

CHAPTER 6

SYNTHESIS

1. INTRODUCTION

In the preceding chapters the legal position in the United States of America, the United Kingdom, certain conventions, other countries, as well as South Africa, was discussed. As far as possible, the relevant principles were divided in terms of whether they relate to the relevant country's common law, or whether they relate to statutory or registration-type protection. Regarding the laws of the various countries, certain perspectives on the subject under discussion are given below. In certain instances a specific aspect does not feature strongly in a particular country, and reference will then be made only to countries where the issue was raised on a sufficient scale so as to warrant discussion. The objective with the discussion that follows is not necessarily to provide a complete summary of the various chapters - for that purpose the summaries at the end of each section of the respective chapters can be consulted - but to provide some general observations, following which points of overlap or differences between the countries concerned are discussed.

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

2.1 The nature of the right protected

In the discussion of the position in the United States, it was noted that the nature of the right being protected on account of the (prior) use of a mark, is not the mark itself, but the mark as a symbol of goodwill. Accordingly, it was said that it is not possible to obtain a monopoly in a trade mark per se. Trade marks are considered to be valuable business assets, and it is the policy of the law to protect them as such, in other words, as being appurtenant to an established business or trade with which the marks are employed. A trade mark is not property in the ordinary sense, but indicates the origin of a product. It thus follows that the "owner" of the mark acquires the right to prevent confusion, and to prevent his own trade from being diverted to competitors through their use of misleading marks.

With regard to the position under English law, consideration was given, firstly, to earlier decisions. At the time of the introduction of legislation regarding trade marks in 1875, it was accepted that property in a trade mark existed from the moment that it was first used on goods within the market. This was, for instance, the approach adopted in Nicholson's Application,¹ which held that rights were acquired, in the case of a distinctive mark, merely by using it upon or in connection with the goods, irrespective of the length of such user. Later cases adopted the view that there is no right to the mark as such, but only in the goodwill established through its use. Writers also follow, in general, this approach. However, the ruling in Taittinger v Allbev Ltd² which recognized protection against dilution, could, in the view of Annand and Norman,³ signify the start of a move towards treating the common law trade mark as an item of property.

In South Africa there is, similarly, general acceptance of the view that the right protected in the case of unlawful competition is the right to goodwill. Regard was also had to two other bases for protection in South African law. Firstly, consideration was given to the recognition of a right to a distinctive mark. Secondly, the view has been expressed that the use of a mark can be prevented on the basis of a right to a trade secret, notwithstanding the fact that the mark has not been used.

In **summary**, it appears that in the United States, England, and South Africa, there is acceptance for the view that the nature of the right that a user establishes in the common law, is the right to goodwill, and not a right to the mark itself.

2.2 The basis of protection

In the United States the rights established through the use of a mark are protected by the law of unfair competition, which is a commercial tort having a general basis. In the latter regard it has been stated that no inflexible rule can or should be laid down as to what conduct will constitute unfair competition. Such protection is available, firstly, on a state level, by way of provisions of the state common law, as well as state statutory law. It would seem to follow that on the next level, federal law, a similar pattern would be

1 [1931] RPC 227.

2 [1993] FSR 641.

3 Blackstone's Guide to the Trade Marks Act 1994 (1994) Blackstone Press Limited London 24

found. This is not the case. In Erie R. Co. v Tompkins,⁴ the Supreme Court held that there is no federal general common law, and state law became the basis for decisions on substantive matters. The position was changed with the adoption of the 1946 Lanham Act. The decision in Telechron, Inc v Telicon Corp.,⁵ has been interpreted to be to the effect that the Act is a codification of the common law of trade mark infringement and unfair competition.

In the United Kingdom there is no doubt that the protection available to the user of a mark is of a common law nature. However, there is no general basis of liability. The point of departure is still the decision in Mogul Steamship Co. v McGregor Gow,⁶ which is to the effect that to draw a line between fair and unfair competition, between what is reasonable and unreasonable, is a power that falls outside the reach of the courts. There is thus no general tort of unfair competition in English law, and a prior user would have to rely on the tort of passing off.

In South Africa, the position is that there is also common law protection for the user of a mark, in terms of the law of delict. Protection is available in cases of conduct which fall into an established category, but according to Schultz v Butt,⁷ it is not limited to unlawfulness of that kind. There is thus a generalised basis of liability. A warning has, however, been sounded in regard to this broad ground of liability. In Payen Components SA Limited v Bovic CC⁸ the court stated that caution should be exercised so as not to allow the sharp outlines of established branches of the law of unlawful competition, such as passing off, to be fudged. In Blue Lion Manufacturing (Pty) Limited v National Brands Limited⁹ the court referred to the Payen case¹⁰ 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. The rules relating to passing off thus remain of great practical importance.

It may be mentioned, merely in passing, that South African law is of a unitary nature, in that the courts of the various provinces do not, or may not, establish rules that are in

4 304 US 64 (1938).

5 198 F2d 903 (3d Cir. 1952).

6 (1889) 23 Q.B.D. 598 (CA).

7 1986 (3) SA 667 (A).

8 1995 (4) SA 441 (A).

9 2001 (3) SA 884 (SCA).

10 Note 8

conflict with the pronouncements of the Supreme Court of Appeal on the common law. In that sense South Africa thus does have (only) a “federal” common law, and there is no separate state common law as found in the United States.

In **summary**, the United States protects user rights by way of state common law. The latter allows for a broad basis of protection. In a statutory context, there is legislation on a state level, and also on a federal level, in particular the Lanham Act. The provisions of the latter have a broad reach. Protection under English law is of a common law nature, although it was noted that there is no general basis of liability. Protection for the user of a mark in South Africa is also in terms of the common law, but a general form of liability is recognized by the courts.

2.3 Requirements for protection

In the United States, the position is that in terms of section 43(a)(1) of the Lanham Act, it is necessary to prove that a mark has been used in commerce, and that, amongst others, such use is likely to cause confusion or deception as to the affiliation, connection, or association of one person with another person, or as to the origin or sponsorship of goods. Of fundamental importance is the requirement, not stated in the legislation, but read into the provision by the courts, namely that the plaintiff must have priority of use. Arguably, the latter fact indicates the common law nature of the Lanham Act.

English law has experienced some division about the requirements for passing off. For passing off in its classic form, the so-called classical trinity is applied, that is that there must be a goodwill or reputation attached to the goods or services, it must be demonstrated that a misrepresentation was made, leading or likely to lead the public to believe that the goods or services offered by B is that of A, and it must be proven that the plaintiff suffers or, is likely to suffer, damage. For the extended form of passing off, either the classical trinity, or the test in Erven Warnink B.V. v J. Townend & Sons (Hull) Ltd.¹¹ can be applied. The latter requires a misrepresentation by a trader to customers, which is calculated to injure the business or goodwill of another trader and causes actual damage to a business or goodwill of the trader by whom the action is brought, or will

probably do so. There will, however, not necessarily be liability if all the requirements are met.

In South Africa passing off was defined in the case of Capital Estate and General Agencies (Pty) Limited v Holiday Inns Inc.¹² as being a representation by one person that his business or product is that of another, or associated therewith, and in determining this there must be a reasonable likelihood of confusion. This definition does not involve, directly, the issue of a reputation, which is always of importance in prior use disputes. In the later decision in Premier Trading Company (Pty) Ltd v Sporttopia (Pty) Ltd¹³ the Supreme Court of Appeal, however, stated it as a minimum requirement for a plaintiff to prove a reputation. The definition in the Capital Estate case¹⁴ is widely accepted, but that in the Premier Trading decision¹⁵ may be more comprehensive in the current context.

In **summary**, the important requirement stated by American law in regard to the issue under discussion, is that of priority of use. With regard to English law, it was noted that when the so-called classical trinity test is applied, it must be proven that a goodwill or reputation is attached to the goods or services, which inevitably involves some dimension of use. In South African law recent decisions of the highest court did require proof of reputation.

2.4 Use by foreign plaintiffs

As a basic point of departure, American law follows the approach that trade mark rights are territorial in nature. Actual use in the United States is thus required. In other words, it is use in the United States that is important, and use in another country as such is not relevant. This would be the position even if there was awareness of the foreign mark. However, if the foreign proprietor has advertised in the country, the use of his mark by a local company may amount to unfair competition. Courts have, under the famous mark doctrine, protected a well-known mark in the United States, although the mark has never been used in the country. The position has been described to be that priority is

12 1977 (2) SA 916 (A) 929 C.

13 2000 (3) SA 259 (SCA).

14 Note 12.

15 Note 13

awarded to the person who is first to reach consumers in America, whether by way of reputation, or use in the country.

A more rigid approach is followed by English law. Insofar as goods are concerned, protection was granted in the Poiret¹⁶ and Globe Elegance cases,¹⁷ but the goods were available in the country. The outcome of the Chivers case¹⁸ can, on the other hand, be related to the fact that the goods were not available. It must be stressed, however, that where sales are made, but on a small scale, such sales would not be relevant, according to the Island Trading decision.¹⁹ With regard to services, the plaintiffs in the Crazy Horse²⁰ and Sheraton²¹ decisions both proved a reputation, but only in the latter case was protection given. In contrast with the former, certain activities were undertaken in the United Kingdom, such as the obtainment of reservations through an office maintained in the country. Whilst the “hard line” approach is current in English law, that is, a goodwill in the country is required, it appeared that courts were reluctant to refuse protection.

In South Africa, the prevailing position is that set out in Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty Ltd)²² where the Supreme Court of Appeal rejected the requirement of the existence of a goodwill “generated by sales,” within the jurisdiction of the court. The court also pointed out 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. The current position is thus that the plaintiff must (only) prove the existence of a sufficient reputation amongst a substantial number of persons who are either clients or potential clients of his business.

In **summary**, American law grants protection to foreign marks, even in the absence of use in the country. This is the case, in particular, if a reputation exists, and, related to the former, if the mark is well-known. Under English law, goodwill is, however, required, and mere reputation is not sufficient. The South African position currently is similar to that in the United States, and protection is granted if a reputation exists within the

16 [1920] RPC 177.

17 [1974] RPC 603.

18 [1900] RPC 420.

19 [1989] RPC 287.

20 [1967] RPC 581.

21 [1964] RPC 202.

22 1998 (3) SA 938 (SCA)

country. It may thus be stated that it is not necessary to have prior use in all cases, and that prior reputation, which is based, however, on use in some country, is sufficient.

2.5 Acquisition of rights

The questions which are important, are when and how prior rights will come into existence? In the countries concerned, a distinction was made between distinctive marks, and those requiring secondary meaning.

2.5.1 Distinctive marks

The acquisition of rights in relation to distinctive marks is summarised below. The various decisions are grouped according to certain common themes, but, as will become evident, there is often an overlap between the various sections.

2.5.1.1 Protection for a proposed mark

In American law great emphasis is placed on the principle that priority of use belongs to the first party that actually uses a mark, and recognition is not necessarily given to the person that first conceived of a mark. This principle was applied in instances where rights were not granted to the party that suggested the use of a particular mark, for instance an advertising agency.²³ The discussion of a mark with a third party does also not establish priority of use.²⁴ The same approach was followed in the South African decision in Pick-'N-Pay Stores Ltd v Pick-'N-Pay Superette (Pvt) Ltd.²⁵ The plaintiff was not yet in the market, and the court rejected the view that having regard to the plaintiff's plans to commence trade, relief should be granted. In South Africa, writers support the case for the recognition of a subjective right to the trade secret. This would entail that a distinctive mark can be protected in the absence of use. The decision in Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd²⁶ can be seen as providing support for his view.

23 Invisible, Inc. v National Broadcasting Co., 212 USPQ 576 (CD Cal. 1980).

24 According to Rolley, Inc. v Younghusband 204 F2d 209 (9th Cir. 1953).

25 1973 (3) SA 564 (R).

