lack of bona fide user, it was not considered necessary to deal therewith.⁶⁰²

598 [2003] RPC 637.

599 Page 648 paragraph 33.

600 See Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd (note 159).

601 Note 73.

602 It is, nevertheless, of interest to have regard to the views of the Supreme Court of Appeal in the recent decision in Afrox Healthcare Bpk v Strydom 2002 (6) SA 21 (HHA) where the court dealt with this aspect of a contract. The following (page 40 I – 41 B) was stated:

“In Brisley v Drotske (supra) het hierdie Hof egter, by wyse van ‘n meerderheidsbeslissing, die uitspraak van Olivier AR in perspektief gestel. Aangaande die plek en rol van abstrakte idees soos goeie trou, redelikheid, billikheid en geregtigheid het die meerderheid in die Brisley-saak beslis dat, ofskoon hierdie oorwegings onderliggend is tot ons kontraktereg, dit nie ‘n onafhanklike, oftewel ‘n ‘free floating’ grondslag vir die tersydestelling of die nie-afdwinging van kontraktuele bepalings daarstel nie...anders gestel, alhoewel hierdie abstrakte oorwegings die grondslag en bestaansreg van regsreëls verteenwoordig en ook tot die vorming en die verandering van regsreëls kan lei hulle on

In **summary**, the Act makes specific provision for prior user rights in relation to marks entitled to protection under the Paris Convention. With regard to protection based on the acquisition of the rights of a prior user, it would seem that there is some uncertainty. It was suggested that each case would have to be decided on its own merits.

3.5 Summary of section on the relevance of prior use in the context of statutory law

3.5.1 Opposition of applications

In terms of the previous Act, provision was made for the determination of rights of competing applicants. The current Act allows an opposition of a later application by an earlier applicant, and an earlier application by a later applicant, if the latter has existing rights at the relevant time. Although neither of the provisions concerned make mention of prior use, it was submitted that it would be an important factor.

Insofar as an opposition on the basis of prior use is concerned, it was noted that section 16(1) of the previous Act's predecessor was interpreted in Oils International (Pty) Limited v WM Penn Oils Limited⁶⁰³ to exclude protection where there was no use which had created any reputation or goodwill.

In the case of an opposition under section 10(15), use by the applicant prior to the filing date of the opponent should enable the applicant to prevail in the opposition. With regard to section 10(16), it is submitted that the legislature did intend to give an applicant that opposes another application the benefit of a lesser burden of proof on account of the fact of filing. Section 10(12) of the current Act is similar in effect to section 16(1) of the previous Act. This implies that the existence of a reputation would again be required. The particular issue that required consideration was the differences in nature between an opposition in terms of the section, and the remedy of passing off. The issue of what was referred to in Celine S.A.'s Trade Mark Applications⁶⁰⁴ as "the

sigself geen regsreëls is nie. Wanneer dit by die afdwinging van kontrakbepalings kom, het die Hof geen diskresie en handel hy nie op die basis van abstrakte idees nie, maar juis op die basis van uitgekristaliseerde en neergelegde regsreëls."

603 Note 321.

604 Note 353

degree of confusability” was also discussed. The requirement for passing off in English law was seen to be deception, but if, as is the position in South African law, it is accepted that the likelihood of confusion is sufficient for passing off, there would not necessarily be room for a distinction with section 10(12) of the South African Act.

With regard to the issue of the scope of comparison in opposition proceedings in terms of section 10(12), it was noted that in the British decision of Open Country Trade Mark⁶⁰⁵ it was held that regard was had to the actual use of the applicant. It was submitted that it is the mark of the applicant, as filed, and that of the objector, as used, that must be compared.

3.5.2 Expungement of registrations

In this regard mention was made of the fact that any basis for an opposition can likewise be relied on as a ground for expungement. It was also noted that the “seven year rule” would protect registrations in certain circumstances. Importantly, an expungement on the basis of section 16(1) is still possible. In contrast to an opposition, the applicant for rectification will bear the burden of proof.

3.5.3 Registration on the basis of honest concurrent use

Section 17(2) of the previous Act provided for registration on the basis of honest concurrent use. In regard to the staying of proceedings, the court in Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Company Ltd⁶⁰⁶ stated that the court does have a discretion to stay infringement proceedings, but that discretion is to be exercised sparingly and only in exceptional circumstances.⁶⁰⁷ In Sidewalk Cafes (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd,⁶⁰⁸ it was, however, held that the respondent did not have to await his application proceeding to registration on the basis of honest concurrent use, and was entitled to relief without delay.⁶⁰⁹

605 Note 387.

606 Note 402.

607 Page 1048 H - I.

608 Note 406.

609 Page 198 .1 – 199 A

The current Act also has protection for an honest concurrent user in terms of section 14(1). It was noted that the effect of the provision is limited to the obtainment of acceptance, and is not as such a defence in subsequent opposition proceedings.