2.5.1.2 Press releases

In the United States it has been held that press releases not having a significant impact on the public, do not provide a basis for priority of use. This is in contrast with a widespread and public announcement about the imminent launch of a website. In the New Zealand case of Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd,²⁷ where a public announcement about a merger of three companies was made, a third party reserved the company's name. The court found that it is not incorrect for the merged entity to be treated as being entitled to the combined goodwill of all three companies and that, in effect, the announcement of the proposed amalgamation created a new reputation which preceded, albeit by only a few hours, the lodgement of the application for a reservation of the company name. In the British decision in Glaxo Plc v Glaxowellcome Limited²⁸ a press release was also made about a new company. The court granted relief although the company had not yet traded. In both these cases protection was thus granted notwithstanding the fact that the new entities had not yet commenced trading under their new names.

2.5.1.3 Advertisements

Under American law, it has been held that the mere advertising of a product does not establish common law rights. Rights of the latter nature are acquired only when goods bearing the mark are actually placed on the market, and the mark is utilised commercially on a continuous basis. However, in the decision in Geo. Washington Mint, v Washington Mint, Inc.,²⁹ B had a head start to A in terms of sales, but not advertising and the solicitation of orders. The court, nevertheless, held that A was the senior user. Similarly, in New West Corporation v Nym Company of California³⁰ the court held that A established a prior use of the mark although an actual sale of the product concerned, with the mark affixed thereto, had not been made.

26 1972 (3) SA 152 (C).

27 [1981] FSR 1.

28 [1996] FSR 388.

29 349 F. Supp 255 (SDNY 1972).

30 595 F 2d 1194 (9th Cir 1979)

A number of decisions dealt with this question in English law. In the well-known decision of Maxwell v Hogg,³¹ the plaintiff did extensive advertising for his magazine, but it was held that that did not imply that the plaintiff obtained an exclusive right to the use of the name. The court stated that an advertisement is nothing more than an announcement of an intention to publish a magazine. Other decisions have not followed this approach. In W.H. Allen & Co. v Brown Watson Limited³² prior advertisements were held to suffice for protection, and actual sales of the book were not a sine qua non for protection. In the decision in The British Broadcasting Corporation v Talbot Motor Corporation³³ it was decided that although the product concerned had not yet been launched, it did not prevent the establishment of goodwill which brought about an entitlement to protection.

In **summary**, American law seems not to grant priority of use on the basis of advertisements as a general point of departure. Advertising combined with the solicitation of orders, and advertising to such an extent that public identification with the mark took place, is necessary. In the English law, a number of decisions granted protection although no actual trading had taken place.

2.5.1.4 Promotional use

The use of a trade mark for promotional purposes was held in some cases to be valid use, for instance, articles that were given away by a fast food restaurant chain.³⁴ The principle that sales are not required, implies that the test marketing of a product can provide priority of rights.³⁵ The use of the trade mark of a hotel on watches sold in the hotel's gift shops, could provide rights.³⁶ A sufficient link was held to exist between diverse goods such as equipment for high performance vehicles and clothes.³⁷ However, use of a mark for fire trucks, on clothing, was held not to provide rights,³⁸ and also, the distribution of hosiery by a garage, did not qualify for use in relation to

31 (1867) L.R. 2 Ch 307.

32 [1965] RPC 191.

33 [1981] FSR 228.

34 McDonald's Corp. v McKinley, 13 USPQ 2d 1895 (TTAB 1989).

35 Game Power Headquarters, Inc. v Owens, 37 USPQ 2d 1427 (ED Pa. 1995).

36 Sheraton Corp. of America v Sheffield Watch, Inc., 480 F 2d 1400 (CCPA 1973).

37 See Hurst Performance, Inc. v Torsten Hallman Racing, Inc., 207 USPQ 671 (TTAB 1980).

38 Emergency One Inc. v American FireEagle I Ltd, 228 F3d 531 (4th Cir. 2000).

hosiery.³⁹ It appears that some form of relation between the goods or services concerned is required, and in some instances the relation was found not to be close enough.

In South Africa, and, arguably, in the United Kingdom as well, the position in a statutory context is that promotional use is not seen as use of a mark, generally speaking. It was submitted, however, that in a common law context, this view is not applicable. The question would simply be whether a reputation exists, which would qualify for protection.

In **summary**, it appears that all three systems examined provide protection for the promotional use of a mark in appropriate circumstances.

2.5.1.5 Mala fides

In the United States, a person may have used a mark prior to another person, but such prior use might be disqualified on account of the mala fides of the user. In Zazu Designs, v L'Oreal, SA.,⁴⁰ A rendered hair care services, but intended to also market hair care products. B was aware of its intention, and proceeded to market a range of such products. The majority of the court, however, said that the use requirement rewards those who act quickly in getting new products to consumers. In Blue Bell, Inc., v Farah Manufacturing Company, Inc.,⁴¹ one of the parties shipped trousers to customers, but the labels were attached to trousers that originally featured other trade marks, with which they were combined. The court held that attachment of a secondary label to an older line of goods manifests a bad faith attempt to reserve a mark. It was held not to constitute valid use in trade.

2.5.1.6 Sabotage marketing

In English law, the decision in Alida Gibbs Limited v Colgate Palmolive Limited⁴² is relevant. A intended to launch a marketing campaign for a new toothpaste, and made presentations to the trade, and also introduced the theme to the press, professional bodies, and government departments. One day before the start of the campaign, B

39 Richfield Oil Corp.v Dieterich Field, Inc., 279 F 2d 885 (CCPA 1960).

40 979 F 2d 499 (7th Cir. 1992).

41 508 F 2d 1260 (5th Cir. 1975).

attempted to pre-empt A's campaign by placing advertisements in national newspapers. The court ruled in favour of A, and stated that B knew A's position, and had no motive of promoting a present trade of its own, but only that of defeating A's campaign.

In South African law a number of decisions dealt with sabotage marketing. In Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd.⁴³ B illegally obtained a copy of a label for a product that A was about to launch, and commenced using same 12 days before the start of A's advertising campaign. The court found in favour of A on the basis of passing off, and the unlawful obtainment of confidential information. The decision in Carling National Breweries Incorporated v National Brewing Company⁴⁴ also related to the pre-emption of a marketing campaign. The court, however, adopted a different approach. It was said that the product concerned was not yet on the market, and that pre-emptive conduct cannot be labeled unfair competition.

The decision in Kellogg Company v Bokomo Co-operative Limited⁴⁵ also made express reference to the fact that the respondent was actuated by the advancement of its own economic interests, and did not have the motive of acting to the detriment of the other party. Reference was made in Pepsico Inc v United Tobacco Co Ltd⁴⁶ to the launch of a product made with the express intention of preventing the other party from launching its product.

The legal position appears to be that in certain instances the South African courts have granted relief on the conventional basis of passing off. In others, the broader delict of unlawful competition featured. In the former instance, it is, perhaps, fair to say that the facts have been "stretched" to bring the matter under the traditional heading of passing off. It may be more appropriate to rely on the general rubric of unlawful competition to provide relief.

2.5.1.7 Quantum of use

42 [1983] FSR 95.

43 1972 (3) SA 152 (C).

44 Patent Journal December 1979 page 126.

45 1997 (2) SA 725 (C).

46 1988 (2) SA 334 (WI D)

In the United States, the necessary quantum of use was stated to be whether there was “deep market penetration” or “widespread recognition,” although the first use was not extensive.⁴⁷ How is the market penetration of a mark determined? In Lucent Information Management, Inc., v Lucent Technologies, Inc.⁴⁸ four factors were mentioned. Firstly, the volume of sales of the product. Secondly, the growth trends in the area. Thirdly, the numbers of people actually purchasing the product in relation to the number of potential customers. Fourthly, the amount of product advertising in the area. In terms of English law, reference can be made to the decision in Stannard v Reay⁴⁹ where protection was granted although there was only trading for a period of three weeks. The market concerned was, however, of a very restricted nature, being the Isle of Wight.

2.5.2 Marks requiring secondary meaning

In contrast with the position pertaining to distinctive marks, the requirements for protection of marks which are seen to be somewhat descriptive, have been more strict. The approach followed in the various countries is now summarised.

With regard to the United States, the position is that in contrast with inherently distinctive marks, which obtain protection immediately upon adoption and use thereof, rights in relation to other marks are established only once it has acquired secondary meaning. It is the party who first achieves trade mark significance in the mark through secondary meaning that is the senior user of the mark. A different approach was followed in the important matter of Santa's Workshop, Inc. v Sterling.⁵⁰ A did not prove secondary meaning. However, the New York court ruled in its favour, and held that secondary meaning was not necessary. This decision has, however, been criticized by McCarthy⁵¹ as protecting some amorphous form of unfair competition.⁵² Some decisions have held that a mark can be protected if the owner is endeavouring to create secondary meaning, but has not yet fully succeeded in doing so. Other cases suggest that the doctrine of secondary meaning is in the making, by affording protection to marks

47 This is the approach adopted in Allard Enterprises, Inc. v Advanced Programming Resources, Inc., 685 F. 2d 302 (9th Cir. 1982).

48 186 F 3d 311 (3rd Cir. 1999).

49 [1967] RPC 589.

50 98 USPQ 463 (1953).

51 Trade Marks and Unfair Competition 15-36.

52 *Ibid*

prior to them becoming associated, in the minds of consumers, with a product, is said to be restrictive of the freedom to copy and to compete.

English law also recognizes the principle that a differentiation must be made between distinctive and descriptive marks. In McCain International Limited v Country Fair Foods Ltd⁵³ the court said, in relation to the term “oven chips,” that while a descriptive term may acquire a secondary meaning, the period in the present case was far too short for such a secondary meaning to have been acquired. In Marcus Publishing Plc v Hutton-Wild Communications Ltd,⁵⁴ the court stated that although descriptive words can acquire, through use, a special meaning, the law is reluctant to allow ordinary descriptive words in the English language to become fenced off so as to become the private preserve of one particular publisher. Distinctiveness is judged, in particular, having regard to the nature of the goods or services.

With regard to South African law, the decision in The Sea Harvest Corporation (Pty) Limited v Irvin & Johnson Limited⁵⁵ held that courts will not easily find that descriptive 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. According to Barclays Bank (DC & O) v Volkskas Beperk,⁵⁶ a long period of use can cause a word to become distinctive. The risk of being copied, when descriptive wording is used, was pointed out in Burnkloof Caterers (Pty) Limited v Horseshoe Caterers (Greenpoint) (Pty) Limited.⁵⁷

The interesting question as to sabotage marketing in relation to descriptive words was also considered. It is clear that particular problems are experienced when there is use of a mark 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. It was argued that a distinction should be made between the sabotaging of a marketing campaign relating to a distinctive, or potentially distinctive mark, and 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

53 [1981] RPC 69.

54 [1990] RPC 576.

55 1985 (2) SA 355 (C).

56 1951 (4) SA 630 (T).

57 1976 (2) SA 930 (A)

would then be unlawful competition, not relating to a distinctive mark, but the right to goodwill.

In **summary**, it appears that the systems reviewed do differentiate between distinctive or potentially distinctive marks, and descriptive marks. In the latter instance, it is necessary to prove that secondary meaning has been established. In other words, it is not sufficient for A to prove merely that it has use prior to that of B.

2.6. Geographical dimension

The resolution of priority disputes which have a geographical dimension is complex. The inevitable point of departure for a discussion of the matter in the United States is the seminal decisions of the Supreme Court in the Tea Rose⁵⁸ and Rectanus⁵⁹ cases. These cases have been declared to be the (federal) common law regarding this issue, but they also apply in a statutory context.

The Tea Rose case⁶⁰ laid down a number of principles. Firstly, in the ordinary situation of persons competing in the same market, the prior appropriation of a mark will be decisive, but not where two parties independently from each other use the same mark, in separate parts “wholly remote” from each other. The exception thereto will be where the second adopter has selected the mark with some design “inimical to the interest of the first user.” Secondly, protection will extend to wherever the product is known, but a monopoly cannot be obtained in markets which are not reached by the trader. The Rectanus case⁶¹ also established the principle that prior appropriation does not apply in remote markets where an innocent junior user has adopted a mark in good faith.

With regard to the requirement of a remote area, it must be noted that the latter concept does not necessarily relate to a geographically distant area, but rather to an area where the senior user’s mark was not known at the relevant date. Insofar as the issue of good faith is concerned, most decisions seem to adopt the approach that knowledge by the junior user excludes good faith on his part. One controversial aspect of the issue of geographical disputes is the issue of an area of natural expansion.

58 240 US 403, 357 (1916).

59 248 US 90, 63 L. Ed. 141, 39 S. Ct. 48 (1918).

60 Note 58.

The position in the United States can be summarised by saying that, in principle, protection is granted only in the areas where a product bearing the relevant mark is distributed, or where it is known. A senior user in one part of the country can thus not necessarily prevent the use of a mark by a junior user in another part of the country. However, two requirements must be met. Firstly, the use must take place in a remote area. This does not imply a geographically distant area, but an area where the mark of the senior user is not known. Secondly, the user must adopt the mark in good faith, which has been interpreted to require the absence of knowledge of a mark. The senior user will, however, also receive protection in what is termed zones of natural expansion. Various factors were proposed for determining the latter.

With regard to the position in English law, it was stated in Brestian v. Try⁶² that the dispute could not be decided by mere allocation of goodwill by areas. Distance may in some cases reduce or remove the likelihood of confusion or deception, but that must be a question of fact depending on the circumstances of the particular case. It must be pointed out that such protection was granted notwithstanding the fact that B adopted the name honestly and in ignorance of A's use. The decision in D.C. Thomson & Co. Limited v Kent Messenger Limited and South Eastern Newspapers Limited⁶³ revolved around the issue of the loss of potential customers. Relief was refused, but the court seemed to have accepted the view that a court may protect mere future possibilities. In Chelsea Man Menswear Limited v Chelsea Girl Limited⁶⁴ the plaintiff only had retail outlets in a few areas, but nationwide protection was granted. It is of interest to note that B admitted that the natural expansion of A's business could lead to increasing clashes and confusion.

The decision in Evans v Eradicure Ltd⁶⁵ related to two businesses that both expanded their trading. A commenced use of his name prior to that of B. The court, however, stressed that this is not decisive because a passing off action depends on the plaintiff having acquired a reputation with respect to the name he seeks to protect. The court stated that the situation presented a novel problem. It was said that it may be that the

61 Note 59.

62 [1958] RPC 161.

63 [1975] RPC 191.

64 [1987] RPC 189.

65 [1972] RPC 808

answer is in such circumstances that there is a stalemate, and, unless the parties can resolve the matter by agreement, neither can obtain relief against the other, and each may take the name which he has used in respect of which he has acquired a reputation into the alleged territory of the other.

Under English law a junior user was held liable although he did not have knowledge, in view of the likelihood of confusion. The potential expansion of trade has been held to be able to qualify for protection. Such protection was also in fact granted to a business with a restricted number of outlets, by granting protection for the whole of the country. This could, perhaps, be seen as protection for natural zones of expansion. The interpretation of the latter is, however, complex in cases in which neither party has a clear right, and a stalemate is possible. It was proposed that analogies could be sought with the situation where a person exercises his right to use his own name. It was noted, however, that the question of whether the use of an own name is bona fide, was tied up closely with the issue of whether confusion is likely. Accordingly, such an approach does not really take the matter any further. It may thus be more appropriate to strive for some basis on which to make a finding of priority. As far as is possible, the situation where two parties would be allowed to use confusingly similar marks in the same region, should be avoided.

In South Africa, in the Union Steam Bakery (Pty) Limited v Nichas⁶⁶ case, the court said that a trade competitor wishing to enter the same field as an existing concern, under a name likely to deceive, would be prevented from doing so if he entered that field directly as a new business. The position can thus not be that if he first established himself in a different area, he could thereafter enter the competitive field under a name likely to cause confusion. The relevance of reputations in different parts of the country also featured in GPS Restaurant BK v Cantina Tequila (Mexican Connection) CC.⁶⁷ The court indicated that the issue was essentially one of misrepresentation.

With regard to South Africa, the principle that expansion can be prevented if it is likely to cause confusion was thus applied, both in relation to the supply of goods, and the rendering of services.

66 [1955] (1) SA 25 (T).

It would thus appear that all three systems attach considerable weight to the issue of confusion and that, on this basis, protection could be obtained also in areas where no actual trade is conducted. One difference is that American law requires the absence of knowledge about the senior user's mark, whilst English and South African law seem not to require this. The boundaries of protection, to be determined by the existence of a reputation in a given area, is a factual question, but the acknowledgement thereof does not necessarily make the resolution of the "stalemate" problem any easier. To take a practical example. Where A conducts business in Johannesburg, he should have priority over B, who conducts business in Durban, to obtain protection in Pretoria. However, if B conducts business in Pretoria, and the expansion of trading activities to Midrand is at issue, the answer is not evident. It is submitted that the principles of American law relating to zones of natural expansion could be utilised.

2.7 Concurrent use

In the United Kingdom, writers such as Wadlow⁶⁸ have stated, with reference to cases dealing with the protection of the names of alcoholic products, that all those entitled for the time being to use the names share in the goodwill attached thereto. To that extent the goodwill might be said to be held in common. Wadlow,⁶⁹ however, points out that a particular producer would still retain the right to institute proceedings in his own name. Young⁷⁰ states that a mark can denote, not only a particular person's goods or services, but also a limited number of persons. It was submitted that the apparent anomaly of more than one person having a right to prevent the use of a particular trade mark can be explained on this basis. In other words, it is still in a sense a "closed club". The focus is thus more on the position of the defendant, and whether he is making a misrepresentation.

Traditionally, there is no right under South African common law to use a mark. It was suggested that the doctrine of subjective rights provides a 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 relationship entails, firstly, that there exists, in the subject-subject relationship, the right to prevent others from infringing upon the subject-

67 [1997] 1 All SA 603 (T).

68 The Law of Passing-Off 136.

69 The Law of Passing-Off 135.

object relationship. Secondly, there is, flowing from the subject-object relationship, a positive right to use the mark. In the concurrent use situation there is undeniably 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 was suggested that the courts can always fall back on the boni mores to solve difficult questions of wrongfulness.

2.8 Honesty of adoption

In the discussion of the English law, regard was had to the views of writers. Wadlow⁷¹ is of the view that the term “honest concurrent use” is derived from statutory trade mark law, and is inappropriate in passing-off.⁷² Accordingly, if there has been concurrent user de facto, it is not relevant whether it was honest. Insofar as case law is concerned, the ruling in Rolls Razor Ltd v Rolls Lighters Ltd⁷³ is relevant. The court accepted that the name was adopted in order to represent to the public that the Rolls Razor was in its class as good as the Rolls Royce car was in its class. This factor, in itself, was held not to exclude protection. However, it could affect the burden of proof. The decision in DaimlerChrysler AG v Javid Alavi (t/a Merc)⁷⁴ also supports the idea that with time rights can be acquired.

With regard to South African law, the doctrine of “unclean hands” was considered in relation to the honesty of the adoption of a mark. The question was whether the lack of “honesty” in the adoption of a mark, specifically in the sense of having knowledge of the other mark, may be relied upon by a respondent in a passing off action. In terms of the relevant cases, two different approaches were discerned. In the Zyp decision,⁷⁵ the court stated the important principle to be whether or not a material false representation was made. The legal position was stated to be that the plaintiff should not do anything, in terms of matter contained in his trade mark, or in the business connected with it, that will amount to a false or misleading representation. If this is the situation, relief would be refused.

70 Passing Off 6.

71 The Law of Passing-Off 494.

72 See also Drysdale & Silverleaf Passing Off: Law and Practice 71.

73 [1949] RPC 299.

74 [2001] RPC 813.

75 1926 TPD 224

A different approach was followed in later decisions, and an element of dolus on the side of the plaintiff was required. In particular, in the Volkskas case,⁷⁶ it was considered to be of importance that mala fides on the side of the plaintiff could not be established. In the Tullen Industries case,⁷⁷ the court stated that relief can only be denied on proof of at least dishonesty. Commenting on the approach followed in the Zyp case,⁷⁸ the court said that in the latter decision, recognition was not given to the fact that the English case law followed was based on the English law of equity, and the approach followed was said not to be a correct statement of South African law.

The view proposed by some writers is that the issue of an effect on the distinguishing function, by the perceived misrepresentation, should be of importance. It was suggested that this view could support the approach that the plaintiff who adopts a mark whilst aware of the existence of another user of the mark, is not thereby excluded from protection on the basis of the doctrine of unclean hands. This line of reasoning is supported, in particular, by the Victoria's Secret ruling,⁷⁹ where the court said that the decision to use a foreign mark here cannot be described as fraud.

In **summary**, there appears to be a divergence of opinion in English law as to the position, although it would appear that the fact of knowledge does not exclude protection, in particular as the relevant norms are seen to differ from that in the statutory trade mark law, where knowledge can be fatal. With regard to South Africa, the position is that dolus is required before the doctrine of unclean hands would exclude protection. It was submitted that if there is, factually, a reputation, and the use would not be likely to cause confusion, protection should be granted. The fact of knowledge is thus not fatal.

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

The above issue was considered in detail insofar as South African law is concerned. Firstly, regard was had to the question whether the existence of a trade mark registration is a defence to a passing off action. The Trade Marks Act 194 of 1993 determines that the Act does not affect any common law rights. Various decisions were

⁷⁶ 1952 (3) SA 343 (A).

⁷⁷ 1976 (4) SA 218 (T).

⁷⁸ Note 75.

⁷⁹ 1994 (3) SA 739 (A)

then reviewed, some of which have held that a registration is not a defence. Other cases seem to be to the effect that a registration is not an absolute defence, leaving some uncertainty.

It was also investigated whether there is a statutory right to use a mark, a question related to the above. This was found not to exist in relation to a common law user, although many cases have held that a trade mark registration gives the exclusive right to use a mark. The common law user of a mark would also not, in general, have a defence against a trade mark registration.

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

3.1 Opposition to trade mark applications

3.1.1 Opposition by applicants

In the United States, in terms of section 16 of the Lanham Act, provision is made for what is termed “interferences”. This can occur between two applications, or an application and a contestable registration. The relationship between the registrability of a mark and the priority of use entitling a party to registration often featured. Usually, the examiner concerned will first determine the registrability of a mark before declaring an interference, but the question may be raised by a party. The primary issue remains, however, who has priority to a mark, the secondary issue is whether the party that prevails is himself entitled to registration. A party can prevail, yet not be entitled to registration. The filing date is not decisive for marks on the Principal Register. In the conventional situation the question would simply be who has the earliest date of use. However, an intent-to-use application can be used to establish priority although the use concerned does not predate the earliest date of use of the other party. Eventually use is required, however.

In the United Kingdom, section 12(3) of the 1938 Trade Marks Act provided for a determination of rights procedure. Normally, the prior application will be allowed to proceed on notice to the other party whose application will in the meantime be suspended. In determining which is the prior application, first user will defeat first

application. Where both applications claim prior user and were independently conceived, the one with the longer use will be the one to be advertised, on notice to the other. The application with the shorter use will be suspended pending the outcome of any opposition proceedings.