It was submitted that the general principles set out in Pirie's Application⁶¹⁰ would be applicable. In regard to the duration of use, it was indicated that it would be incorrect to conclude that registration on the basis of honest concurrent use is only possible where the proprietor is aware of the use of the mark by the applicant.

In regard to the content of the requirement of honesty, regard was had to English case law, which is to the effect that knowledge of a mark can exclude protection, even if the use was extensive. The position appears to be that if the honesty of user is established, the fact of knowledge is of lesser significance. It was submitted that the concept of honesty relates primarily to the reason for the selection of a mark. The concept "honest" cannot be equated with honesty of belief, so that the mere fact that a person believes that his use is not infringing, would not exclude a finding that there is no honest concurrent use. It was, furthermore, noted that case law has held that it would not be just to allow registration where the applicant relies upon user which was carried out in the face of persistent opposition from the owner of the existing mark and which, in law, was in the end established to be infringing use.

It was noted that the situation where a mark applied for is in conflict with a mark in use, is not regulated by the Act. It is necessary to amend the legislation to cater for this situation.

Insofar as the requirement of concurrent use is concerned, reference was made to the British decision of Origins Natural Resources Inc. v Origin Clothing Limited⁶¹¹ where it was argued that both marks had to be in use side-by-side before the equivalent of section 14(1) could apply. The court held obiter that the concurrence referred to in this section may be of the applicant's user with the registration of the other proprietor and/or its use. It was submitted that this position should also apply in South Africa.

610 Note 396.

611 Note 474

3.5.4 Prior use defence

Both the previous and current Acts provide protection for prior use. The requirement is that use must have occurred prior to the date of registration or date of first use of the proprietor, whichever is the earliest.

The use is protected in relation to the goods on which the mark was used. It was, however, argued that protection should be granted to a wider range of goods. With regard to the infringement of a mark by the use of a mark in relation to the same or similar goods, it was submitted that the prior user must have taken place prior to the earliest of the use or registration of the proprietor in relation to both the same or similar goods. In relation to the protection of well-known marks against dilution, it was submitted that the prior user must have used the mark prior to the stage that the fame of the proprietor's mark extended to the type of goods concerned.

Protection for a prior user in the context of well-known marks as envisaged in the Paris Convention was also discussed. In the McDonald's case⁶¹² it was contended that use of the mark concerned was protected, but it was held that the purpose of the acquisition of the business was not to distinguish the business from that of others, but the converse, namely to use a mark confusingly similar to that of the appellant.⁶¹³ It was pointed out that the application of this rule could be problematical, as it often occurs in commerce that a business or a trade mark is purchased for the very purpose of obtaining the rights that are related thereto.

4. SUMMARY OF CHAPTER

The conclusions reached in this chapter can be summarised as follows.

4.1 The relevance of prior use in the context of the common law

It was noted that the nature of the right protected by the law relating to unlawful competition is the right to goodwill, although the right to a distinctive mark, and the right

612 Note 73.

to a trade secret can also feature. The existence of a general form of liability has been recognized by the courts.

The interaction of reputation and goodwill was also considered. It was noted that the current position is that it is only a reputation, and not also goodwill, that is required. Protection was granted in cases where a particular product was not yet on the market. The existence of an express intention to interfere with a rival's marketing campaign has been held to amount to unlawful competition. If a descriptive mark is used, the risk that it may be used by a rival must be accepted.

With regard to geographical disputes, the courts consider the particular area, and third parties that have used their marks elsewhere, cannot enter the area without further ado. In the situation where there is concurrent use by two parties, it was noted that both parties could be exercising their subjective rights to use their marks. With regard to the honesty of adoption, it was submitted that the doctrine of unclean hands should not apply. It was noted that the existence of a trade mark registration is not a defence to a passing off action. Lastly, as far as the right to use a mark is concerned, the position is that as against other statutory proprietors, there is a limited right to use a mark, but not as against a common law user.

4.2 The relevance of prior use in the context of statutory law

Insofar as the opposition of an application on the basis of prior use is concerned, it was noted that previous decisions have required the existence of a reputation. With regard to the scope of comparison of the marks concerned, it was submitted that it is the mark of the applicant as filed, and not as used, that must be evaluated.

The rights built up through the use of a mark can also feature in the context of an expungement application. Although any basis that can be relied on for an opposition could be used in an expungement application, there is a measure of protection for marks that have been registered for more than seven years.

The issue of honest concurrent user was also investigated. It was noted that the presence of knowledge of a mark can exclude protection. With regard to the concept of honesty, this was said to relate to the reason for the selection of a mark.

Lastly, the defence of prior use was considered. It was noted that such use must be substantial. It was suggested that protection should be made for protection of use not only for the exact goods on which the mark is used. Insofar as prior use in the context of section 34(1)(b) is concerned, use must predate the earliest event in relation to both the same or similar goods. In the case of dilution, use must predate the acquisition of a reputation in the area concerned. With regard to well-known marks envisaged in the Paris Convention, it was noted that it could be problematical to determine when the acquisition of a mark would be lawful.