The 1994 Act provides, instead, for the opposition of an application by A, an earlier applicant (opponent). This is, for instance, possible in terms of section 5(1). It was submitted that in the event that the applicant whose application is being opposed, B, has use prior to that of A, he would be able to defend the opposition successfully. Prior user can also feature in the situation where a later applicant wishes to oppose an earlier application on the basis of an “earlier right” which would typically be prior user. In both situations the provisions regarding honest concurrent use will be applicable.

The 1963 South African Act provided for a determination of rights procedure in section 17(3), which had wording similar to that of the 1938 British Trade Marks Act. It appears, however, that the application of the provision differed in practice. In particular, in South Africa, no suspension of an application took place. In such proceedings, the main issue in dispute was the proprietorship of the mark concerned. The principle qui prior est tempore potior est iure was relevant. In some decisions it was held that the Registrar may consider wider issues than proprietorship, such as the registrability of the marks applied for, but other cases have held 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.

The 1993 Act allows, in terms of section 10(15), for the opposition of a later application by an earlier applicant, but the use of the later applicant can be decisive. It was submitted that use to an extent not necessarily amounting to the existence of a reputation would be sufficient to defend such an opposition. The later applicant can rely on honest concurrent use. Provision is also made for the opposition of an earlier application if the application is in conflict with the later applicant's existing rights. According to writers, “existing rights” could include use of a mark to an extent that would not be sufficient for an opposition just on the basis of prior use, but which, nevertheless, establishes that registration would be contrary to the rights thus built up. The filing of an

application can thus influence the burden of proof. In this instance, reliance on honest concurrent use is not possible.

In all three systems provision is made for an applicant to prevent another application from proceeding to registration, subject to the qualification that in the United States, a registration may be involved. Under American law the relevant mechanism is interference proceedings. Under earlier British and South African legislation, provision was made for a determination of rights. All three the former have in common that they are not seen as opposition proceedings in a conventional sense, but, nevertheless, relate to a form of "resistance."

With regard to the issue of registrability, it was noted that under American law, this aspect would normally have been considered already by the examiner, and an interference would otherwise not be declared. This notwithstanding, a party could challenge an opponent's mark on the basis of lack of registrability. In South Africa, the issue of the consideration of registrability was somewhat controversial. Some decisions dealt with registrability questions such as distinctiveness, but others made a rigid distinction between determination of rights and opposition proceedings. Somehow, however, the issue of priority of use was ventilated. The narrow approach adopted in earlier South African decisions can, of course, imply that a mark may have priority, but may not be registrable. American law is quite comfortable with this apparent theoretical dilemma, as it is accepted that use may not be sufficient to obtain a federal registration, yet may suffice for successful interference proceedings.

Turning then to merits, the position under American law is, of course, that a mere filing date does not suffice to give priority, and it was specifically pointed out that the United States is not a country that follows a first-to-file system.⁸⁰ Under the British and South African systems, priority, or proprietorship, could, however, be based on an earlier filing date, without any use.

When a comparison is made between current British, South African and American legislation, the clear difference is that the former two systems have now introduced opposition proceedings. In South Africa, in instances where an earlier application is

⁸⁰ The constructive use provisions should, of course, be borne in mind

opposed by a later applicant, the latter would, in terms of section 10(16), have the burden of proof of establishing existing rights at the time of filing. In relation to previous legislation, it was said⁸¹ that an arbitrary rule based on an earlier filing date will prejudice the later applicant. If forced to oppose an application, he would have to prove that the prior applicant is not entitled to registration. As a rival applicant, he only need show that his claim to registration was stronger, and could prevail if he has use which, although not sufficient to found an opposition only on prior use, would be sufficient to establish a stronger claim. It was said that if he was an objector, he would not succeed. It seems that with section 10(16) the matter has come full circle. Now, the later applicant must prove that the prior applicant is not entitled to registration, but although not a rival applicant, but an objector, he can, indeed, rely on the use of a mark to an extent that would not be sufficient for an opposition just on the basis of prior use, but which, nevertheless, establishes that registration would be contrary to the rights thus built up.

3.1.2 Opposition by common law users

By way of generalisation, the preceding section dealt with the situation where there are competing applications, and where prior use of one of the parties may be decisive. In the discussion that follows, the conceptual framework is the opposition of an application by an opponent on the basis of user rights, without the opponent necessarily having filed a competing application.

The position in the United States is that the fundamental requirement for an opposition is priority of use. In defining this concept, courts have referred to various factors, such as whether there is a public identification with the mark, or whether market penetration has occurred. In order to oppose, it is not necessary for the opponent to establish that he would be entitled to registration.

An interesting aspect of American law, in view of its emphasis on priority of use, is the recognition of intent-to-use applications. The latter provides so-called constructive use, and can establish priority, on condition that the mark is used before registration is granted. This is, in other words, a hybrid form of realising priority. The filing date of such an application can trump the date of first actual use of the applicant whose mark is

⁸¹ By the authors Webster and Page South African Law of Trade Marks (1986) 127

being opposed, although the intent-to-use applicant's date of first (actual) use postdates the date of first use of the applicant whose mark is being opposed. Case law is not clear as to whether it is the mark as applied for, or as used, that must be considered.

With regard to geographical priority, the position is that use in only a few states can form the basis for the opposition of an application that would have a nationwide scope. In the converse situation, it was said that the prior user of a mark anywhere in the United States is normally entitled to an unlimited registration, although he may only be using it in a portion thereof.

Under section 11 of the 1938 British Act, the position was that the existence of a reputation was not required, and user was sufficient.⁸² The Bali decision⁸³ confirmed that the test for a section 11 opposition was not the same as for passing off. An objector can oppose a particular mark's registration, although he might himself not be entitled to obtain registration.

Section 5(4)(a) of the 1994 Act now specifically states passing off as a requirement. Decisions differed as to whether, as in passing off cases, the manner of use of the applicant should be considered, or whether it is the mark as filed, that is relevant. It was submitted that, as is the case with infringement, extraneous matter should be disregarded.

In South Africa, section 16(1) of the 1963 Act provided for the opposition of an application on the basis of prior use. The quantum of use necessary for such an opposition, according to Oils International (Pty) Limited v WM Penn Oils Limited,⁸⁴ was the existence of a reputation.

With regard to the current Act, section 10(12) has wording similar to section 16(1). The differences between passing off and opposition proceedings were considered in detail. It was noted that in English law considerable emphasis is placed on the requirement of deception for passing off, and that on that basis a distinction between passing off and opposition proceedings could be made. However, in South Africa confusion suffices for

⁸² Celine S.A. Trade Mark [1985] RPC 381.

⁸³ [1969] RPC 472.

⁸⁴ 1965 (3) SA 64 (T)

passing off, and it was stated that this particular issue appears not to be a distinguishing feature.

With regard to the amount of use necessary for an opposition, it was noted that in American law it must be sufficient to create priority of use, as defined in case law. In previous British legislation, it was held that a reputation is not required, but that user on its own could suffice. Previous South African legislation, however, required the existence of a reputation. In terms of current British legislation the test for an opposition is stated to be that of passing off. Some commentators have, however, stated that the position is the same as that under the previous legislation. South Africa's current legislation maintains the requirement of the existence of a reputation. This does not imply that actual use in the country is necessary, it is sufficient if a reputation has come into existence here, for instance, through advertising. In this sense there is harmony between the statutory position and that in passing off, following the ruling in Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd.⁸⁵ In terms of the latter, the existence of a reputation is sufficient for passing off, and a goodwill is not required.

As far as the basis of priority is concerned, it was noted that in American law the filing of an intent-to-use application can provide priority. The filing of such an application can be seen to provide rights that trump that of a prior user. In a sense such an applicant, B, can thus prevail, although the applicant for registration, A, has actual use prior to that of B. It is thus, strictly speaking, not correct to state that American law is based on prior user. With the introduction of constructive use, by way of intent-to-use applications, it has become necessary to give a wider interpretation to the concept of priority of use. In other words, constructive use has become almost as valid as actual use insofar as the establishment of (initial) priority is concerned. The fact that registration will not ensue until such a time as actual use has taken place, does not change the stated position materially. It has been said that priority and ownership is determined, not by a race to the Patent and Trademark Office, but "a race to the market place."⁸⁶ It was also said that:⁸⁷

⁸⁵ 1998 (3) SA 938 (SCA).

⁸⁶ Holsum Bakeries, Inc. v General Baking Co., 228 F. Supp 962 (E.D.La. 1964).

⁸⁷ McCarthy Trade Marks and Unfair Competition 16-6

"The United States, unlike many civil law nations, has a rule of priority that is based on first-to-use not first-to-register."

It is also interesting that the Trademark Board has admitted⁸⁸ that it follows a more liberal policy in relation to what constitutes "token use" to found a federal registration, in order to bring the United States closer to the intent-to-use model followed by other countries. It can thus be seen that the historic emphasis on use in the United States has shifted to an extent.

A comparable development, broadly speaking, in South African law is contained in section 10(16) of the current Act.⁸⁹ Where a prior user relies on use that has created a reputation as the basis for an opposition, the provisions of section 10(12) will be applicable. No specific case has yet been decided on this section's import. However, it is likely that the approach set out in Oils International (Pty) Limited v WM Penn Oils Limited⁹⁰ will be followed. This requires the existence of a reputation. In the situation where section 10(16) applies, a difference exists, in that it presupposes that the opponent has also filed an application, albeit with a later filing date. The opposition must be based on "existing rights" as at the filing date of the earlier application. Commentators have suggested 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. There is clearly a lesser burden of proof involved. The inevitable conclusion, if the commentators' view is accepted, is that the filing of an application reduces the quantum of use required.

The above can be related to the decision in the Oils International case⁹¹ in two respects. Firstly, it was said⁹² that the applicant there took the important step of filing an application. This view can be aligned with the effect of the filing of an application as discussed above. Secondly, the legislature seems to have drawn a distinction between a section 10(16) and 10(12) opposition. In the latter case, there is, per definition, at the date of filing, the likelihood of confusion. In the case of section 10(16), this will not

⁸⁸ McCarthy Trade Marks and Unfair Competition 19-260.

⁸⁹ See, however, the discussion of section 17(3) in section 3 of chapter 4.

⁹⁰ 1965 (3) SA 64 (T).

⁹¹ Note 90.

⁹² Page 72 D – F

necessarily be the position. However, with time, this could become the position. In this sense it is perhaps fair to say that this type of protection is what the court in the Oils International (Pty) case⁹³ seemingly accepted as being, at least, logical. More in particular, the contention by the opponent that whilst it did not (yet) have a reputation, it was sufficient to succeed with an opposition if acts effected by the filing date were such that they would "fructify" into a reputation later, so that there would then be confusion. The court reacted as follows:⁹⁴

"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."

It thus seems that the approach contained in section 10(16) can be related to some, although obiter, dicta in earlier cases.

It is also of interest, in a comparative context, to refer here to the concept of "secondary meaning in the making", as encountered in American law. Some decisions have accepted that a mark can be protected if the owner is endeavouring to create secondary meaning, but has not yet fully succeeded in doing so. It thus appears that both American and South African law provides protection for marks that have been used, but not to such an extent as to have established a reputation.

It is necessary to comment on the issue of the **relevant date for determining the merits of an opposition**. Often the matter is approached simply from the standpoint of whether the opponent had a reputation on the filing date. With regard to English law, it appears that the relevant date for judging the matter is the date of the application. This can be considered to be the general approach. However, if the mark for which registration is applied for has been in use, then the matter must be considered at an earlier date. Kerly⁹⁵ indicates that this is in line with the general principles pertaining to passing off, namely that the date for proving the existence of a reputation and goodwill is the date of commencement of the activities concerned. In this situation the opposition will only succeed if the claimed prior user has use that predates the earliest of the

⁹³ Note 91.

⁹⁴ Page 69 F.

⁹⁵ Law of Trade Marks (2001) 259

registrant's date of application or date of first use. In other words, use prior to the application date is not decisive. It is submitted that South African law should follow the same approach.

The correctness of Kerly's approach can be illustrated with the following example. A commences use in 1980. B commences use in 2000. A files in 2002. At the date of A's filing, B does have use which predates the application date of A. However, it would violate the basic principle of priority to disregard the extensive prior use that A has, and to allow B to oppose A's application on the basis of his more limited and later use.⁹⁶ The position as at the filing date can thus be merely the tip of the iceberg.

It is interesting to contrast the above position with that in the United States. In terms of the latter, the position is that where an opposition is based on a registration, the date of first use of the opponent is not relevant. In such circumstances, a comparison of the respective dates of first use of the parties is thus not made. Priority of use only features when an application is opposed on the basis of prior use, not a prior registration. It would not be a defence for A, the prior user and subsequent applicant, to rely on his use prior to the filing date of B, the prior registrant. From a British and South African perspective, this is a startling result. The solution to this dilemma is said to be that if the opposer has no right to its registration, the applicant should institute cancellation proceedings, which would, however, not produce the correct result if the mark has been registered for more than five years. On what basis does this apparent unfair principle rest? Callmann⁹⁷ explains the position as follows:

"[T]he priority of the registrant over the applicant is assumed, and is not in issue. The registration on which the opposer relies is entitled to the benefit of all [section] 7(b) presumptions of validity, ownership, and exclusive right to use...If the applicant were allowed to assert priority of use as against a registration, he would in effect be collaterally attacking the validity and ownership of the registration..."

⁹⁶ See, however, the discussion of geographical priority *infra*.

⁹⁷ *I*nterim Report on Competition in Trade Marks and Monopolies 25 – 349; 25 - 350

With regard to a cancellation action for marks that are older than five years, the author then states:⁹⁸

"In such cases, therefore, if the prospect of confusion is established, the opposer can rest his case by relying on his previously issued registration and the statutory effects created thereby. Priority of trademark use will be wholly irrelevant to the enquiry."

The situation is thus problematic largely due to the fact that a registration on the Principal Register becomes, in general, incontestable after five years. In South Africa there is no similar provision for incontestability.⁹⁹ It would thus be possible to expunge a registered mark that is relied on to oppose an application. South African law is more flexible and less formalistic in comparison to American law on this point. It is submitted that it is competent for the Registrar or a court to decide in favour of the applicant that has prior use without him having to file an expungement application. This follows from the clear principle of priority of our law, as evidenced specifically by section 36(1).

An aspect that requires specific attention is **geographical priority**. In the conventional situation A, the prior applicant and user, is a "clear winner", and there is no obvious challenger to his superior right to obtain registration. Often there would be prior use in the whole of the country. This would imply that he can rely on common law rights to prevent passing off anywhere in the country, on condition that he has a reputation in the particular territory. Once registration has been obtained, he can rely on statutory protection as well, and prevent infringement in areas even if he does not have a reputation there. Seen in a certain light, rights are obtained in an area where there is no commercial presence. The question that arises here is to what extent the statutory position truly deviates from the accepted view of the protection afforded by the common law.

In terms of the so-called Dawn Donut rule,¹⁰⁰ the owner of a federal registration in the United States does retain priority, but the obtainment of relief is influenced by the fact

⁹⁸ Unfair Competition Trade Marks and Monopolies 25 – 350 (own emphasis).

⁹⁹ It should be noted that the so-called seven year rule – section 42 of the previous Act – contained a specific exemption for marks registered in conflict with section 16(1), which, of course, protects prior user rights.

¹⁰⁰ Based on the decision in *Dawn Donut Co. v Hart's Food Stores, Inc.* 267 F 2d 358 (2d Cir. 1959)

that there is no likelihood of confusion until there is a likelihood of entry by the owner into that area. The basis for this view is that until that time consumers in the particular geographical area will not, factually, be susceptible to confusion as both products will not be available simultaneously. This position is not the same as that in South Africa, and relief is granted here on a regular basis in territories far removed from the actual business areas of the proprietor. The point is, however, that there is some tension in relation to the protection provided by the registration of a mark insofar as an area where he is not actually trading is concerned.

In South Africa, if an opponent in opposition proceedings has use in only one area, he can, nevertheless, oppose an application for the whole country.¹⁰¹ The American position is the same.¹⁰² In South Africa, the other side of the coin is that if an opponent has prior but restricted use, it may be possible that his opposition will meet with limited success, in that the registration will be granted, with only an exclusion for the specific geographical area of his prior use.¹⁰³ Does this imply that the prior applicant prevails over the prior user simply because the latter has not filed an own application?

It is relevant here to have regard to the American decision of Weiner King, Inc. v Wiener King Corp.,¹⁰⁴ which related to a concurrent registration dispute. Here the subsequent user, B, conducted business in 20 states, the senior user, A, only in one. The court remarked¹⁰⁵ that its function is to weigh the relevant considerations. These included the interests of the prior user who remained a small, locally oriented business, and those of a subsequent user, whose intent is to expand nationwide, and who has done so.

101 Under section 17(3) of the previous South African Act, the issue was which party had the superior right to registration. It was not necessarily the first user. The first applicant could have prevailed. The "defeated" party will not obtain registration for his area of use, even if he had use prior to the date of first use of the opponent. The defeated party would have to file an honest concurrent use application, if his use qualifies, and if the registrant has not halted his use following obtainment of registration. The concurrent use application would have to be restricted to the actual area of use. The parties could settle the matter on the basis of a geographical delineation, but the Registrar was not obliged to accept such an agreement. Prior use could thus ensure registration, but it was not the priority of use so much, as the fact of priority, which could have been established by way of a filing as well. To a certain extent thus, use does not have inherent merit as is the situation in the United States in this regard. The situation under the previous South African Act can be summarised by saying that it is possible for the party first to file, without use, to obtain a registration covering the whole country. In terms of the current Act, it is again possible that an applicant with the earliest filing date, but who does not have first, or in fact any use, can obtain registration without any geographical limitation.

102 McCarthy Trademarks and Unfair Competition 20-103.

103 Webster and Page South African Law of Trade Marks (1997) 9-5.

104 615 F 2d 512 (CCPA 1980).

105 Page 522 (own emphasis)

Registration was granted to B for the remainder of the United States, with the exception of the particular locations where A had conducted business. In Nark, Inc. v Noah's, Inc.,¹⁰⁶ a similar approach was followed, on the basis of, amongst others, the view that the senior user has relinquished the right to nationwide protection.

In South Africa, a practical example could be the following. A commences use in 1970, in Upington, in the Northern Cape. His business has, ever since, been restricted to that area. In 2000 B commences use in the whole of the Gauteng and Free State provinces, on an extensive basis, and files an application in 2002. If, as was said in the Weiner King case,¹⁰⁷ the relevant considerations are balanced, it seems inequitable for A to be able to oppose B's application. However, it is clear that it is not because of the inherent merit of B's earlier filing date, but rather an evaluation of what is fair in the particular circumstances. What is the position where A has a registration? B would be forced to follow the honest concurrent use route to registration. The limitations this would entail could imply that a dynamic concern with the ability to do business in the whole of the country, would be restrained, unless the registration of A is limited geographically. Such an approach would indirectly involve a finding of geographical priority, however.¹⁰⁸

In terms of some systems, an opposer with limited prior use cannot oppose an application at all. Reference can be made here to the European Regulation,¹⁰⁹ in particular article 8(4), read with article 52(1)(c), which deals with prior use as a basis for opposition or invalidation, respectively:

“Upon opposition by the proprietor of a non-registered trade mark or of another sign used in the course of trade of more than mere local significance, the trade mark applied for shall not be registered where, and to the extent that, pursuant to the law of the Member State governing that sign,

- (a) rights to that sign were acquired prior to the date of application for registration of the Community trade mark, or of the date of priority claimed for the application for registration of the Community trade mark;

¹⁰⁶ 560 F Supp 1253 (E.D. Mo 1983).

¹⁰⁷ Note 104.

¹⁰⁸ See the discussion of this concept in paragraph 3.4 infra.

- (b) that sign confers on its proprietor the right to prohibit the use of a subsequent mark."

It has been stated,¹¹⁰ in relation to the above provision, that the requirement that the use must be of more than mere local significance implies that the owners of small businesses will not be in a position to oppose Community applications.

The obtainment of a registration is, of course, not always the end of the matter, and there is a complicating factor that must be considered in this regard. This is namely the rights of a senior user in a particular area, who is a junior user in a national context. The following example can be used. A commences use in the Eastern Cape in 1995. B commences use in the Western Cape in 1998. A files in 2002. Received wisdom would be that B cannot oppose A's application as A has prior use. He might have a claim to honest concurrent use later on.

In this regard it is necessary to consider the Diggers Grill case¹¹¹ which dealt with an expungement application. The facts briefly are that A had used his mark, in the then Transvaal, since 1982, and B commenced use in Natal in 1984. At the stage that A filed an application later that year, B already had substantial use in that province. The registration of A was rectified to exclude the province of Natal. The limitation of the registration was based on section 33, which allowed for the rectification of the Register in the event of an entry wrongly made, or wrongly remaining on the Register. The court did not rely on a particular statutory provision to provide a substantive basis for the application of section 33. However, if the view of the court in the GE Trade Mark case¹¹² is accepted,¹¹³ this would not be problematical:¹¹⁴

“...I reject the extreme submission...that section 32 [equivalent to section 33] is a mere procedural section prescribing the steps to be taken to give effect to an

¹⁰⁹ Council Regulation 40/94/EEC.

¹¹⁰ Morcom et.al. The Modern Law of Trade Marks 532.

¹¹¹ 1990 (1) SA 192 (T).

¹¹² [1973] RPC 297.

¹¹³ See Luster Products Inc v Magic Style Sales CC 1997 (3) SA 13 (A).

¹¹⁴ Page 323 line 14 – line 18

express power of removal conferred by other sections of the Act...and does not in itself confer any power to expunge otherwise than pursuant to those sections."

The court accepted, without deciding, that B would have been entitled to relief in terms of section 17(2) of the previous Act, which deals with concurrent rights. But the court seems to have treated the dispute more as one relating to priority. It was stated, for instance, that:¹¹⁵

"In my view [B] became proprietor of the trade mark, at least in Natal..."

Furthermore, it was held that:¹¹⁶

"Mr Ashton submitted, and I agree with him, that because of [B's] vested interest in the trade mark, described above, [A] was not entitled to claim exclusive proprietorship in the whole country, and to obtain exclusive rights to the trade mark and thereby depriving [B] of his vested rights in the trade mark."

In the process of coming to an understanding of the approach followed by the court, it is important to have regard to the fact that the court referred to the Broadway Pen Corporation v Wechsler & Co (Pty) Ltd¹¹⁷ and Oils International (Pty) Ltd v Wm Penn Oils Ltd decisions.¹¹⁸ These cases revolve around the idea of an exclusive, not concurrent proprietor of a mark.

The conclusion is unavoidable. The court in effect held that the use that B had, at the date of A's application, provided him with rights to the province of Natal. Put differently, A's prima facie right to a national registration, being the national senior user, was limited by the rights of the senior user in Natal. This fact provides support for the statement that the decision recognizes the concept of geographical priority, although it is apparently in conflict with the principle of qui prior est tempore potior est iure, which is generally accepted in our trade mark law. It can be argued that in terms of traditional principles, the court should have had regard, not to the position as at A's date of application, but as at A's date of first use.

¹¹⁵ Page 198 I.

¹¹⁶ Page 197 I (own emphasis).

¹¹⁷ 1963 (4) SA 434 (T).

If the principle of geographical priority is, however, seen as being part of our law, the obvious question that is raised is whether the position prevailing in opposition proceedings should not be adapted to accommodate this approach? The argument that may be used in the above regard relates to section 10(12). This section refers to the opposition of a mark whose use is likely to cause confusion. It would appear that in the particular area where B had use, confusion would, indeed, be likely if A were to use his mark there.

The concept of a national junior user having priority rights in a particular geographical area seems to find application in English law. Particular reference can be made to Saxon Trade Mark,¹¹⁹ where the following was stated in relation to section 5(4)(a) of the Trade Marks Act, which provides for an opposition on the basis of prior user rights:¹²⁰

“Mr Foley appears to have construed the section as if it is only concerned with cases where the use of the mark by the proprietor starts after the use of the same or a similar mark by someone else. I do not think that this is what the section says. For the prohibition to bite, all that needs to be shown is that, at the time of the application to register, the normal use of the mark by the proprietor would be liable to be prevented by passing off proceedings brought by someone else. It may well be that in most cases this will only arise when the other party had commenced using his mark before the proprietor, but it is not inevitably so and the section does not require it to be so. The fact that the convenient title “proprietor of an earlier mark”¹²¹ is used to designate the other party does not limit the scope of the section.”

The court then gave the following example:

“Consider, for example, a case in which one proprietor uses a mark on a retail clothing business in Manchester and the other uses it on a similar business in Plymouth. They commence trading at the same time. Their trades do not compete because of geographical separation. Assume the Manchester trader

¹¹⁸ Note 90.

¹¹⁹ [2003] FSR 704.

¹²⁰ Page 716 paragraph 32 (own emphasis).

registers the mark. Normal and fair use of it would include use in Plymouth. That would be liable to give rise to a cause of action in passing off...For that reason the Manchester trader would fall foul of s. 5(4)(a) even though the Plymouth trader commenced use of the mark at the same time. For that same reason the Plymouth trader could not register the mark."

It seems that the position is that where A has use prior to B's application, he can oppose B's application. Where a party does not have prior use (nationally) it can still, on the strength of the Saxon case,¹²² oppose another party's application insofar as it relates to its area of use. For argument's sake, B commences use, on a national scale, after A, but B has use prior to A in the area concerned. B can prevent use of the mark by A on the basis of passing off in the particular area, and, hence, oppose the application. This would recognize the principle of geographical priority.

Whether this approach is correct, is not clear. For one, it would be out of kilter with the approach adopted in section 11(3), although it is conceded that the wording of the sections differ. Section 11(3) also relates to the entitlement to relief on the basis of passing off, but it is linked to the earlier of the other party's date of first use, or filing date. In other words, the fact that, in the above example, B commenced use after A could be seen as disqualifying him from opposing A's mark.

In South Africa the principle of geographical priority does, however, not find general application. The position will only change if the decision in the Diggers Grill case¹²³ is accepted as a principle of priority that can be reconciled with the general tenets of South African trade mark law.¹²⁴

¹²¹ The intention was probably to refer to an earlier right.

¹²² Note 119.

¹²³ Note 111.

¹²⁴ The issue in the end is probably simply whether the junior user will be entitled to (partially) expunge the prior registration, or would have to await the processing of his application on the basis of honest concurrent use. For the former, a finding of geographical priority would be a requirement, for the latter not. In relation to the second option, reference should be made to the case of Second Sight Ltd v Novell UK Ltd [1995] RPC 423 435 line 29 where the court remarked, amongst others, as follows:

"I believe that the Registrar (if necessary, encouraged by this judgment) can or will expedite the hearing of the dispute which justice requires should be resolved urgently, and not significantly later than October this year."

If this approach would be practicable in South Africa, which seems unlikely, it would have been of great benefit to concurrent users

Lastly, it was submitted that, in line with the position in infringement cases, the comparison should not be between the mark as used, and the opponent's mark, but between the latter and the former's, as filed.

3.2 Expungement of registrations

With regard to the United States, the position is that the grounds for an opposition and a cancellation action, for marks less than five years old, overlap.¹²⁵ This overlap means, in particular, that a registration can be cancelled on the basis that it is in conflict with section 2(d), in that it is confusingly similar to a mark that has priority. In practice, however, it appears that the fact that a mark has been in use for a considerable period of time would be important. Marks on the Supplemental Register can be cancelled on the basis that they are in conflict with section 2(d) at any stage. Registrations on the Principal Register can be attacked on the basis that they are in conflict with section 2(d), if they are less than five years old, but not thereafter. In that sense they become incontestable. It should be noted that although the Act provides for the partial cancellation of a mark with reference to a particular geographical area, the Commissioner has elected to restrict a registration only in the context of concurrent use proceedings.

In the United Kingdom, the grounds for invalidation of a registration and the opposition of an application are the same. In considering the invalidation of a registration a court should not have regard to the fact that the registrant would be able to again obtain registration. The dispute must, therefore, be dealt with on the basis of the status quo.

The position in South Africa is the same in that the grounds for expungement and opposition also overlap. For the sake of comprehensiveness, it was noted that under the 1963 Act, one exception applies, namely where a mark has been registered for more than seven years. However, 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 Concurrent user rights

In the United States, section 2(d) of the Lanham Act allows a concurrent registration in the event of concurrent lawful use prior to the filing date of an application or registration.

¹²⁵ Young v AGR Corp 152 F 3d 1377 (Fed Cir 1998)

This relatively clear principle has caused considerable difficulty in its implementation, in particular in relation to geographical disputes.

Several important principles were stated in the leading decision of In re Beatrice Foods Co..¹²⁶ Firstly, the general rule is that the prior user of a mark is prima facie entitled to a registration covering the entire country. The second principle stated by the court is that where the prior user does not apply for registration before registration is granted to another, there may be valid grounds, based on a policy of rewarding those who first seek federal registration, for permitting the prior registrant to retain the nationwide protection of the Act, restricted only by the territory of the prior user, and for limiting the prior user's registration to the area of actual use. Thirdly, the court stated that in regard to the two above scenarios where prior use is protected in a given area, it may be possible for a party to obtain protection for areas wider than its actual use.

With regard to the United Kingdom, section 12(2) of the previous Act allowed for registration on the basis of honest concurrent use, or special circumstances. The central question is the meaning of the term "honest." In determining the content of the latter, the effect of knowledge of a mark was considered. The authoritative ruling in Pirie's Application¹²⁷ is to the effect that the fact of knowledge loses its significance once and if the honesty of user is established. Honesty seems to be related to the reason for the adoption of a mark. With regard to the question whether registration on the basis of honest concurrent use can be obtained if the registrant is not using his mark, it was said in Origins Natural Resources Inc. v. Origin Clothing Limited¹²⁸ that it is possible, and that it would be more correct to work with the concept of "concurrence."

The possibility of obtaining registration where the registrant that is an opposer relies on prior use was considered. There is a difference of opinion between cases as to whether the opposer retains the right to rely on prior user. In John Fitton's Application¹²⁹ it was held that the opposer does retain the right to rely on same, but in Spillers Ltd's Application¹³⁰ it was said that in deciding on registrability, factors pertaining to deception or confusion would already have been considered.

¹²⁶ 429 F. 2d 466 (CCPA 1970).

¹²⁷ [1933] RPC 147.

¹²⁸ [1995] FSR 280.

¹²⁹ [1949] RPC 110.

¹³⁰ [1952] RPC 327

The issue of a stay of proceedings was also discussed, in particular with reference to Second Sight Ltd v Novel UK Ltd.¹³¹ It was noted that the interests of the parties are to be considered, and that the guideline is the interests of justice.

The 1994 Act also contains a provision dealing with honest concurrent use, and the same meaning is given thereto as under the previous Act. The above case law will thus be applicable. This ground can be relied on against the proprietors of various "earlier marks," and "earlier rights", and it was noted that it is now also possible to overcome an objection by a prior user.

Section 17(2) of the previous South African Act allowed for the registration of a mark on the basis of honest concurrent use, or special circumstances. The Act was understood to relate to oppositions by the proprietors of registered marks only, but in Grotrian-Steinweg v Steinway & Sons¹³² the Registrar did find that section 17(2) was introduced to temper the workings of section 16(1). The question of the staying of proceedings was considered in a number of cases, and it was noted that according to Abdulhay M Mayet Group (Pty) Ltd v Renasa Insurance Company Ltd,¹³³ the court does have a discretion to stay infringement proceedings, but that discretion is to be exercised sparingly and only in exceptional circumstances.¹³⁴

The current Act also regulates the issue of honest concurrent use. It can be relied on against the proprietor of a registered mark, a well-known mark as envisaged in the Paris Convention, and in a dilution context, as well as an opposition by an earlier applicant. An innovation is that such use can feature in relation to the obtainment and retention of a registration. It was noted that the effect of the provision was to obtain acceptance, and that it was not necessarily a guarantee that registration can be obtained. With regard to the substantive principles that would apply, it was submitted that British case law should again be applicable. Particular attention was given to the relevance of knowledge, and the reason for the adoption of a mark.¹³⁵

131 Note 124.

132 Patent Journal August 1976 173.

133 1999 (4) SA 1039 (T).

134 Page 1048 H - I.

135 See paragraph 3.3.1.5 in chapter 3

It is now necessary to deal with the following three aspects.

Firstly, with regard to the date for determining use, the position in the United States is that, as indicated, section 2(d) of the Lanham Act allows a concurrent registration in the event of concurrent lawful use prior to the filing date of an application or registration. The application of this provision can be illustrated with reference to the following example. A commences use in 1995, and obtains federal registration in 2000, with a filing date of 1997. B commences use in 1996. He will be able to obtain concurrent registration. Actual use prior to the applicant or registrant's date of first use will not necessarily be of assistance. This is the situation where A files an intent-to-use application, and B commences use thereafter. After B's date of first use, A commences use. B has prior use, but cannot rely on section 2(d). The decisive date is thus the date of filing. Any use thereafter cannot form the basis for a registration.

English and South African law follow a different approach. In these countries the important date for purposes of honest concurrent use is the own filing date, as the sufficiency of use is judged retrospectively from that date. In both countries the provisions relating to honest concurrent use are based on the approach that rights are established after the date on which a priority right is vested in the opponent. For instance, in the case of section 10(14) and 14(1) of the South African Act, the application is per definition filed after the filing date of the registration, yet that is explicitly "condoned" by the legislature. Under American law this would not be possible.

It is, secondly, appropriate to make some brief comments on the difference between American and South African law insofar as the In re Beatrice Foods Co., decision¹³⁶ is concerned. This ruling is to the effect that the prior user of a mark is prima facie entitled to a registration covering the whole United States. This would seem to be true for South Africa, subject to the qualification that a prior application can, of course, trump use that commenced after the filing date. In the decision it was also said that there may be valid grounds, based on a policy of rewarding those who first seek registration, for permitting the prior registrant to retain the nationwide protection of the Act, limited only by the prior user's area of actual use. In South Africa, it would seem that the fact of prior use would not, in itself, give priority over an earlier applicant, that is, an application made prior to

the date of first use of the former. The broader meaning attached to the concept of priority in South Africa thus becomes evident from this comparison.

In the United States, the Weiner King¹³⁷ and Nark cases¹³⁸ granted "priority" to the junior but extensive user in preference to the static senior user. This was in the context of concurrent use proceedings. The mechanism that would be used in South Africa, section 14(1), does not provide a basis for the same ruling. Section 14(1) presupposes an existing rights holder, whose rights will not be diminished by the later "concurrent" application. In other words, an "add on" system. In contrast, American concurrent registration proceedings in reality mask a priority dispute, and a finding as to which party's registration should have the most extensive geographical reach. In this situation the national senior user's rights can, indeed, be diminished. The approach of South African law is thus different, and a registration can only be limited in the context of expungement proceedings.

Thirdly, the issue of knowledge must be considered. The substantive law regarding the meaning of the concept "honest concurrent use," is in general the same under the previous and current British and South African legislation. Insofar as knowledge of a mark is concerned, the position is that knowledge is an important factor to be considered when balancing considerations for and against registration, but it is not per se exclusionary. It would seem to follow, however, that, on balance, it is still best to create a situation where the infringing party cannot raise the issue of lack of knowledge for whatever purpose.

The first and obvious advantage of informing the infringer of the rights of the proprietor, and of the proprietor's unambiguous objection to the infringing use, is to remove the possibility of the infringer relying on the special defences of acquiescence and estoppel.

The second advantage must be understood in the context of the practical and logistical facets involved in obtaining registration of a mark, having particular regard to the position in South Africa. The decision in the Diggers Grill case,¹³⁹ which is of central importance to the subject of this research, must be considered here again. This case

¹³⁷ Note 104.

¹³⁸ Note 106.

¹³⁹ Note 111

establishes that litigation, as soon as a registration ensues, may not always be sufficient. Prior to registration, A could not succeed with passing off proceedings in Natal, as his reputation was limited to the Transvaal. The common law did thus not provide assistance. In such circumstances a company's trade mark attorneys would no doubt advise the party to immediately file a trade mark application to overcome this impediment. During this time he would, however, be without a remedy, and depending on the time that the mark takes to be registered, it could imply that the potential defendant could in the interim build up rights of such an extent as to be able to rely on honest concurrent use.

Having regard to the facts of the matter, it appears that up to the stage that A's attorneys wrote to B, the latter's use would undoubtedly have been honest, as there was no awareness of A's mark at the stage of the adoption thereof; B's mark was also selected without reference to A's mark; and there was the bona fide belief, for argument's sake, following the obtainment of legal advice, that he was not infringing A's rights. Consequently, if honesty is seen to relate to knowledge of a mark, and the reason for the choice of a mark, B's position would be strong.

The letter of demand sent by A's attorneys changed the position as far as knowledge of A's mark was concerned. The question that must be considered here is the relevance of the fact that the letter did not mention the trade mark application filed by A, a fact to which the court attached weight.¹⁴⁰ The implication probably was that B was not aware of the (potential) rights that A would obtain, in particular their nationwide scope. In the absence of such knowledge, it does seem reasonable, from B's perspective, to then have continued to use his mark. In contrast, if the letter raised the spectre of statutory infringement, he may have elected to discontinue use.

Received wisdom in practice is, indeed, not to mention a pending application, for fear that the defendant will oppose the application. It may be necessary, however, having regard to the Diggers Grill decision,¹⁴¹ to revisit this approach. The better view seems to be that a comprehensive letter of demand should be sent as soon as a party becomes aware of another's use, so that, amongst others, the principle of volenti non fit iniuria can apply. It is thus submitted that if, after a detailed notification of rights, imparting

¹⁴⁰ Page 196 I.

knowledge of a trade mark application that will mature into registration, a defendant elects to continue to use the mark, he must be taken to have assumed the risk that a court may rule that the use that followed the letter cannot found a claim for registration on the basis of honest concurrent use. There would then be use in the face of strong opposition which makes it clear that, although pro tempore, the dominant rights holder would not act against the defendant, he would as soon as he has a legal basis to do so. In particular, the principles contained in the Bali Trade Mark (no. 2) case¹⁴² would protect the dominant rights holder so that the defendant cannot, if an opposition is filed, rely on use during the period of opposition in support of a later application by it on the basis of honest concurrent use.

In given instances, if the use of the junior user has already been extensive, a letter of demand can, of course, not change matters. This was the situation in the Diggers Grill case,¹⁴³ where the court considered the relevant date to be A's application date, not his date of first use. The situation from this perspective is that it is always advisable to file an application as soon as possible, so as to "arrest" the establishment of rights. In the court's interpretation, B had, at the stage that A filed his application, use of four months, moreover, such use was on an extensive basis. Therefore, if A filed an application in June, that is a month after becoming aware of B's use, the ruling might have been in favour of A, as B's use would not have established sufficient rights. By way of repetition, if A's date of first use was taken into account, A would have had priority of more than 19 months.

It is, however, necessary to sound a word of caution. In practice it frequently happens that some time elapses before action is taken. In fact, it would appear to be the normal type of situation that practitioners encounter. The system of enforcement of trade mark rights would be thrown in turmoil if every business that has used a mark in a particular geographical area would be able to attack the registration of the proprietor on the basis of rights in that area. To this extent, it may perhaps be necessary to see the Diggers Grill decision¹⁴⁴ to be of a sui generis nature.

¹⁴¹ Note 111.

¹⁴² [1978] FSR 193.

¹⁴³ Note 111.

¹⁴⁴ Note 111

It should be pointed out, as has been argued before,¹⁴⁵ that the honest belief that use would not be unlawful, should not amount to such use being deemed to be honest concurrent use.

In the last place, it was noted that the British Act specifically provides for the recognition of honest concurrent use in the context of prior use. However, in South Africa, section 14 of the Act is silent on the issue.

3.4 Prior use defence

In the United States, section 33(b)(5) of the Lanham Act provides protection for use prior to the filing date of a mark, if the mark has been used without knowledge of the proprietor's use, prior to the date of constructive use or registration date, on condition, however, that the right to use the mark shall only apply in the area of prior use. It is not of relevance, in the context of section 33(b)(5), that the junior user may be in a position to obtain its own concurrent federal registration in proceedings before the Patent and Trademark Office. If a (national) junior user has common law rights in a particular area, it can only object to the senior user's registration in concurrent use proceedings before the Trademark Trial and Appeal Board, or in a court action.

It was held, in Tie Rack Enterprises, Inc. v Tie Rak Stores,¹⁴⁶ that the defence contained in section 33(b)(5) cannot have effect in a territory where the junior user commenced use after the date of the senior user's registration. After registration, the junior user can thus not extend the area of his use. Although the wording of section 33(b)(5) refers to "registration", it has been held in Thrifty Rent-A-Car System, Inc v Thrift Cars, Inc.,¹⁴⁷ that the date of application is decisive. After this date, the zone of permissible use is frozen.

The position, normaliter, would be that the senior user is the federal registrant. However, the registrant can in fact be the junior user. If the registration concerned is contestable, the senior user can challenge the registrant's exclusive rights in the territory of use. If the registration has become incontestable, reliance can be placed on

¹⁴⁵ Chapter 5, paragraph 3.3.2.5.5.

¹⁴⁶ 168 USPQ 441 (TTAB 1970).

¹⁴⁷ 4 USPQ2d 1709 (1st Cir 1987)

the wording of section 15, which delineates exceptions to incontestability, insofar as the acquisition of valid rights are concerned.

Under the 1938 British Act, protection was given to the user of a mark whose use predates the registrant's date of first use or filing date, whichever is the earlier. The protection was granted for the goods in relation to which the mark was used. The issue of the scope of protection was considered in Everest (Long Eaton) Ltd v. P.Camm, Ltd.¹⁴⁸ It was said that the word "goods" is not used 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.

Insofar as the quantum of use is concerned, it was said in Williams Ltd v Massey Ltd,¹⁴⁹ that the user must be substantial. In Concorde Trade Mark¹⁵⁰ it was said that "substantial" has to be considered in relation to the trade concerned.

The 1994 Act maintains protection for a prior user in section 11(3). This section provides protection on the same basis as that in the previous Act, in the sense that use must predate the registrant's filing date or date of first use, whichever is the earlier. This is termed an earlier right, and is protected in the case of use in a particular "locality," if use in that locality can be prevented by, in particular, passing off.

Consideration was also given to the issue as to when the particular earlier right must exist. In terms of its wording, section 11(3) appears to require merely that the earlier right should apply at the time of the infringement and that for the section to apply, it need only be protected at that time. But it would appear to be more correct if the approach is linked to the definition of earlier right so as to qualify it as being a right recognised by law. Therefore, in the context of the provision as a whole, it is submitted that the goodwill must have been established at the earlier of the application date or the date of first use by the proprietor.

Section 36(1) of the current South African Act provides protection for a user who has used a mark prior to the earliest of the registrant's date of first use, or filing date,

148 [1950] RPC 200.

149 [1911] RPC 512.

150 [1987] FSR 209

whichever is the earlier. The application of the provision to infringement in terms of section 34(1)(a) of the Act can require a consideration of the scope of protection the prior user would enjoy. 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. In relation to section 34(1)(b), it was suggested that prior use must have taken place in relation to both the same or similar goods. In the case of section 34(1)(c), it was argued that the concept of prior use does not essentially find application.

In the case of the protection of prior user rights relating to a well-known marks, the courts have rejected the defence in circumstances where it was considered that the purpose of the acquisition of a 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 proprietor of the well-known mark. It was argued that transactions where companies purchase whole businesses, including their trade mark, or purchase only a particular trade mark are entered into on a regular basis. To distinguish when the defence of prior use will not succeed is, on a practical level, thus a difficult task. However, the approach of the courts may be aligned with general principles of unlawful competition which attach considerable importance to the motive of a competitor.

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 (if such use is proven) 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. In terms of section 36(2), specific provision is made for well-known marks in terms of the Paris Convention.

Insofar as the relevant date is concerned, the most striking difference between American, English and South African law is the date for the determination of the prior user's right to continue use. Section 33(b)(5) of the Lanham Act provides that use prior to the filing date concerned is protected. The following example can be utilised. A commences use in 1990 in Texas. B commences use in 2003, in California. In 2004, A files a federal application. B will be able to rely on the prior use defence. In other words, although B commenced use after A did, B would be entitled to protection. The inference that can be drawn is that American law places a high premium on the filing of

federal trade marks. In other words, if a filing is made as soon as the mark is to be introduced to the market, it will prevent a regional senior, but national junior user, from relying on section 33(b)(5).

The importance of knowledge in the American system must always be borne in mind. This is apparent from decisions such as that in United We Stand America v United We Stand New York.¹⁵¹ Here the slogan “United We Stand America” was used by A in a presidential election campaign in August 1992. An application for it was also filed. B broke away from the campaign and commenced use of the slogan in October 1992. Insofar as the relevance of B's use prior to A's filing date is concerned, the court stated the following:¹⁵²

"The owner's right to bar infringing use does not depend on registration prior to the infringer's use. As [A] was the first user of the Mark, and [B] was well aware of [A's] prior use before [B] used it, the date of [A's] registration is irrelevant to the dispute."

In this instance, B had use prior to A's filing date, but the fact of knowledge of A's mark excluded protection. If the fact of knowledge is removed from the equation, it would appear not to be correct to state that the fact of use by B prior to A's registration is in effect irrelevant. This pronouncement, as a general proposition, is not in line with the wording of section 33(b)(5), which does make use prior to the filing date relevant.

In contrast to the above position in the United States, the British and South African legislation, in sections 11(3) and 36(1) respectively, require use prior to the earliest of the registrant's filing date or date of first use. Mere use prior to the filing date of the registration is thus not sufficient. Seen from this perspective, American law is thus more lenient towards the junior user. British and South African law is focused, on the other hand, on the senior user, and is in fact more strict towards the claimed senior user. In other words, to obtain protection, he would have to prove use prior to the filing date of the registrant, and he would also have to prove use prior to the date of first use, something that is not required of the American “prior” user.

¹⁵¹ 128 F3d 86 (2nd Cir. 1997).

Substantial use is required to rely on the defence of prior use in South Africa, and the decision in Williams Ltd v Massey Ltd.¹⁵³ which is to this effect, will apply. This principle can be applied from a different perspective in section 36(1). The latter section, of course, refers to the use of the apparent prior user. The mechanism for determining the ability of A, the alleged infringer and claimed prior user, to have a defence involves, amongst others, the date of first use of the registrant, B. The situation that can be envisaged is where B commences use on a modest scale, not amounting to substantial use. On the face of it, B is, however, the prior user. At a later stage A commences use on a substantial scale. B thereafter files an application. It would seem to follow that if B's use has not been substantial, A would not be called upon to present a defence as, in view of the lack of sufficient prior use by B, the registrant, the only relevant date on the table is B's date of filing, which postdates A's date of first use. It is submitted that there is no valid reason to differentiate between the quantum of use required for a plaintiff or defendant.

In the context of the current discussion, the issue of geographical priority, which is, perhaps, the most problematic and pervasive issue dealt with in this work, surfaces again. Under American law, the common law position as set out in the Tea Rose-Rectanus cases¹⁵⁴ will apply, namely that the mark must have been used in a remote area, in good faith. As is clear from the above, the common law envisages that the senior user will not be able to prevent the use of his trade mark in all parts of the country. In the context of registered rights, the position would appear to be different. Section 33(b)(5) namely states that the registration of a mark brings about exclusive rights to the use of the mark. From this it seems that the proprietor may indeed protect his mark in the whole country. Section 33(b)(5), however, protects prior use in the stated circumstances, which would imply that the effect of a registration is not necessarily to provide protection for the whole United States.

The position in English law is that prior user rights are protected in a particular "locality". It was, however, submitted by writers that the section would also include a user on a national scale. Section 11(3) refers to the protection of an earlier right in a locality, if, or to the extent that, its use in that locality is protected by virtue of any rule of law, in

152 Page 93 (own emphasis).

153 [1911] RPC 512.

154 Notes 58 and 59

particular, the law of passing-off. The first question that must thus be answered is whether the person in fact has prior user. Only then does the second question arise, whether the person has established the requirements for passing off.

The Saxon case¹⁵⁵ has seemingly accepted the principle of geographical priority, namely the right to oppose even if the use does not predate the filing date of the application being opposed. This would be a requirement in terms of section 11(3), and an anterior question. In the Saxon case,¹⁵⁶ the court seemed to focus only on the passing off position, and not the underlying condition of use prior to the opponent's date of application or date of first use, whichever is the earlier. In this sense the requirements for the prior use defence and an opposition would not be the same.

The requirement for priority in an opposition matter is usually taken to be use prior to the date of application or first use of applicant, whichever is the earlier. As was stated above, this formulation is echoed by section 36(1) of the South African Act. However, it was noted that the Diggers Grill¹⁵⁷ decision could be interpreted as recognizing the principle of geographical priority. In other words, if B uses his mark in an area prior to A, the registrant, B would have rights, and could oppose the application. In the case of section 36(1), there appears to be no scope for such an interpretation. The registration itself would have to be attacked, or the particular area excised, depending on the factual circumstances, for instance, where there is limited use in a small area. It is appropriate to remark at this stage that in practice an attack on a registration with the aim of obtaining a geographical delimitation is fairly rare, and it would appear that the courts would prefer not to follow this route. Clients are accordingly usually advised to follow the strategy of applying for registration on the basis of honest concurrent use. In such an event, a more flexible approach would be followed, and the use made by the applicant for registration, prior to his application, not prior to the date of first use or registration of the registrant, would be relevant.

Lastly, the question must be considered whether bona fide prior use, adopting a South African perspective, would necessarily provide a license to use the mark vis-à-vis the later registrant in the whole of the country. This raises to an extent the question of the

155 Note 119.

156 Note 119.

157 Note 111

territorial nature of domestic trade mark rights. With regard to the common law, in particular passing off, it is well-established that protection for the prior user will be limited to the actual area within which a reputation is established. This is evident from decisions such as Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd,¹⁵⁸ wherein it was held that a trader could have a reputation in a particular part of the country, but not in another. The retention of (only) common law rights have in fact been recognised by the courts. In Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC¹⁵⁹ the court, for instance, stated¹⁶⁰ the following in relation to section 36(1):¹⁶¹

“The underlying purpose of this section is to prevent a proprietor of a trade mark from exercising his rights merely on the basis of priority of registration and it preserves whatever common-law rights there may be antecedent to the rights of the registered proprietor.”

Common law rights are thus protected. Such rights are typically related to the particular area where a reputation exists. It would seem to follow that the prior use by A in the relevant area of use would be preserved, but there would not automatically be a blanket licence to extend use. The fact of prior use by A does also not, ipso facto, invalidate B's registration. Normaliter, A would thus have to file an expungement application to remove the entry from the Register. If the entry is not removed, it is obviously valid, and A's position would thus hinge on the status quo at the relevant date. This result may seem incorrect, but not necessarily in the situation where A has used his mark on a relatively small scale, only in one particular location, and B has more extensive use in a number of geographical locations.

What is the relevant date for determining A's right to use? If the issue is seen to be the prevention of priority merely on the basis of a registration, B's filing date would, strictly speaking, not be relevant, and from this perspective, the cut-off date for expansion by A, and the date after which such use would be infringement, is B's date of first use. It is submitted, however, that the situation must rather be judged on the basis of general

¹⁵⁸ 1985 (1) SA 211 (C).

¹⁵⁹ 1998 (3) SA 656 (C).

¹⁶⁰ The view is seemingly based on a passage (page 12-79) in Webster and Page South African Law of Trade Marks (1997).

¹⁶¹ Page 675 H (own emphasis)

principles of priority, in terms of which either a filing date or date of first use, can be relevant. Put differently, in regard to A's use prior to B's filing date or B's date of first use, A has "absolute" priority in terms of section 36(1). In relation to use thereafter, A would be in the same position as any other party, and extended geographical use by A after B's priority date, in a broad sense, would amount to infringement, as it would not be protected by section 36(1). The guiding principle should be the extent of A's reputation, in a geographical sense, at the relevant date.

It should be pointed out that even if an expungement application is filed, which would be in terms of section 10(12) read with section 24(1), there is the possibility, on the strength of the Diggers Grill case,¹⁶² that a court will carve out from the registration only the particular geographical area where the prior user has been trading.

It is noteworthy that it is determined in the United Kingdom, by section 11(3) of the Trade Marks Act, that a registered mark is not infringed by the use of a mark by a local prior user in the area where the latter has built up rights.¹⁶³ The effect of section 11(3) in this regard has been stated to be the following:¹⁶⁴

"It is fairly clear that the owner of the 'earlier right' would not be permitted to expand the area of use outside the particular locality, and still avoid infringement".

Insofar as the United States is concerned, it was held in Tie Rack Enterprises, Inc. v Tie Rak Stores,¹⁶⁵ that the defence contained in section 33(b)(5) cannot have effect in a territory where the junior user commenced use after the date of the senior user's registration. After registration, the junior user can thus not extend the area of his use. In this regard the provisions of section 22, which provides for constructive knowledge of a registration, is relevant. This section has the effect of freezing the zone of permissible use of the junior user.

It is of interest, lastly, to have regard to Australian legislation. Section 124(1) of the Trade Marks Act 1995 provides protection on the same general priority basis as the

¹⁶² Note 111.

¹⁶³ See the discussion of section 11(3) in chapter 3 paragraph 3.4.2.

¹⁶⁴ Morcom et.al. Modern Law of Trade Marks 216 (own emphasis).

South African Act's section 36(1). However, it is specifically provided that if the mark concerned has been used only in a particular area of Australia, the protection shall apply only in that area.

Various systems thus seem to adopt the approach that protection for the prior user, or user prior to the filing date concerned, is limited to the actual area of use at the relevant date.

4. RECOMMENDATIONS RELATING TO SOUTH AFRICAN LAW

4.1 The relevance of prior use in a common law context

It is recommended, firstly, that the right to a distinctive mark should be recognized besides the right to goodwill. Although this right is seen as being accessory to the right to goodwill, it appears that, in practical terms, it has an independent existence to a large degree.

Secondly, the right to a trade secret should be recognized. In the context of the current discussion, it could form another basis for the protection of a distinctive mark, in cases where there has been no use of the mark, or no goodwill yet established.

In the third place, it was submitted that a distinction should be made between the sabotaging of a marketing campaign relating to a distinctive, or potentially 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. The existence of a reputation derived from the use of a mark is only a requirement for passing off, and should not be given a wider application.

Fourthly, in the case of concurrent use of a mark, it was argued that the proper explanation for the situation should be related to the doctrine of subjective rights. In particular, in the subject-object relationship, the right to use a mark should be discerned.

Fifthly, insofar as the honesty of adoption is concerned, it was submitted that the doctrine of unclean hands should not exclude protection on the ground that the plaintiff was aware of the existence of the mark that is in use by another party.

In the sixth place, it was submitted that a registration does not provide an unqualified right to use a mark, in particular as far as a common law user is concerned. There is at most a limited right to use a mark vis-à-vis another proprietor's registration mark.

4.2 The relevance of prior use in a statutory law context

Firstly, it was submitted that in the case of an opposition in terms of section 10(15) of the Trade Marks Act, that is, where an opposition is based on an earlier application, use by the applicant prior to the filing date of the opponent should allow the applicant to prevail in the opposition proceedings. At this stage, the Act theoretically does not allow for an enquiry broader than a mere comparison of the respective applications' filing dates.

Secondly, in the case of section 10(16), where an earlier mark is opposed by a later application on the basis of existing rights, it seems that it should be accepted that the later applicant would have a lesser burden of proof than in the case of an opponent relying on section 10(12), and this is the position on account of the fact that the later applicant has in fact proceeded to file an application. In contrast with an opponent who relies purely on user rights, the former opponent would thus have a distinct advantage.

In the third place, it was submitted that the requirement for an opposition on the basis of use should again be the existence of a reputation, and the position under the previous Act should thus be followed in this regard. Rights established by the applicant that predates the coming-into-being of a reputation should, however, also be considered. This is necessary to prevent an opponent from succeeding merely because he had established a reputation prior to the applicant's filing date, but not prior to the date on which the applicant established user rights.

Fourthly, insofar as the scope of comparison is concerned, it was argued that, having regard to general principles, the comparison should be made between the opponent's

mark as in use, and that of the applicant as filed. This approach would be reconcilable with that followed in infringement proceedings, where regard is not had to matters extraneous to the mark in use by the alleged infringer.

In the fifth place, with regard to the issue of honest concurrent use, it was proposed that English case law be followed. The latter 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 importance. It was submitted that the concept of honesty relates primarily to the reason for the selection of a mark.

In the sixth place, use carried out in the face of persistent opposition from the owner of the existing mark, and which was established to be infringing use, should also not qualify for consideration on the basis of honest concurrent use. In other words, use that is of an infringing nature cannot establish rights merely because it has been of some duration.

In the seventh place, the honest belief that use is not infringing should not exclude a finding that such use does not qualify for protection under the rubric of honest concurrent use. The matter does not involve a subjective enquiry into the state of mind of the user of the mark.

In the eighth place, it is suggested that section 14 of the Act should be amended to make specific reference to the use of the applicant in situations where he is confronted with prior user rights, and not necessarily a registration, a facet which is currently not regulated adequately insofar as the provisions relating to honest concurrent use are concerned. A similar approach to that contained in the United Kingdom Act¹⁶⁶ should be followed.

In the ninth place, insofar as the prior use defence is concerned, it is submitted that a wider approach than merely looking at the actual goods on which the mark was used should be followed. There is support for this approach in other areas of trade mark law.

166 See sections 5(4)(a) and 7(1)(b).

Lastly, with regard to the acquisition of rights in order to obtain a defence to an infringement action, it was noted that the current approach cannot always be applied clearly. It is submitted that the mere fact that one of the results of a transaction would be the obtainment of a defence, should not in itself exclude protection.